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TRADEMARKS AND THE FEDERAL TRADE COMMISSION

HEARINGS

BEFORE THE

SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES, AND THE ADMINISTRATION OF JUSTICE

OF THE

COMMITTEE ON THE JUDICIARY HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

FIRST SESSION

ON

H.R. 3685

TRADEMARKS AND THE FEDERAL TRADE COMMISSION

OCTOBER 17 AND 18, 1979

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TRADEMARKS AND THE FEDERAL TRADE COMMISSION

WEDNESDAY, OCTOBER 17, 1979

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES,
AND THE ADMINISTRATION OF JUSTICE,
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:30 a.m., in room 2226, Longworth House Office Building, Hon. Robert W. Kastenmeier (chairman of the subcommittee) presiding.

Present: Representatives Kastenmeier, Danielson, Mazzoli, and Sawyer.

Also present: Bruce A. Lehman, chief counsel; Thomas E. Mooney, associate counsel; and Audrey Marcus, clerk.

Mr. KASTENMEIER. The committee will come to order.

The subcommittee begins hearings this morning on H.R. 3685, to amend the Lanham Trademark Act to deny the Federal Trade Commission authority to apply for the cancellation of registration of trademarks solely on the ground that such trademarks have become the common descriptive names of articles or substances.

It is especially appropriate that the Judiciary Committee and its Trademark Subcommittee examine carefully at this time the issues raised in H.R. 3685, since they have found their way into other legislation not specifically directed at trademark policy, being processed by other committees which have not had experience with this rather technical area of the law. Specifically, the issue will be considered in the near future as part of the Federal Trade Commission's authorizing legislation, H.R. 2313.

The statute in question is part of the Lanham Trade Act, which was enacted in 1946. The trademark law has historically fallen within the jurisdiction of the Committee on the Judiciary, as have the patent and copyright law which also grant limited monopoly rights to owners of intellectual property.

Any limitation on the authority of the Federal Trade Commission to initiate review by the Patent and Trademark Office raises serious policy issues with respect to the structure of trademark law itself. For example, if the Federal Trade Commission is not properly performing its public counsel role, perhaps another Government agency should be assigned this task. It may be possible that the solution would be to place a definite limited term on trademarks, similar to the terms now a part of patent and copyright law.

These are all questions which fall within the unique jurisdictional expertise of the Committee on the Judiciary, which has histori-

cally exercised responsibility for patent, copyright and trademark law. It is my hope that a serious examination of the issues raised in H.R. 3685 by this subcommittee will not only permit a careful evaluation of the bill before us, but will assist Members of the House when trademark policy is raised in connection with legislation emanating from other committees.

I am very pleased to call forward our first witness this morning, the Hon. Sidney A. Diamond. Mr. Diamond was recently sworn in as the Assistant Commissioner of Patents for Trademark. Mr. Diamond is a world recognized authority in the field, having engaged in the private practice of trademark law for many years. He is the author of a leading text on trademarks, entitled "Trademark Problems and How to Avoid Them." This is Mr. Diamond's second apperance before the subcomittee, the first having been 14 years ago when we conducted hearings on copyright law revision.

I might also state that as of Monday of this week Mr. Diamond was nominated by the President to be the new Commissioner of Patents, which is a very high honor indeed, and attests to the high regard in which he is held by the President, by the administration, and others. On behalf of the subcommittee, it is a pleasure to welcome Mr. Diamond.

TESTIMONY OF SIDNEY A. DIAMOND, ASSISTANT COMMISSIONER FOR TRADEMARKS, PATENT AND TRADEMARK OFFICE, U.S. DEPARTMENT OF COMMERCE, ACCOMPANIED BY ROSMARIE G. BOWIE, ATTORNEY-ADVISER, PATENT AND TRADEMARK OFFICE

Mr. DIAMOND. Thank you very much indeed, Mr. Chairman. I would like to acknowledge particularly your very warm and gracious words of welcome.

I appreciate the opportunity to appear before the subcommittee this morning to provide background information on the trademark procedures of the Patent and Trademark Office relevant to consideration of H.R. 3685. Let me say at the outset that when H.R. 3685 was introduced, the accompanying explanatory statement linked the proposed legislation directly to a case now pending before the Trademark Trial and Appeal Board, which is part of our Office. That case is *Federal Trade Commission* v. *Formica Corporation,* Cancellation No. 11955.

My natural inclination would be to avoid commenting on the merits of a pending legal proceeding under any circumstances; but I must be especially careful not to do so in this particular instance because, by statute, I am an ex-officio member of the Trademark Trial and Appeal Board. I assure this committee as well as the parties to the cancellation proceeding that I have not participated in any phase of the case nor—in view of my appearance here today—will I do so in the future. The board has four full-time members and it sits in panels of three, so that there is no need for an Assistant Commissioner to take part in the conduct of the proceeding.

The bill would have a direct bearing on the *Formica* case. Its purpose is to amend the proviso at the end of section 14, the section that deals with cancellation of trademark registrations, in

the Trademark Act of 1946, which is generally referred to as the Lanham Act.

The proviso at the end of section 14 of the Lanham Act states: "Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in subsections (c) and (e) of this section"—and I will get to those in a moment—"any mark registered on the Principal Register established by this Act, and the prescribed fee shall not be required."

I would like, if I may, to skip some portions of my prepared statement and hope that the entire statement will appear in the record.

Mr. KASTENMEIER. Without objection, your entire statement together with the appendixes will be received and made a part of the record. You may proceed as you wish.

[The statement follows:]

STATEMENT OF SIDNEY A. DIAMOND, ASSISTANT COMMISSIONER FOR TRADEMARKS, PATENT AND TRADEMARK OFFICE, U.S. DEPARTMENT OF COMMERCE

I appreciate the opportunity to appear before the Subcommittee this morning to provide background information on the trademark procedures of the Patent and Trademark Office relevant to consideration of H.R. 3685. Let me say at the outset that when H.R. 3685 was introduced, the accompanying explanatory statement linked the proposed legislation directly to a case now pending before the Trademark Trial and Appeal Board, which is part of our Office. That case is *Federal Trade Commission* v. *Formica Corporation,* Cancellation No. 11955.

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The proviso at the end of Section 14 of the Lanham Act states: "Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in subsections (c) and (e) of this section any mark registered on the Principal Register established by this Act, and the prescribed fee shall not be required."

Subsection (c) referred to in the proviso covers a variety of grounds for cancellation. For example, a registration can be cancelled if the mark becomes the common descriptive name of an article or substance, which is the expression used in the Lanham Act to express the same idea generally referred to in the literature as a mark "becoming generic". A registration also can be cancelled if it was obtained fraudulently, or if it is used so as to misrepresent the source of the goods or services. Subsection (e) also mentioned in the proviso, deals only with the cancellation of certification marks, a special type of mark not involved here.

The bill deals only with the first ground mentioned. H.R. 3685 would add at the end just before the period: "except that the Federal Trade Commission shall not have any authority to make such an application to cancel solely on the ground that any registered mark has become the common descriptive name of an article or substance".

In other words, the bill would make an exception to the proviso by not permitting the FTC to file a cancellation petition in the Patent and Trademark Office on the ground that a registered trademark has become generic, although its authority under the remaining portions of the proviso would not be impaired.

For all these reasons, and in order to avoid any appearance of favoring one side or the other, the Patent and Trademark Office takes no position, either for or against, the bill under consideration.

Before talking about the cancellation of a trademark registration, I would like to take a few moments to provide some background by discussing what a trademark is, what it does, and how and why it is protected.

What is a trademark

A trademark is a word or design used on an article of merchandise to identify it as the product of a particular manufacturer. In other words, a trademark is a symbol that indicates the commercial origin of the goods.

Let me give you a few examples. A trademark can be a coined word, such as Kodak, an ordinary word that had no meaning in connection with the product on which it is used (Arrow), a word whose meaning suggests some quality or function of the product (Close-Up), a coined word suggesting what the product does (Panasonic), a foreign word with or without some English meaning for the product (Lux). It can be the name of the founder of the company (Ford), an arbitrarily selected name of some famous person (Lincoln), a name from mythology, numerals or initials, or a combination of both, or it can be a pictorial mark with or without explanatory words (Four Roses). These, of course, do not exhaust the possibilities.

A trademark also can be used, and registered, for services; and the Lanham Act calls this a service mark. Familiar examples are Prudential's Rock of Gibraltar, the CBS eye design, and the NBC chimes.

A trademark has three basic functions. First, it serves as an identification of the origin of the product, distinguishing the trademarked products from those of competitors. Second, it serves as a guarantee of the consistency of the nature, quality and characteristics of the goods. Third, it serves as an advertisement—it enables the owner of the trademark to reach "over the shoulder" of the retailer to the ultimate consumer.

Nearly 25 years ago, when legislation was pending to restrict the commercial use of "Red Cross", Senator Tydings pointed out that the intrinsic worth of some long-established trademarks had been reported as follows:[1] Maxwell House Coffee, $42 million; Jell-O dessert, $35 million; and Sunmaid Raisins, $5.6 million.

I will leave it to others to figure the increases in value created by expanded markets and by inflation.

A Coca-Cola Company executive has been quoted as saying that, if all the Coca-Cola manufacturing facilities were to be completely destroyed by fire, any bank would be glad to lend the company the money to rebuild on the strength of the trademark alone. Trademarks in today's economy obviously have high commercial value.

In the early years of our country, consumers knew their suppliers, such as the village smithy and the farmer from whom they bought their produce. But one of the great changes brought by the industrial revolution was to separate the consumer from the producer of goods, and modern economic trends have increased the spread. Technological advances lead to larger and larger production units. Improved transportation methods deliver products to distant markets. Self-service retailing removes the consumer even further from direct touch with the manufacturer.

Trademarks are the symbols that bridge the gap so that a consumer is able to associate the product with its manufacturer. Without trademarks, there would be no way for the consumer to identify a product which satisfied his requirements and which he wanted to purchase again. Without trademarks, it would also not be possible for the consumer to avoid the repurchase of products which he found unsatisfactory in the past. Each purchase would be a gamble. Trademarks provide the basis for making the distinction.

Lanham act and common law—concurrent jurisdiction

The law of trademarks has its roots in the common law of unfair competition, which the United States borrowed from England at the time of the Revolution.

In 1791, in response to the petition of a Boston sail maker to register his mark, Thomas Jefferson, then Secretary of State, reported to Congress that "it would, in his opinion, contribute to fidelity in the execution of manufacturing, to secure to every manufactory, an exclusive right to some mark on its wares, proper to itself".

Jefferson recommended that this be done by extending equal rights to every case to which the authority of the Congress was competent.

He noted that these cases were of divided jurisdication: "manufactures made and consumed within the United States being subject to State legislation, while those which are exported to foreign nations, or to another State, or into Indian territory, are alone within the legislation of the general government."[2]

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[1] Julius R. Lunsford, Consumers and Trademarks: The Function of Trademarks in the Marketplace, 64 TMR 75.

[2] 14 Am State Papers 48.

This divided jurisdiction is still the case today. Only marks which are used in interstate or foreign commerce may be registered under the Federal law. Trademarks which are used solely in intrastate commerce, or which are unregistered, are protected under State laws.

If a mark meets the federal statutory requirements, it is registrable on the Principal Register established by the Lanham Act. When the Patent and Trademark Office believes a mark is registrable on the Principal Register, it is published in a weekly bulletin called the Official Gazette for the express purpose of allowing anyone who belives he may be damaged by the registration, to oppose it. If no such opposition is filed, or if there is and it is overruled, the trademark will be duly registered. Marks registered on this register have all of the advantages provided by the Trademark Act.

Marks which are unregistrable on the Principal Register because they are descriptive of the goods, geographical terms, or merely a surname can be registered on the Supplemental Register if they are capable of distinguishing the applicant's goods and have been used in commerce for one year immediately prior to the filing of the application. However, such registrations have only limited legal effect as compared with a Principal Registration.

I should emphasize that marks used in commerce which can be regulated by Congress *may* be registered under the Federal trademark law. They do not have to be. Federal trademark registration is not necessary to maintain trademark rights which are established by use of the mark.

It is even possible in some unfair competition cases to protect unregistered trademarks under the Lanham Act. (Section 43 (a)).

Despite Mr. Jefferson's recommendation in 1791, the first trademark law in the United States was not enacted until 1879, and it was held unconstitutional because it was erroneously based on the patent and copyright clause of the Constitution. In the *Trademark Cases*,[3] the Supreme Court discussed at length the fact that trademarks have no relation to patents and copyrights. The court also discussed the commerce clause and the probability that it afforded Congress jurisdiction to legislate with respect to trademarks.

The first Constitutional trademark act of the United States was enacted in 1881. It provided for registration of trademarks used in foreign commerce and in commerce with Indian tribes.

The next trademark law, and the first to allow registration of marks used in interstate commerce, was passed in 1905. This continued in force, with amendments, until enactment of the Lanham Act in 1946.

Although a trademark need not be registered in order to be protected, there are definite advantages to Federal registration on the Principal Register:

1. It gives constructive notice of the claim of ownership of the mark;
2. It is evidence, although rebuttable, of registrant's exclusive right to use the mark—anyone challenging that right has the burden of proof (section 33(a));
3. It may, after a period of five years, represent conclusive evidence of the right of exclusive use (sections 15 and 33(b));
4. It gives Federal courts jurisdiction to hear infringement cases, and related claims of unfair competition under State law;
5. It can be used as a basis for foreign registration in countries which are members of the Paris Convention for the Protection of Industrial Property;
6. It can be recorded with the U.S. Customs Service to prevent the importation of foreign goods bearing infringing marks.

Cancellation procedure in the Patent and Trademark Office

From this broad background statement, I now move on to the specific provisions of the Lanham Act dealing with cancellation. Section 14 of the Act provides that anyone who believes that he is or will be damaged by a registration of a mark on the Principal Register can file a petition with the Trademark Trial and Appeal Board (TTAB) for cancellation of the registration. The jurisdiction of the TTAB extends only to the federal registration of the mark and not to the mark itself. This is an important point. The Patent and Trademark Office has no authority to control the use of a mark. It deals only with registrations—either granting, denying or cancelling them.

A petition to cancel a registration which was issued on the Supplemental Register or under the Act of 1920, or under the Act of 1881 or 1905 and not republished, may be filed at any time. But a petition to cancel a registration which was issued on the Prinicpal Register of the 1946 Act must be filed within five years from the date of registration or from the date of republication under section 12(c) of the Act. Howev-

[3] *Trade Mark Cases* 100 U.S. 82 (1879).

er, there are certain grounds on which a petition to cancel may be filed after the five year period. They are that the registered mark: (a) Has become the common descriptive name of an article or substance; or (b) has been abandoned, or its registration obtained fraudulently or contrary to certain provisions of the Act or prior Acts barring registration; or (c) that the mark is being used by, or with the permission of, the registrant so as to misrepresent the source of his goods or services.

The proviso at the end of the section permits the Federal Trade Commission to file a petition to cancel a mark registered on the Principal Register when the mark has become generic, or when it was obtained fraudulently, or contrary to certain provisions of the Act barring registration when one of the above listed conditions has been met.

The cancellation of a trademark registration is a proceeding before the Trademark Trial and Appeal Board, but the Federal Rules of Civil Procedure govern unless otherwise provided by the Trademark Rules of Practice.

The petition in a cancellation proceeding is in the position of the plaintiff in a civil action in a U.S. District Court, and the respondent is in the position of defendant. The petition and answer correspond to the complaint and answer in a court proceeding. The assignment of testimony periods corresponds to setting a case for trial in a court proceeding. The testimony of witnesses is taken by depositions during the assigned testimony periods; this corresponds to the trail in court proceedings. Oral hearing corresponds to final argument in court proceedings.

A proceeding for the cancellation of a trademark registration is initiated by a party who believes that the registration is or will be antagonistic to his rights, or in certain cases by the Federal Trade Commission, by filing a verified petition before the Patent and Trademark Office Trademark Trial and Appeal Board. We refer to this Board as the TTAB.

The petition requires only a short, plain statement that will give the respondent fair notice of what the petitioner's claim is and the general grounds upon which it rests. This is the same kind of requirement that applies to a complaint in a federal court litigation.

The verified petition, in duplicate, must be accompanied by the statutory fee. This fee is not required for a petition filed by the FTC. If the petition meets the formal requirements, the cancellation proceeding is initiated. The Office sends a notice of the proceeding and a copy of the petition to the registrant and, as a matter of practice, allows 40 days to respond. If the registrant does not respond, there may be a judgment by default. After the petition for cancellation is filed, all other papers filed in the Office must be served on the other parties.

After the response is filed, the TTAB sets the closing date for taking discovery. The discovery phase of the case is similar to the corresponding phase of a court case, although the Trademark Rules of Practice contain certain special provisions. For example, the application files of the registration involved in the proceeding are a part of the record without further action by the parties.

After the discovery closing date, the TTAB assigns each party a time period for taking testimony. Testimony may be taken by deposition based on oral examination or written questions but it may be taken only during the period assigned to the respective parties. All depositions taken as testimony must be filed with the TTAB.

The brief of petitioner must be filed within 60 days after the closing date set for rebuttal testimony and the brief of respondent no later than 30 days thereafter. Any reply brief is due 15 days after that. If an oral hearing is desired, it must be requested no later than 10 days after the due date of petitioner's reply brief. Unless otherwise permitted, oral argument is limited to 30 minutes.

When the FTC is in the position of petitioner, it must comply with all of the rules the same as any other petitioner. The only exception, which is statutory, is that it does not have to pay the fee for filing a cancellation petition. It has the burden of proving its case just as any other litigant does.

As I said earlier, the registration of a trademark is not necessary for its protection, since both the Lanham Act and the common law protect trademarks in the United States. The question thus arises as to what effect the cancellation of a registration would have should the petitioner prevail. Here, it must be noted that although the section 14 proviso refers to cancelling the "mark" this is not possible. Only the Federal registration would be cancelled. It would not affect respondent's right to use his mark.

The question of whether a successful petition to cancel a registration on the ground that the mark has become generic makes the mark available for use by a third party has never been tested and remains open. Of course, if a registration had been cancelled, the proprietor of the mark would be impeded in any attempts to

prevent its use by a third party since cancellation of the registration would destroy the trademark owner's statutory presumption of an exclusive right to use the mark. Nevertheless, I should point out that, as a technical matter, the cancellation of a registration, even when it results from a Federal Trade Commission petition to the TTAB, has no effect on the right of its owner to use the mark or even to attempt to stop a third party from doing so. The Federal Trade Commission would not be using the mark itself and would not be a party to any civil lawsuit that the trademark owner might bring for infringement, so that the legal principles of res judicata and collateral estoppel would not apply. The third party using the mark obviously would have the help of the TTAB decision as a legal precedent, but he could be required to prove independently that the mark whose registration was cancelled had become generic in fact.

History of FTC proviso in section 14 of the Lanham Act

The legislative history of the Trademark Act of 1946 goes back to 1938 with hearings held before the House Patents Committee, March 15–18, 1938, on H.R. 9041, a bill entitled "Trademarks". In each one of the following eight years, either hearings were held or a committee report was issued (see Appendix 1).

However, it is not until the Subcommittee on Patent's hearings on H.R. 82, held November 15 and 16, 1944, that we find a reference to government agencies' participation in PTO proceedings. This point was originally raised by Senator Pepper in the context of allowing oppositions by government agencies in the public interest and was directed only toward deceptive marks. He favored such a provision since it would also allow the applicant to know that the Federal agency was opposed. The language of the amendment was to be added in the first paragraph of section 13 to the effect that anyone who believed he would be injured, or any public authority believing the public interest might be adversely affected, could file an opposition.[4] The Patent Office did not object to this amendment, since it felt that it would merely put into writing the existing policy of taking the Food and Drug Administration's objections into consideration.

The representative of the Antitrust Division of the Department of Justice objected to the amendment.[5] He felt that it was harmless, but that it was unrealistic and insubstantial since an agency checking the Official Gazette could have no knowledge of the commercial use of the mark nor the extent to which it was used as an instrument of commercial policy. His suggestion[6] would have amended the first paragraph of section 14 to allow any government agency to file a cancellation proceeding. The amendments to both section 13 and 14 were contained in H.R. 82 of December 4, 1944 (Calendar No. 1332). Both would have read "or any government agency which believes that the public interest is or will be adversely affected may, without the payment of a fee, file.* * *" H.R. 82 was not enacted.

H.R. 1654 was the bill that eventually became the Trademark Act of 1946. In the version that was introduced January 22, 1945, neither section 13 nor 14 contains the amendment added to H.R. 82. In the Senate Report No. 1333, the concept appears as a proviso at the end of section 14 that "the head of any government agency may apply to cancel marks registered under the provisions of section 4 of this act and the prescribed fee shall not be required." This would have limited a government agency to petitioning to cancel only the registrations of certification and collective marks, two specialized types of trademarks that have no bearing on the generic question before you here.

The Conference Report No. 2322 changed this to the present language, which gives only the FTC the power to petition to cancel a mark but expands the grounds to include those marks which have become the common descriptive name of an article or substance, which were fraudulently obtained, or which had been obtained contrary to other specified provisions of the statute. Although the wording of the proviso says "mark", as I have noted before, only the registration can be cancelled.

The Court of Customs and Patent Appeals recently pointed this out in a footnote to its decision on a preliminary legal question in the *Formica* case,[7] saying: "* * * the proviso of § 14 speaks of applying 'to cancel * * * any mark' although the opening of the same section speaks of a 'petition to cancel a registration.' Here again we shall assume that the drafters of the proviso intended to authorize the FTC to petition to cancel certain registrations, which is another way of saying to remove marks from the Principal Register.* * * We can visualize no way in which

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[4] Subcommittee on Patent's Hearings on H.R. 82, Held November 15 and 17, 1944—pages 139–141.

[5] Ibid. page 142.

[6] Ibid page 153.

[7] *Formica Corp.* v. *Lefkowitz*, 200 USPQ 641, 643 (CCPA 1979); cert. denied, No. 78-1477, June 4, 1979, — U.S. —.

a trademark—even when it has ceased to be a trademark by becoming a generic name—can be 'cancelled'. Since registration does not create trademarks, which must preexist to be registrable, it follows that removal from the register does not cancel them."

Difference between patents and copyrights as provided for by the Constitution and trademarks which evolved from the law of unfair competition

Many of the common misconceptions concerning trademarks stem from confusing them with patents and copyrights. Article 1, section 8, of the Constitution provides that Congress shall have the power "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." The patent laws enacted by Congress pursuant to this provision grant to the patentee for a term of 17 years the right to exclude all others from making, using, or selling his invention. Without such an exchange, discoveries may not be made public and the advance of technology would be retarded by each inventor having to—as the saying goes—"reinvent the wheel." The purpose of the copyright law is similar to that of the patent law. As an incentive to general publication, the author is given exclusive rights for the period of his lifetime plus 50 years. As in the case of patents, the theory is that upon expiration of the copyright, the public will benefit from the free use of the product of the author's talents.

Both the patent and copyright laws are derived from the same constitutional provision. They are both government grants of exclusive rights in return for making knowledge public.

Trademarks are an entirely different matter. Rights in a trademark are obtained by putting the mark to use. Unlike patents and copyrights, trademarks are not creatures of statutory grants of exclusiveness based upon specific constitutional sanctions. They are primarily creatures of the common law, which are also protected under the Federal registration statute. Under our legal system, trademarks do not need to be registered. Common law protection arises from adoption and use. Trademarks are symbols of good will which serve the essential commercial purpose of identifying the product and source of one person's goods and distinguishing them from the goods of his competitors.

Federal registration of a trademark does not, of itself, create or establish any exclusive right, but merely constitutes prima facie evidence of the validity of the registration, registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce. An owner's exclusive right in his mark is a condition precedent for federal registration of that mark. Unlike the exclusionary rights conferred by patents and copyrights, a trademark does not entitle its owner to prohibit the use, manufacture, sale or copying of any product. Anyone may market the same product under a different trademark.

Concept of trademark monopoly

Although anyone may market the same product under a different trademark, we continue to run into the idea of a "trademark monopoly." However, a trademark is not a monopoly granted by the government like a patent or a copyright. It is only a symbol—a word, name or design—used on or in connection with goods. Congress can only legislate with respect to trademarks under the commerce clause of the Constitution. Federal registration merely recognizes, and reenforces procedurally, trademark rights which have been acquired at common law through use of the mark.

The trademark proprietor can prevent others from using an identical or similar mark under circumstances that would cause confusion among purchasers, but that is simply the legal right to be protected against unfair competition; and, if the trademark happens to be a word, it certainly is not removed from the language.

As an example, consider the trademark "Arrow" for shirts. The proprietor of that trademark cannot stop anyone else from using "Arrow" in its normal meaning as an English word. The proprietor can prevent others from using the word "Arrow" as a trademark for competing products; but if that can properly be called a monopoly right at all, it is only a limited monopoly of nomenclature. It does not keep anyone else out of the shirt business.

If it is a monopoly in any sense, it is only a monopoly of the word "Arrow" with respect to items of men's haberdashery. It has certainly not prevented others from using and registering the trademark "Arrow" for such items as electric plugs and fuses, fertilizers, beer and ale, typewriters, tractors, sewing machines, fresh lettuce and celery, and floor wax, among other things. A recent count revealed 32 registrations of the word "Arrow" by itself or with designs, registered for various products other than men's haberdashery.

There are further legal limitations upon any undue extension of the trademark owner's rights. The Lanham Act, for example, specifically permits the use, otherwise than as a trade or service mark, of a term that is used fairly only to describe to users the goods or services of a third party, or their geographic origin. That kind of use is not an infringement, even though the term in question may be identical to a registered mark.

As long as a trademark is used, it is protected under the common law. Once a trademark is federally registered, that registration can be renewed every 20 years if it continues to meet the statutory requirements. On the other hand, a registration will be cancelled automatically if an affidavit showing that it is still in use is not filed by the end of the sixth year following registration (Section 8). The mark "Samson" for rope and cordage, which was registered in 1884, is the oldest registered trademark still in use. Anyone who wishes to renew a trademark registration must submit proof that the mark is still in use on or in connection with the goods. If the mark is not in use in commerce, the applicant must file a verified statement showing that non-use is due to special circumstances which excuse such non-use and is not due to any intention to abandon the mark.

Registrations of marks which are not in use in commerce or which have been abandoned cannot be renewed (section 9 of the Act). Section 45 of the Act states that a mark shall be deemed abandoned: (a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Non-use for two consecutive years shall be prima facie abandonment. (b) When any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin.

Section 14(c) of the Act provides for cancellation of a registration which has been fraudulently procured and section 38 of the Act provides that any person who procures a registration fraudulently will be subject to civil liability.

Then there is the limitation that occurs when a trademark becomes the common descriptive name of the product, that is, a generic term. When a product is so successful that the public adopts the brand name as the name of the product itself—as distinguished from one particular manufacturer's version of that product—then the brand name has passed into the language and the manufacturer who originated it no longer has the exclusive right to use it. In such a case, the trademark reaches the point where it comes to mean the product itself rather than merely a source for the product, and competitors have the right to use that name for their version of it. Technically, the trademark becomes a generic term for the product, and generic terms are incapable of functioning as trademarks.

Traditional approach to trademarks which have become generic

If the trademark as the result of widespread use comes to mean the name of the product to the general public, instead of just one manufacturer's brand of the product, then the whole industry has the right to use it as such. In a manner of speaking, a trademark can become too successful. If that happens, in spite of the manufacturer's desires the trademark passes into the language as a generic word, and he no longer has the exclusive right to use it as his brand name.

Some examples of valuable brand names actually lost in this way are: aspirin[8], cellophane[9], celluloid[10], escalator[11], kerosene[12], lanolin[13], linoleum[14], milk of magnesia[15], shredded wheat[16], and thermos[17]. Each of these once represented the product of a single manufacturer, who obviously invested substantial sums in building up the brand. Each of them reached the points where it came to the product rather than merely a source for the product, and competitors won the right to use the name for their own versions of it. The brand name has become the generic term for the product, and as such was incapable of functioning as a trademark.

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[8] *Bayer Co. Inc.* v. *United Drug Co.*, 272 F. 505 (S.D. N.Y. 1921).

[9] *DuPont Cellophane Co., Inc.* v. *Waxed Products Co., Inc.*, 85 F2d 75, 30 USPQ 331 (2nd Cir. 1936) cert denied 299 U.S. 601 (1936).

[10] *Celluloid Mfg. Co.* v. *Cellonite Mfg. Co.*, 32 Fed. 94 (D.N.J. 1887).

[11] *Haughton Elevator Co.* v. *Seeberger*, 85 USPQ 80 (Commr. of Pats 1950).

[12] *Bennett* v. *North British & Mercantile Ins., Co.*, 81 NY 73 (1880).

[13] *Jaffe* v. *Evans & Sons, Ltd.*, 70 App. Div. 186 (1st Dept. 1902).

[14] *Linoleum Mfg. Co.* v. *Nairn*, L.R. 7 Ch. Div. 834 (1878); see *Centaur Co.* v. *Heinsfurter*, 84 Fed. 955, 958–9 (8th Cir. 1898).

[15] *McKesson & Robbins, Inc.* v. *Charles H. Phillips Chemical Co.* 53 F2d 342, 10 USPQ 214 (2nd Cir. 1931), modified 53 F2d 1011, 12 USPQ 139 (2nd Cir. 1931) cert denied 285 US 552 (1932).

[16] *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111, 39 USPQ 296 (1938).

[17] *King-Seeley Thermos Co.* v. *Aladdin Industries, Inc.*, 321 F2d 577, 138 USPQ 349 (2nd Cir. 1963).

How this process works is well illustrated in the case of Thermos.[18] The story began in 1907 when American Thermos Products Company took over the U.S. business of a German concern, which had introduced the vacuum bottle for general use. It was an adaptation of the vacuum flask used for laboratory purposes which was developed in the early 1890's.

In 1958, American Thermos filed a lawsuit charging Aladdin Industries with threatening to sell vacuum ware under the name "Thermos". Aladdin acknowledged in its answer to the complaint as "thermos bottles" and pleaded as its defense that the word had passed into the language as a generic term. Reading between the lines, it appears that Aladdin must have made it known to the trade that it was planning to use thermos as a descriptive name for the product, after years of seeing thermos used in a generic sense by its own customers. In other words, Aladdin apparently was satisfied that the word "thermos" had become generic so that trademark rights in it were no longer enforceable.

The case was brought before Judge Robert P. Anderson of the U.S. District Court in New Haven, Connecticut, who ruled that: "The word 'thermos' became a part of the public domain because for the plaintiff's wide dissemination of the word 'thermos' used as a synonym for 'vacuum-insulated' and as an adjective-noun, 'thermos', through its educational and advertising campaigns and because of the plaintiff's lack of reasonable diligence in asserting protecting its trademark rights in the word 'Thermos' among the members of the unorganized public, exclusive of those in the trade, from 1907 to the date of this action."

In upholding Judge Anderson's decision, the Court of Appeals for the second circuit referred to its decision in the *Feathercombs* [19] case, in which it had said: "A mark is not generic merely because it has some significance to the public as an indication of the nature or class of an article.* * * In order to become generic, the principal significance of the word must be its indication of the nature or class of an article, rather than an indication of its origin."

The Escalator case [20] is an example of one which was decided in the Patent and Trademark Office. The trademark Escalator was registered in 1900 and later assigned to the Otis Elevator Company and renewed when required. A petition for cancellation of the registration was filed in 1949 by Haughton Elevator Co. alleging that the word escalator had become a general descriptive name to both the public and to engineers and architects and meant only a moving stairway without any reference to the maker of that stairway.

The Assistant Commissioner in charge of the case at that time (this antedated the TTAB) held not only that the term "escalator" had come to be recognized by the general public as the name for a moving stairway and not its source, but that Otis itself had used it as generic term both in its advertising and in the preparation of the Standard Safety Code for Elevators, Dumbwaiters, and Escalators. The registration therefore was cancelled 50 years after its issuance.

There also have been cases where a mark was alleged to be generic but the courts held that it was not; for example, Polaroid [21], Con-Tact [22], Teflon [23], and Dictaphone [24].

The *Teflon* case is a recent one illustrating a mark which survived an attack on its validity. DuPont first registered the mark Teflon in 1946. It is coined word having no meaning in the English language except as a trademark denoting DuPont resins.

In 1971, DuPont sued the U.S. subsidiary of a Japanese zipper manufacturer known as YKK for using the mark "Eflon". A major defense was the allegation that "Teflon" had become generic.

In dealing with this defense, great emphasis was placed on consumer survey. Three of those surveys were held inconclusive and the fourth, on which the court relied, showed that not only had YKK failed to established that Teflon's principal significance was a as a common name, but that DuPont had succeeded in showing it to be a brand name, that is, indicative of product made by one company.

The court pointed out that one critica factor usually found in cases of the transformation of a trademark to a generic term has been the absence of a generic

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[18] Id.

[19] *Feathercombs, Inc.* v. *Solo Products Corp.*, 306 F.2d 251, 256, 134 USPQ 209, 213 (2nd Cir. 1962).

[20] Supra, Note 11.

[21] *Marks* v. *Polaroid Corp.*, 129 F. Supp. 243, 105 USPQ 10 (D. Mass. 1955).

[22] *Stix Products, Inc.*, v. *United Merchants and Manufacturers Inc.*, 295 F. Supp. 479 (S.D. N.Y. 1968).

[23] *E. I. du Pont de Nemours and Company* v. *Yashida International*, 185 USPQ 597 (E.D. N.Y. 1975).

[24] *Dictaphone Corp.* v. *Dictamatic Corp.*, 199 USPQ 437 (D. Oregon 1978).

term accompanying the trademark in the owners own usage. Another factor which was frequently found where a mark had become generic was that there was a considerable period of acquiescence by the trademark owner in the generic use, possibly coupled with a failure to take adequate affirmative action to correct the situation. Neither factor was present in the Teflon case.

There was not evidence that DuPont had been other than diligent in its efforts to protect the trademark significant of Teflon from the very beginning. The court held that YKK did not meet its burden to show that Teflon's primary significance to the public was as a product name rather than a brand name. The only survey that the Court recognized as reaching the critical element of the case showed that a substantial majority (68%) of those surveyed believed that Teflon was a brand name.

The percentage of buyers who must believe that the trademark is the common name of the product in order to make the mark generic is not clear from the decisions. Some courts apparently hold that it need be only a simple majority, as in the *Thermos* case,[25] while others hold that it must be substantially all buyers, as in the *Polaroid* case.[26]

As you may have noted, there are a number of different ways in which the issue of whether or not a trademark has become generic can be raised. In the *Teflon case*,[27] the defendent simply raised the generic question as a defense to the infringement action. In the *Thermos* case,[28] a competitor invited suit against itself for infringement and then both defended and counterclaimed against the trademark owner. In the *Con-Tact* case,[29] mentioned without extension discussion, the competitor claiming the mark had become generic took the initiative and brought suit for a declaratory judgment. In the *Escalator* case,[30] a competitor filed a petition for cancellation of the registration in the U.S. Patent and Trademark Office. The pending *Formica* case,[31] is the only instance in which the Federal Trade Commission has used its authority to petition for cancellation on the ground that the mark in question had become generic.

Self-correcting system

A fundamental characteristic of our entire economic system is that is self-correcting. The law of supply and demand is the basic driving force in our competitive economy. We all recognize that this cannot operate in the classic fashion postulated by economic theory because the business of the country has become too heavily industrialized for instantaneous response to the changing pressures of supply and demand; nevertheless, that remains the basis for our free enterprise system.

So, too the specific problem under discussion here today is intended to be self-correcting. When a trademark deteriorates into a generic term, it is theoretically available for anyone to use as the name of the product or service.

The original trademark owner has lost his exclusive rights. This may not be recognized immediately; indeed, it would be most unusual if anyone could select the precise critical moment in what obviously is a gradual evolutional process during which the principal significance of the term changes in the mind of the public. But if the term has an important pull on the consumer, history shows that a competitor will come forward to claim his share of the commerical appeal represented by the mark. I have already listed a long string of such cases and there are still others.

The pressures built up within the market thus appear to be sufficient to deal with the economic problems created when a former trademark is transformed into a generic term. Perhaps this is the reason why the FTC has not invoked its authority under Section 14 of the Lanham Act in any generic term case until the current Formica [32] proceeding. I have hinted earlier at another possible reason—the fact that cancelling a registration does not settle the question of using the mark—and I shall expand on that somewhat in a moment.

Conclusion

In conclusion, the Patent and Trademark Office is neither for nor against H.R. 3685. However, we would like to make the following observation:

1. The proviso in section 14 of the Lanham Act provides an exception to that section in that it allows a government agency, rather than a person who is or may be damaged, to initiate a cancellation proceeding in certain circumstances. The bill

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[25] Supra, Note 17.
[26] Supra, Note 21.
[27] Supra, Note 17.
[28] Supra, Note 23.
[29] Supra, Note 22.
[30] Supra, Note 11.
[31] *FTC* v. *Formica Corp.*, Cancellation No. 11955.
[32] Id.

under consideration would create an exception to this exception, in that it would prohibit the FTC from petitioning for a cancellation on the ground that the mark had become generic.

2. The wording of the proviso itself is inaccurate. It refers to allowing the FTC to petition to cancel a "mark". However, in a cancellation proceeding, it is a *registration* which may be canceled, not the mark itself. A registration confers only procedural and substantive advantages. Common-law ownership rests upon adoption and use, not upon registration. The fact that cancellation of a registered mark merely denies the procedural and substantive benefits of the Lanham Act is brought out by those cases where plaintiff's registration was cancelled, but plaintiff still prevailed under common-law principles of unfair competition. [33]

An example of this is the *Trailways* [34] case, where an association of independent bus companies had registered what it claimed to be a service mark. in the infringement action the association brought against Trailway Van Lines, the court held the mark was actually a collective mark and therefore cancelled the service mark registration. However, the court held that: "Plantiff's failure to establish a statutory right, does not affect its common law claim of unfair competition."

Trailways was awarded relief on the basis of its common law rights.

The inaccuracy in the wording of the proviso apparently resulted from the last minute nature of its inclusion in the Act.

3. The proviso went into effect in 1947. It has been used only four times in 32 years.

The first two cases, decided in a single opinion[35] in 1950, were *FTC* v. *Elder Mfg. Co.* and *FTC* v. *Royal Pharmacal Corp.* The ground in the *Elder* case was abandonment of the mark, and in the *Royal* case that the registration was obtained by false representations.

In spite of the fact that Elder and Royal had consented to the cancellation of their registrations, the Examiner of Interferences dismissed both cases on the ground that the FTC lacked jurisdiction to petition for cancellation of a registration issued under the 1905 Act.

The third case, decided by the TTAB in 1959 and affirmed by the CCPA in 1961, was *FTC* v. *Bart Schwartz International Textiles, Ltd.*,[36] where the FTC alleged fraud on the Patent Office in obtaining a registration of the mark "Fiocco". The FTC alleged that the word "fiocco" was a common descriptive name in use in Italy and the U.S. for textiles made of stapel rayon and that the applicant knew this when it filed its application for registration. The petition for cancellation was granted on the ground of fraud.

The fourth case, filed in 1978, is the currently pending *FTC* v. *Formica Corp.*, Cancellation No. 11955.

As I stated, the Patent and Trademark Office has no position either pro or con on the proposed legislation. I hope that I have been able to explain the framework in which it would operate and I shall be glad to try to answer any questions you may have.

Appendix I.—Lanham Trade Mark Hearings and Reports

(75th to 79th Congresses, March, 1938 to July, 1946, from which emanated the Trade-Mark Act of July 5, 1946, Public Law 489, 79th Congress)

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75th Congress—Hearings before House Patents Committee, March 15, 16, 17, 18, 1938, on H.R. 9041, entitled "Trade-Marks".

76th Congress—Hearings before House Patents Committee, March 28, 29, 30, 1939, on H.R. 4744, entitled "Trade-Marks".

76th Congress—Hearings before House Patents Committee, June 22, 1939, on H.R. 6618, entitled "Patents and Trade-Marks".

76th Congress—House Report No. 944, to accompany H.R. 6618, June 27, 1939.

76th Congress—Senate Report No. 1562, to accompany H.R. 6618, May 1, 1940.

77th Congress—Hearings before House Patents Committee, November 4, 12, 13, and 14, 1941, on H.R. 102, H.R. 5461, and S. 895, entitled "Trade-Marks".

77th Congress—Hearings before Senate Patents Committee, December 11, 1942, on S. 895, entitled "Trade-Marks.".

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[33] J. T. McCarthy, Trademark and Unfair Competition § 20:17(c) at 799 (1973) and cases cited.

[34] *National Trailways Bus System* v. *Trailway Van Lines, Inc.*, 269 F. Supp. 352 (E.D.N.Y. 1965).

[35] *Federal Trade Commission* v. *Elder Mfg. Co.*, 84 USPQ 429 (Commr. Pats 1950).

[36] *Federal Trade Commission* v. *Bart Schwartz International Ltd.*, 121 USPQ 99 (TTAB 1959), 129 USPQ 258 (CCPA, 1961).

77th Congress—Senate Report No 568, to accompany S. 895, July 22, 1941.
77th Congress—House Report No. 2283, to accompany S. 895, June 25, 1942.
78th Congress—Hearings before House Patents Committee, April 7 and 8, 1943, on H.R. 82, entitled "Trade-Marks".
78th Congress—Hearings before Senate Patents Committee, November 15 and 16, 1944, on H.R. 82, entitled "Trade-Marks".
78th Congress—House Report No. 603, to accompany H.R. 82, June 25, 1943.
78th Congress—Senate Report No. 1303, to accompany H.R. 82, December 4, 1944.
79th Congress—House Report No. 219, to accompany H.R. 1654, February 26, 1945.
79th Congress—Senate Report No. 1333, to accompany H.R. 1654, May 14, 1946.
79th Congress—(Conference Report)—House Report No. 2322, to accompany H.R. 1654, June 24, 1946.
79th Congress—Public Law 489, Approved July 5, 1946.

Mr. DIAMOND. Thank you, Mr. Chairman. I was merely going to say that you will find in it not only additional details but also complete legal references in case anybody wants to check the citations or the authorities to which I will refer, which are in the footnotes and the appendix.

Mr. KASTENMEIER. May I ask before you proceed on page 3 of your statement, you say, "For all these reasons, and in order to avoid any appearance of favoring one side or the other," you take no position. It is because there is a case pending?

Mr. DIAMOND. That is my major reason, yes.

Mr. KASTENMEIER. Are there other reasons?

Mr. DIAMOND. The other reasons are because this would affect only a small portion of the Federal Trade Commission's authority to proceed before the Patent and Trademark Office, and in the absence of a bill which theoretically might attempt to cancel the proviso altogether, we felt that this was an issue on which it would not be appropriate for the Patent and Trademark Office to take an official position.

The point is that this pending legislation does not attack the basic power of the Federal Trade Commission to appear and cancel a trademark registration. It would remove that power only in one particular category of cases. That is an additional reason.

Mr. KASTENMEIER. Are you saying if it were broader you might then have a point of view about it?

Mr. DIAMOND. Mr. Chairman, we honestly have not considered it. It just seemed to us that because it was so narrow and did not really go to removing the Federal Trade Commission altogether from this type of operation, that our function in assisting the committee to consider the legislation would be better served if it were limited to providing some background information about trademarks, about the way the cancellation procedure operates, and things of that sort, rather than to take a formal position one way or the other.

Mr. KASTENMEIER. I understand.

Mr. DIAMOND. Thank you, Mr. Chairman.

Before talking about the cancellation of a trademark registration, I would like to take a few moments to provide some background by discussing what a trademark is, what it does, and how and why it is protected.

A trademark is a word or design used on an article of merchandise to identify it as the product of a particular manufacturer. In other words, a trademark is a symbol that indicates the commer-

cial origin of the goods. Let me give you a few examples. A trademark can be a coined word, such as Kodak, an ordinary word that has no meaning in connection with the product on which it is used—Arrow—a word whose meaning suggests some quality or function of the product—Close-Up—a coined word suggesting what the product does—Panasonic—a foreign word with or without some English meaning for the product—Lux. It can be the name of the founder of the company—Ford—an arbitrarily selected name of some famous person—Lincoln—a name from mythology, numerals or initials, or a combination of both, or it can be a pictorial mark with or without explanatory words—Four Roses. These, of course, do not exhaust the possibilities.

A trademark also can be used, and registered, for services; and the Lanham Act calls this a service mark. Familiar examples are Prudential's Rock of Gibraltar, the CBS eye design, and the NBC chimes.

A trademark has three basic functions. First, it serves as an identification of the origin of the product, distinguishing the trademarked products from those of competitors. Second, it serves as a guarantee of the consistency of the nature, quality, and characteristics of the goods. Third, it serves as an advertisement—it enables the owner of the trademark to reach over the shoulder of the retailer to the ultimate consumer.

Nearly 25 years ago, when legislation was pending to restrict the commercial use of "Red Cross," Senator Tydings pointed out that the intrinsic worth of some long-established trademarks had been reported as follows: Maxwell House Coffee, $42 million; Jello-O Dessert, $35 million; Sunmaid Raisins, $5.6 million.

That was 25 years ago. I will leave it to others to figure the increases in value created by expanded markets and by inflation.

A Coca-Cola Co. executive has been quoted as saying that, if all the Coca-Cola manufacturing facilities were to be completely destroyed by fire, any bank would be glad to lend the company the money to rebuild on the strength of the trademark alone. Trademarks in today's economy obviously have high commercial value.

In the early years of our country, consumers knew their suppliers, such as the village smithy and the farmer from whom they bought their produce. But one of the great changes brought by the industrial revolution was to separate the consumer from the producer of goods, and modern economic trends have increased the spread. Technological advances lead to larger and larger production units. Improved transportation methods deliver products to distant markets. Self-service retailing removes the consumer even further from direct touch with the manufacturer.

Trademarks are the symbols that bridge the gap so that a consumer is able to associate the product with its manufacturer. Without trademarks, there would be no way for the consumer to identify a product which satisfied his requirements and which he wanted to purchase again. Without trademarks, it would also not be possible for the consumer to avoid the repurchase of products which he found unsatisfactory in the past. Each purchase would be a gamble. Trademarks provide the basis for making the distinction.

The law of trademarks has its roots in the common law of unfair competition, which the United States borrowed from England at the time of the Revolution.

In 1791, in response to the petition of a Boston sailmaker to register his mark, Thomas Jefferson, then Secretary of State, reported to Congress that, "It would, in his opinion, contribute to fidelity in the execution of manufacturing, to secure to every manufactory, an exclusive right to some mark on its wares, proper to itself."

Jefferson recommended that this be done by extending equal rights to every case to which the authority of the Congress was competent.

He noted that these cases were of divided jurisdiction:

> Manufactures made and consumed within a State being subject to State legislation, while those which are exported to foreign nations, or to another State, or into Indian territory, are alone within the legislation of the general government.

This divided jurisdiction is still the case today. Only marks which are used in interstate or foreign commerce may be registered under the Federal law. Trademarks which are used solely in intrastate commerce, or which are unregistered, are protected under State laws.

If a mark meets the Federal statutory requirements, it is registrable on the Principal Register established by the Lanham Act. When the Patent and Trademark Office believes a mark is registrable on the Principal Register, it is published in a weekly bulletin called the Official Gazette for the express purpose of allowing anyone who believes he may be damaged by the registration, to oppose it. If no such opposition is filed, or if there is and it is overruled, the trademark will be duly registered. Marks registered on this register have all of the advantages provided by the Trademark Act.

Marks which are unregistrable on the Principal Register because they are descriptive of the goods, geographical terms, or merely a surname can be registered on the Supplemental Register if they are capable of distinguishing the applicant's goods and have been used in commerce for 1 year immediately prior to the filing of the application. However, such registrations have only limited legal effect as compared with a Principal Registration.

I should emphasize that marks used in commerce which can be regulated by Congress may be registered under the Federal trademark law. They do not have to be. Federal trademark registration is not necessary to maintain trademark rights which are established by use of the mark.

It is even possible in some unfair competition cases to protect unregistered trademarks under the Lanham Act—section 43(a).

Despite Mr. Jefferson's recommendation in 1791, the first trademark law in the United States was not enacted until 1879, and it was held unconstitutional because it was erroneously based on the patent and copyright clause of the Constitution. In the *Trademark* cases, the Supreme Court discussed at length the fact that trademarks have no relation to patents and copyrights. The court also discussed the commerce clause and the probability that it afforded Congress jurisdiction to legislate with respect to trademarks.

The first constitutional trademark act of the United States was enacted in 1881. It provided for registration of trademarks used in foreign commerce and in commerce with Indian tribes.

The next trademark law, and the first to allow registration of marks used in interstate commerce, was passed in 1905. This continued in force, with amendments, until enactment of the Lanham Act in 1946.

Although a trademark need not be registered in order to be protected, there are definite advantages to Federal registration on the Principal Register:

One, it gives constructive notice of the claim of ownership of the mark;

Two, it is evidence, although rebuttable, of registrant's exclusive right to use the mark—anyone challenging that right has the burden of proof (section 33(a));

Three, it may, after a period of 5 years, represent conclusive evidence of the right of exclusive use (sections 15 and 33(b));

Four it gives Federal courts jurisdiction to hear infringement cases, and related claims of unfair competition under State law;

Five, it can be used as a basis for foreign registration in countries which are members of the Paris Convention for the Protection of Industrial Property;

Six, it can be recorded with the U.S. Customs Service to prevent the importation of foreign goods bearing infringing marks.

From this broad background statement, I now move on to the specific provisions of the Lanham Act dealing with cancellation. Section 14 of the act provides that anyone who believes that he is or will be damaged by a registration of a mark on the Principal Register can file a petition with the Trademark Trial and Appeal Board (TTAB) for cancellation of the registration. The jurisdiction of the TTAB extends only to the Federal registration of the mark and not to the mark itself. This is an important point. The Patent and Trademark Office has no authority to control the use of a mark. It deals only with registrations—either granting, denying, or canceling them.

A petition to cancel a registration which was issued on the Supplemental Register or under the act of 1920, or under the act of 1881 or 1905 and not republished, may be filed at any time. But a petition to cancel a registration which was issued on the Principal Register of the 1946 act must be filed within 5 years from the date of registration or from the date of republication under section 12(c) of the act.

However, there are certain grounds on which a petition to cancel may be filed after the 5-year period. They are that the registered mark: (*a*) Has become the common descriptive name of an article or substance; or (*b*) has been abandoned, or its registration obtained fraudulently or contrary to certain provisions of the act or prior acts barring registration; or (*c*) that the mark is being used by, or with the permission of, the registrant so as to misrepresent the source of his goods or services.

The proviso at the end of the section permits the Federal Trade Commission to file a petition to cancel a mark registered on the Principal Register when the mark has become generic, or when it was obtained fraudulently, or contrary to certain provisions of the

act barring registration when one of the above-listed conditions has been met.

The cancellation of a trademark registration is a proceeding before the Trademark Trial and Appeal Board, but the Federal Rules of Civil Procedure govern unless otherwise provided by the Trademark Rules of Practice.

The petitioner in a cancellation proceeding is in the position of the plaintiff in a civil action in a U.S. district court, and the respondent is in the position of defendant. The petition and answer correspond to the complaint and answer in a court proceeding. The assignment of testimony periods corresponds to setting a case for trial in a court proceeding. The testimony of witnesses is taken by depositions during the assigned testimony periods; this corresponds to the trial in court proceedings. Oral hearing corresponds to final argument in court proceedings.

A proceeding for the cancellation of a trademark registration is initiated by a party who believes that the registration is or will be antagonistic to his rights, or in certain cases by the Federal Trade Commission, by filing a verified petition before the Patent and Tradmark Office Trademark Trial and Appeal Board. We refer to this board as the TTAB.

The petition requires only a short, plain statement that will give the respondent fair notice of what the petitioner's claim is and the general grounds upon which it rests. This is the same kind of requirement that applies to a complaint in a Federal court litigation.

The verified petition, in duplicate, must be accompanied by the statutory fee. This fee is not required for a petition filed by the FTC. If the petition meets the formal requirements, the cancellation proceeding is initiated. The Office sends a notice of the proceeding and a copy of the petition to the registrant and, as a matter of practice, allows 40 days to respond. If the registrant does not respond, there may be a judgment by default. After the petition for cancellation is filed, all other papers filed in the office must be served on the other parties.

After the response is filed, the TTAB sets the closing date for taking discovery. The discovery phase of the case is similar to the corresponding phase of a court case, although the Trademark Rules of Practice contain certain special provisions. For example, the application files of the registration involved in the proceeding are a part of the record without further action by the parties.

After the discovery closing date, the TTAB assigns each party a time period for taking testimony. Testimony may be taken by deposition based on oral examination or written questions but it may be taken only during the period assigned to the respective parties. All depositions taken as testimony must be filed with the TTAB.

The brief of petitioner must be filed within 60 days after the closing date set for rebuttal testimony and the brief of respondent no later than 30 days thereafter. Any reply brief is due 15 days after that. If an oral hearing is desired, it must be requested no later than 10 days after the due date of petitioner's reply brief. Unless otherwise permitted, oral argument is limited to 30 minutes.

When the FTC is in the position of petitioner, it must comply with all of the rules the same as any other petitioner. The only exception, which is statutory, is that it does not have to pay the fee for filing a cancellation petition. It has the burden of proving its case just as any other litigant does.

As I said earlier, the registration of a trademark is not necessary for its protection, since both the Lanham Act and the common law protect trademarks in the United States. The question thus arises as to what effect the cancellation of a registration would have should the petitioner prevail. Here, it must be noted that although the section 14 proviso refers to canceling the "mark" this is not possible. Only the Federal registration would be canceled. It would not affect respondent's right to use his mark.

The question of whether a successful petition to cancel a registration on the ground that the mark has become generic makes the mark available for use by a third party has never been tested and remains open. Of course, if a registration had been canceled, the proprietor of the mark would be impeded in any attempts to prevent its use by a third party since cancellation of the registration would destroy the trademark owner's statutory presumption of an exclusive right to use the mark.

Nevertheless, I should point out that, as a technical matter, the cancellation of a registration, even when it results from a Federal Trade Commission petition to the TTAB, has no effect on the right of its owner to use the mark or even to attempt to stop a third party from doing so. The Federal Trade Commission would not be using the mark itself and would not be a party to any civil lawsuit that the trademark owner might bring for infringement, so that the legal principles of res judicata and collateral estoppel would not apply. The third party using the mark obviously would have the help of the TTAB decision as a legal precedent, but he could be required to prove independently that the mark whose registration was canceled had become generic in fact.

The legislative history of the Trademark Act of 1946 goes back to 1938 with hearings held before the House Patents Committee, March 15-18, 1938, on H.R. 9041, a bill entitled "Trademarks." In each one of the following 8 years, either hearings were held or a committee report was issued—see appendix 1.

However, it is not until the Subcommittee on Patent's hearings on H.R. 82, held November 15 and 16, 1944, that we find a reference to Government agencies' participation in PTO proceedings. This point was originally raised by Senator Pepper in the context of allowing oppositions by Government agencies in the public interest and was directed only toward deceptive marks. He favored such a provision since it would also allow the applicant to know that the Federal agency was opposed.

The language of the amendment was to be added in the first paragraph of section 13 to the effect that anyone who believed he would be injured, or any public authority believing the public interest might be adversely affected, could file an opposition. The Patent Office did not object to this amendment, since it felt that it would merely put into writing the existing policy of taking the Food and Drug Administration's objections into consideration.

The representative of the Antitrust Division of the Department of Justice objected to the amendment. He felt that it was harmless, but that it was unrealistic and insubstantial since an agency checking the Official Gazette could have no knowledge of the commercial use of the mark nor the extent to which it was used as an instrument of commercial policy. His suggestion would have amended the first paragraph of section 14 to allow any Government agency to file a cancellation proceeding. The amendments to both section 13 and 14 were contained in H.R. 82 of December 4, 1944, Calendar No. 1332. Both would have read "or any Government agency which believes that the public interest is or will be adversely affected may, without the payment of a fee, file * * *". H.R. 82 was not enacted.

H.R. 1654 was the bill that eventually became the Trademark Act of 1946. In the version that was introduced January 22, 1945, neither section 13 nor 14 contains the amendment added to H.R. 82. In the Senate Report No. 1333, the concept appears as a proviso at the end of section 14 that "the head of any Government agency may apply to cancel marks registered under the provisions of section 4 of this act and the prescribed fee shall not be required." This would have limited a Government agency to petitioning to cancel only the registrations of certification and collective marks, two specialized types of trademarks that have no bearings on the generic question before you here.

The Conference Report No. 2322 changed this to the present language, which gives only the FTC the power to petition to cancel a mark but expands the grounds to include those marks which have become the common descriptive name of an article or substance, which were fraudulently obtained, or which had been obtained contrary to other specified provisions of the statute. Although the wording of the proviso says "mark," as I have noted before, only the registration can be canceled. The Court of Customs and Patent Appeals recently pointed this out in a footnote to its decision on a preliminary legal question in the *Formica* case, saying:

> * * * the proviso of section 14 speaks of applying "to cancel * * * any mark" although the opening of the same section speaks of a "petition to cancel a registration." Here again we shall assume that the drafters of the proviso intended to authorize the FTC to petition to cancel certain registrations, which is another way of saying to remove marks from the Principal Register, * * * We can visualize no way in which a trademark—even when it has ceased to be a trademark by becoming a generic name—can be "canceled." Since registration does not create trademarks, which must preexist to be registrable, it follows that removal from the register does not cancel them.

Many of the common misconceptions concerning trademarks stem from confusing them with patents and copyrights. Article 1, section 8, of the Constitution provides that Congress shall have the power, "To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

The patent laws enacted by Congress pursuant to this provision grant to the patentee for a term of 17 years the right to exclude all others from making, using, or selling his invention. Without such an exchange, discoveries may not be made public and the advance

of technology would be retarded by each inventor having to—as the saying goes—"reinvent the wheel."

The purpose of the copyright law is similar to that of the patent law. As an incentive to general publication, the author is given exclusive rights for the period of his lifetime plus 50 years. As in the case of patents, the theory is that upon expiration of the copyright, the public will benefit from the free use of the product of the author's talents.

Both the patent and copyright laws are derived from the same constitutional provision. They are both Government grants of exclusive rights in return for making knowledge public.

Trademarks are an entirely different matter. Rights in a trademark are obtained by putting the mark to use. Unlike patents and copyrights, trademarks are not creatures of statutory grants of exclusiveness based upon specific constitutional sanctions. They are primarily creatures of the common law, which are also protected under the Federal registration statute. Under our legal system, trademarks do not need to be registered. Common law protection arises from adoption and use. Trademarks are symbols of good will which serve the essential commercial purpose of identifying the product and source of one person's goods and distinguishing them from the goods of his competitors.

Federal registration of a trademark does not, of itself, create or establish any exclusive right, but merely constitutes prima facie evidence of the validity of the registration, registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce. An owner's exclusive right in his mark is a condition precedent for Federal registration of that mark. Unlike the exclusionary rights conferred by patents and copyrights, a trademark does not entitle its owner to prohibit the use, manufacture, sale, or copying of any product. Anyone may market the same product under a different trademark.

Although anyone may market the same product under a different trademark, we continue to run into the idea of a trademark monopoly. However, a trademark is not a monopoly granted by the Government like a patent or a copyright. It is only a symbol—a word, name, or design—used on or in connection with goods. Congress can only legislate with respect to trademarks under the commerce clause of the Constitution. Federal registration merely recognizes, and reenforces procedurally, trademark rights which have been acquired at common law through use of the mark.

The trademark proprietor can prevent others from using an identical or similar mark under circumstances that would cause confusion among purchasers, but that is simply the legal right to be protected against unfair competition; and, if the trademark happens to be a word, it certainly is not removed from the language.

As an example, consider the trademark "Arrow" for shirts. The proprietor of that trademark cannot stop anyone else from using "Arrow" in its normal meaning as an English word. The proprietor can prevent others from using the word "Arrow" as a trademark for competing products; but if that can properly be called a monopoly right at all, it is only a limited monopoly of nomenclature. It does not keep anyone else out of the shirt business.

If it is a monopoly in any sense, it is only a monopoly of the word "Arrow" with respect to items of men's haberdashery. It has certainly not prevented others from using and registering the trademark "Arrow" for such items as electric plugs and fuses, fertilizers, beer and ale, typewriters, tractors, sewing machines, fresh lettuce and celery, and floor wax, among other things. A recent count revealed 32 registrations of the word "Arrow" by itself or with designs, registered for various products other than men's haberdashery.

There are further legal limitations upon any undue extension of the trademark owner's rights. The Lanham Act, for example, specifically permits the use, otherwise than as a trade or service mark, of a term that is used fairly only to describe to users the goods or services of a third party, or their geographic origin. That kind of use is not an infringement, even though the term in question may be identical to a registered mark.

As long as a trademark is used, it is protected under the common law. Once a trademark is federally registered, that registration can be renewed every 20 years if it continues to meet the statutory requirements. On the other hand, a registration will be canceled automatically if an affidavit showing that it is still in use is not filed by the end of the sixth year following registration—Section 8.

The mark "Samson" for rope and cordage, which was registered in 1884, is the oldest registered trademark still in use. Anyone who wishes to renew a trademark registration must submit proof that the mark is still in use on or in connection with the goods. If the mark is not in use in commerce, the applicant must file a verified statement showing that nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark.

Registrations of marks which are not in use in commerce or which have been abandoned cannot be renewed—section 9 of the act. Section 45 of the act states that a mark shall be deemed abandoned: (a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for 2 consecutive years shall be prima facie abandonment. (b) When any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin.

Section 14(c) of the act provides for cancellation of a registration which has been fraudulently procured and section 38 of the act provides that any person who procures a registration fraudulently will be subject to civil liability.

Then there is the limitation that occurs when a trademark becomes the common descriptive name of the product, that is, a generic term. When a product is so successful that the public adopts the brand name as the name of the product itself—as distinguished from one particular manufacturer's version of that product—then the brand name has passed into the language and the manufacturer who originated it no longer has the exclusive right to use it.

In such a case, the trademark reaches the point where it comes to mean the product itself rather than merely a source for the product, and competitors have the right to use that name for their

version of it. Technically, the trademark becomes a generic term for the product, and generic terms are incapable of functioning as trademarks.

If the trademark as the result of widespread use comes to mean the name of the product to the general public, instead of just one manufacturer's brand of the product, then the whole industry has the right to use it as such. In a manner of speaking, a trademark can become too successful. If that happens, in spite of the manufacturer's desires the trademark passes into the language as a generic word, and he no longer has the exclusive right to see it as his brand name.

Some examples of valuable brand names actually lost in this way are: aspirin, cellophane, celluloid, escalator, kerosene, lanolin, linoleum, milk of magnesia, shredded wheat, and thermos. Each of these once represented the product of a single manufacturer, who obviously invested substantial sums in building up the brand. Each of them reached the point where it came to mean the product rather than merely a source for the product, and competitors won the right to use the name for their own versions of it. The brand name had become the generic term for the product, and as such was incapable of functioning as a trademark.

How this process works is well illustrated in the case of Thermos. The story began in 1907 when American Thermos Products Co. took over the U.S. business of a German concern, which had introduced the vacuum bottle for general use. It was an adaptation of the vacuum flask used for laboratory purposes which was developed in the early 1890's.

In 1958, American Thermos filed a lawsuit charging Aladdin Industries with threatening to sell vacuum ware under the name "Thermos."

Aladdin acknowledged in its answer to the complaint that it intended to sell vacuum-insulated containers as thermos bottles and pleaded as its defense that the word had passed into the language as a generic term. Reading between the lines, it appears that Aladdin must have made it known to the trade that it was planning to use thermos as a descriptive name of the product, after years of seeing thermos used in a generic sense by its own customers. In other words, Aladdin apparently was satisfied that the word "thermos" had become generic so that trademark rights in it were no longer enforceable.

The case was brought before Judge Robert P. Anderson of the U.S. District Court in New Haven, Conn., who ruled that:

> The word "thermos" became a part of the public domain because of the plaintiff's wide dissemination of the word "thermos" used as a synonym for "vacuum-insulated" and as an adjective-noun, "thermos", through its educational and advertising campaigns and because of the plaintiff's lack of reasonable diligence in asserting and protecting its trademark rights in the word "Thermos" among the members of the unorganized public, exclusive of those in the trade, from 1907 to the date of this action.

In upholding Judge Anderson's decision, the court of appeals for the second circuit referred to its decision in the *Feathercombs* case, in which it had said:

> A mark is not generic merely because it has some significance to the public as an indication of the nature or class of an article. * * * In order to become generic, the

principal significance of the word must be its indication of the nature or class of an article, rather than an indication of its origin.

The *Escalator* case is an example of one which was decided in the Patent and Trademark Office. The trademark "Escalator" was registered in 1900 and later assigned to the Otis Elevator Co. and renewed when required. A petition for cancellation of the registration was filed in 1949 by Haughton Elevator Co., alleging that the word escalator had become a general descriptive name to both the public and to engineers and architects and meant only a moving stairway without any reference to the maker of that stairway.

The Assistant Commissioner in charge of the case at that time—this antedated the TTAB—held not only that the term "escalator" had come to be recognized by the general public as the name for a moving stairway and not its source, but that Otis itself had used it as a generic term both in its advertising and in the preparation of the Standard Safety Code for Elevators, Dumbwaiters, and Escalators. The registration therefore was canceled 50 years after its issuance.

There also have been cases where a mark was alleged to be generic but the courts held that it was not; for example, Polaroid, Con-Tact, Teflon, and Dictaphone.

The *Teflon* case is a recent one illustrating a mark which survived an attack on its validity. DuPont first registered the mark Teflon in 1946. It is a coined word having no meaning in the English language except as a trademark denoting DuPont resins.

In 1971, DuPont sued the U.S. subsidiary of a Japanese zipper manufacturer known as YKK for using the mark "Eflon." A major defense was the allegation that "Teflon" had become generic.

In dealing with this defense, great emphasis was placed on consumer surveys. Three of those surveys were held inconclusive and the fourth, on which the court relied, showed that not only had YKK failed to establish that Teflon's principal significance was as a common name, but that DuPont had succeeded in showing it to be a brand name, that is, indicative of a product made by one company.

The court pointed out that one critical factor usually found in cases of the transformation of a trademark to a generic term has been the absence of a generic term accompanying the trademark in the owner's own usage. Another factor which was frequently found where a mark had become generic was that there was a considerable period of acquiescence by the trademark owner in the generic use, possibly coupled with a failure to take adequate affirmative action to correct the situation. Neither factor was present in the *Teflon* case.

There was no evidence that DuPont had been other than diligent in its efforts to protect the trademark significance of Teflon from the very beginning. The court held that YKK did not meet its burden to show that Teflon's primary significance to the public was as a product name rather than a brand name. The only survey that the court recognized as reaching the critical element of the case showed that a substantial majority—68 percent—of those surveyed believed that Teflon was a brand name.

The percentage of buyers who must believe that the trademark is the common name of the product in order to make the mark

generic is not clear from the decisions. Some courts apparently hold that it need be only a simple majority, as in the *Thermos* case, while others hold that it must be substantially all buyers, as in the *Polaroid* case.

As you may have noted, there are a number of different ways in which the issue of whether or not a trademark has become generic can be raised. In the *Teflon* case, the defendant simply raised the generic question as a defense to the infringement action. In the *Thermos* case, a competitor invited suit against itself for infringement and then both defended and counterclaimed against the trademark owner. In the *Con-Tact* case, mentioned earlier without extensive discussion, the competitor claiming the mark had become generic took the initiative and brought suit for a declaratory judgment. In the *Escalator* case, a competitor filed a petition for cancellation of the registration in the U.S. Patent and Trademark Office. The pending *Formica* case is the only instance in which the Federal Trade Commission has used its authority to petition for cancellation on the ground that the mark in question had become generic.

A fundamental characteristic of our entire economic system is that it is self-correcting. The law of supply and demand is the basic driving force in our competitive economy. We all recognize that this cannot operate in the classic fashion postulated by economic theory because the business of the country has become too heavily industrialized for instantaneous response to the changing pressures of supply and demand; nevertheless, that remains the basis for our free enterprise system.

So, too, the specific problem under discussion here today is intended to be self-correcting. When a trademark deteriorates into a generic term, it is theoretically available for anyone to use as the name of the product or service.

The original trademark owner has lost his exclusive rights. This may not be recognized immediately; indeed, it would be most unusual if anyone could select the precise critical moment, in what obviously is a gradual evolutional process, at which the principal significance of the term changes in the mind of the public. But if the term has an important pull on the consumer, history shows that a competitor will come forward to claim his share of the commercial appeal represented by the mark. I have already listed a long string of such cases and there are still others.

The pressures built up within the market thus appear to be sufficient to deal with the economic problems created when a former trademark is transformed into a generic term. Perhaps this is the reason why the FTC has not invoked its authority under section 14 of the Lanham Act in any generic term case until the current Formica proceeding. I have hinted earlier at another possible reason—the fact that canceling a registration does not settle the question of using the mark—and I shall expand on that somewhat in a moment.

In conclusion, the Patent and Trademark Office is neither for nor against H.R. 3685. However, we would like to make the following observations:

One, the proviso in section 14 of the Lanham Act provides an exception to that section in that it allows a Government agency, rather than a person who is or may be damaged, to initiate a

cancellation proceeding in certain circumstances. The bill under consideration would create an exception to this exception, in that it would prohibit the FTC from petitioning for cancellation on the ground that the mark had become generic.

Two, The wording of the proviso itself is inaccurate. It refers to allowing the FTC to petition to cancel a "mark." However, in a cancellation proceeding, it is a registration which may be canceled, not the mark itself. A registration confers only procedural and substantive advantages. Common law ownership rests upon adoption and use, not upon registration. The fact that cancellation of a registered mark merely denies the procedural and substantive benefits of the Lanham Act is brought out by those cases where plaintiff's registration was canceled, but plaintiff still prevailed under common law principles of unfair competition.

An example of this is the *Trailways* case, where an association of independent bus companies had registered what it claimed to be a service mark. In the infringement action the association brought against Trailway Van Lines, the court held the mark was actually a collective mark and therefore canceled the service mark registration. However, the court held that: "Plaintiff's failure to establish a statutory right, does not affect its common law claims of unfair competition."

Trailways was awarded relief on the basis of its common law rights.

The inaccuracy in the wording of the proviso apparently resulted from the last-minute nature of its inclusion in the act.

Three, the proviso went into effect in 1947. It has been used only 4 times in 32 years.

The first two cases, decided in a single opinion in 1950, were *FTC* v. *Elder Mfg. Co.* and *FTC* v. *Royal Pharmacal Corp.* The ground in the *Elder* case was abandonment of the mark, and in the *Royal* case that the registration was obtained by false representations.

In spite of the fact that Elder and Royal had consented to the cancellation of their registrations, the Examiner of Interferences dismissed both cases on the ground that the FTC lacked jurisdiction to petition for cancellation of a registration issued under the 1905 act.

The third case, decided by the TTAB in 1959 and affirmed by the CCPA in 1961, was *FTC* v. *Bart Schwartz International Textiles, Ltd.*, where the FTC alleged fraud on the Patent Office in obtaining a registration of the mark "Fiocco." The FTC alleged that the word "fiocco" was a common descriptive name in use in Italy and the United States for textiles made of staple rayon and that the applicant knew this when it filed its application for registration. The petition for cancellation was granted on the ground of fraud.

The fourth case, filed in 1978, is the currently pending *FTC* v. *Formica Corp.*, cancellation No. 11955.

As I have stated, the Patent and Trademark Office has no position either pro or con on the proposed legislation. I hope that I have been able to explain the framework in which it would operate and I shall be glad to try to answer any questions you may have.

Mr. KASTENMEIER. Thank you, Commissioner Diamond, for that course in trademarks. It was very, very helpful to the committee, I am sure. I have several questions. Among other things, would you

recommend that we change the term "mark" to "registration," when speaking of cancellation of it in terms of the statute?

Mr. DIAMOND. If I may answer for myself, since we have no official position on that point, I certainly would recommend that. I would consider it as what might be called a housekeeping amendment. If you will recall from my prepared statement, the proviso in its present form got in only in the conference report, and it seems rather obvious in using hindsight that the wrong word was used. It should be "registration" and not "mark," as the Court of Customs and Patent Appeals pointed out.

Mr. KASTENMEIER. Is the issue raised by the bill essentially a policy question, which the administration ought to address? That is to say, whether the FTC or indeed anybody ought to be able to apply for cancellation of a registration in certain circumstances, and which circumstances? Aren't those policy questions to which the administration ought to respond?

Mr. DIAMOND. Bertainly they are, Mr. Chairman, and again I would be glad to go on for a moment, if I may, in giving my personal views, making the required caveat that, as I have stated before, it is not the official position of the Patent and Trademark Office or the Department of Commerce, but it is quite obvious that you are right. These are policy questions. The first policy question, whether a registration should be subject to cancellation at all, seems to be one which is beyond dispute. This is one of the basic provisions in the Lanham Act, that there are certain circumstances under which at least a person, and "person" is used in the broad sense of any person, corporate or other juridical person, might be damaged.

I might add that the standards for showing likelihood of damage are really rather easy to meet. In other words, any competitor who has a legitimate interest in the situation does have the right to petition to cancel, under specified conditions.

The more serious policy question is whether a Government agency should also have the right to petition to cancel, and if so, under what particular circumstances, and that is the question to which the proviso is addressed. And this legislation, of course, would take out just one ground of the Federal Trade Commission's authority in that proviso.

I would have to agree with you, Mr. Chairman, that this is definitely a policy question for the administration to address.

Mr. KASTENMEIER. We have not yet heard from, of course, the Federal Trade Commission.

Mr. DIAMOND. That is right.

Mr. KASTENMEIER. At what level do you think that policy question ought to be addressed, by the Secretary of Commerce? At what level should the decision be made with respect to the policy implications?

Mr. DIAMOND. I would think that the Secretary of Commerce would be the proper officer, yes, Mr. Chairman. Again speaking simply in answer to your question, not as a part of any prepared statement, if this committee, for example, were to direct the administration to come up with a policy statement, we would have to reconsider the grounds I stated at the beginning, why we preferred not to come to a conclusion, but particularly if the question were

more broadly addressed, I think perhaps the Department of Commerce would be in a position to come to a policy determination, yes, Mr. Chairman.

Mr. KASTENMEIER. I have one other question. It is a central one, and you address it very late. It has to do with describing market as a self-correcting system. It is presumed that the pressures of the market would induce others, presumably economic competitors of the holder of the mark, to challenge it, should it become generic in character. But presumably there was some reason for enabling a Government agency, in this case the FTC, to also have the authority to petition, presumably because the Congress must have then felt that they could not rely entirely on the self-correcting mechanism of the market to act.

I would just like you to expand further on that. Was that the thinking at the time? Why should any agency of the Federal Government also be authorized to challenge the petition for cancellation of a registration, if indeed the market or the economic system can be reliably depended upon to make such challenges?

Mr. DIAMOND. I think the answer must be obvious from the circumstances, Mr. Chairman. Congress, at least at the stage of the conference committee which wrote the final version of the Lanham Act in 1946, was persuaded that a Government agency, the one they selected was the Federal Trade Commission, should have, shall we call it, the standby authority. I tried to refer in my statement, without trying to be critical of the Federal Trade Commission, which was not my intent at all, fact that the proviso had not been brought into use very often, and on this particular ground indeed only once, and to me that indicates, although I would have to admit personally that it is not conclusive, that perhaps the circumstances which were contemplated by the proviso do not tend to arise very often, and that indeed the self-correcting mechanism of the market has been sufficient historically to deal with the problems as they have arisen.

Mr. KASTENMEIER. I guess the question is: Can you contemplate, quite apart from the instant case, a theoretical situation arising where the competitors alone would not appropriately challenge a registration when otherwise one would expect them to do so?

Mr. DIAMOND. I can conceive of it theoretically, yes, Mr. Chairman. It is hard for me to think of a practical situation in which that would occur, but yes, in answer to your question, I would have to say affirmatively I can conceive of it as a theoretical point, and that, of course, would justify the continued presence of the Federal Trade Commission's powers in the Lanham Act where they now appear.

Mr. KASTENMEIER. Thank you.

I would like to now yield to my colleague from California, Mr. Danielson.

Mr. DANIELSON. Thank you, Mr. Chairman, and thank you, Mr. Diamond.

This is like attending a seminar on trademark. We have not been exposed to it too much in the past. Would you tell me, please, what you consider to be the real value, monetarily valuable, advantages of a registration?

Mr. DIAMOND. I would have to attempt to refine that question a little bit, if I may.

Mr. DANIELSON. You may.

Mr. DIAMOND. Because I tried to draw a distinction between a registration and a trademark in my statement.

Mr. DANIELSON. I refer to the registration of the trademark.

Mr. DIAMOND. You refer to the registration separate from the trademark?

Mr. DANIELSON. Right.

Mr. DIAMOND. Yes, the monetary advantages. Of course, it would be very difficult to put an actual dollars and cents figure, but the advantages are found primarily in immediate access to the Federal courts, without the showing that is required in the normal case of a minimum of $10,000 in jurisdictional amount, plus the presumptions that go with the certificate of registration.

The owner in theory need only appear in Federal court and introduce a certified copy of his registration, and he has proved what we lawyers call a prima facie case. He has proved that he owns the trademark, that he has the exclusive right to use it in commerce that may be regulated by Congress on the goods specified in the registration, and all of that——

Mr. DANIELSON. Wait a minute. The registration of the mark does not confer the exclusive right to use; it just simply establishes a presumption.

Mr. DIAMOND. That is correct, but I say as a prima facie case subject to rebuttal, and I will go on for a moment, if I may, a little later about those which have become incontestable, but the main point is that the certificate of registration proves to the world in general, and specifically to a possible competitor who may be alleged to be infringing the mark, that this has been examined by the proper Federal Government agency, has been approved for registration, it has been exposed to possible attack by competitors, and it has passed all these tests.

The certificate of registration has been issued, and the statute specifically gives certain presumptions to that certificate, in addition to which, as I have explained——

Mr. DANIELSON. The standing to use the Federal courts to preserve the property right, if any——

Mr. DIAMOND. That's one.

Mr. DANIELSON [continuing]. Is clearly an advantage, at least many lawyers say it is an advantage, and it probably is.

Mr. DIAMOND. I just wanted to complete my answer, if I may. I referred in my prepared statement to the fact that a trademark registration certificate could become conclusive evidence of the registrant's exclusive right to use the mark on the goods or services listed in the certificate. There is a special provision in the Lanham Act which the legislative history explains was put in there largely to encourage people to register their marks, so that others would know what was on the register. If after the registration is issued the mark has been used continuously for 5 years, there is a procedure in the statute for filing an affidavit to that effect, and then the mark becomes what the statute calls incontestable.

It is not incontestable for all purposes. For example, if it went on and became generic, the kind of thing we are talking about today,

it would still fall. But under normal circumstances, it is no longer just a prima facie case. It is no longer a rebuttable presumption. It is conclusive evidence of the owner's exclusive right to use that mark on the particular goods or services in the certificate.

Mr. DANIELSON. One of your examples was the Teflon matter.

Mr. DIAMOND. Yes, sir.

Mr. DANIELSON. Which apparently was at least at one time attacked——

Mr. DIAMOND. Yes.

Mr. DANIELSON [continuing]. On the ground that it had become generic, but the burden of establishing the genericity, if I can generate a word, failed, and therefore you have got more than 5 years, I assume. I think you said that was registered in 1946?

Mr. DIAMOND. I don't recall specifically, Mr. Danielson, whether that mark had become incontestable at the time or not.

Mr. DANIELSON. No.

Mr. DIAMOND. But that would have been unimportant, because the generic ground of attack is always open.

Mr. DANIELSON. The point is it has now been contested——

Mr. DIAMOND. Yes.

Mr. DANIELSON [continuing]. And the contest did not prevail.

Mr. DIAMOND. That is correct.

Mr. DANIELSON. So that Teflon is still a validly registered trademark?

Mr. DIAMOND. Yes, sir.

Mr. DANIELSON. And I presume 5 years have gone by——

Mr. DIAMOND. Indeed they have.

Mr. DANIELSON [continuing]. Since 1946 was the registration date.

Mr. DIAMOND. Yes.

Mr. DANIELSON. So this would now be in the status of this incontestable, I believe you called it——

Mr. DIAMOND. That is the word used by the statute. The DuPont Co., which owns the mark, would have had to file the required affidavit, which I assume it did.

Mr. DANIELSON [continuing]. May we assume that?

Mr. DIAMOND. Yes.

Mr. DANIELSON. Otherwise our argument gets lost in sidetracks here.

Mr. DIAMOND. I beg your pardon, sir, I was just tryhing to be technically accurate.

Mr. DANIELSON. Assuming all those things, I am trying to establish a prima facie case here where the owner of the registered mark has complied with all of the requirements, and we have also had a contest.

Mr. DIAMOND. Yes.

Mr. DANIELSON. And it has survived the contest, and enough years have gone by. This would now then be in the incontestable category; is that correct?

Mr. DIAMOND. That is correct.

Mr. DANIELSON. Is that literally incontestable? If an action were filed, I don't know if one can be, but could a declaratory judgement action here be filed by an affected person, somebody having an

interest, otherwise having standing? Could one be filed to attack Teflon as a registered trademark now?

Mr. DIAMOND. On the ground that it had become generic, for example?

Mr. DANIELSON. Other than generic.

Mr. DIAMOND. Yes, there are certain specific other grounds. These are limited other grounds. For example, if it could be shown that it had originally been acquired by fraud.

Mr. DANIELSON. I tried to paint a picture of a perfect case. There is no inherent native fraud. They are more than 5 years old. They have been contested. They filed the affidavits. I am trying to get to a point, and we will never get there if we can't eliminate the sidetracks.

Assume you have got the words "most perfect case," and you have got 33 years, and everything has been done, perfect, Elihu Root couldn't have done a better job. Is there any basis except the becoming generic under which that can be attacked?

Mr. DIAMOND. You are going to quarrel with me again, Mr. Danielson. I am sorry, I don't mean to be quibbling. I am just trying to be accurate. There are several grounds that are listed in the statute under which a registered trademark can be attacked at any time. Forgetting those special grounds, the answer to your question is no, it could not be attacked. It would be perfect.

Mr. DANIELSON. If a person filed the action then in the proper court, duly verified, dotted i's, crossed t's, paid the fee and all that, would the courts respond on the ground of the motion to dismiss that? It is incontestable. To me that is a feeling of absolute.

Mr. DIAMOND. It is absolute except for the special grounds in the statute, yes, sir.

Mr. DANIELSON. That could go on, assuming they file the affidavit every 5 years, that can just go on forever and ever and ever short of it becoming generic?

Mr. DIAMOND. That is correct, yes, sir.

Mr. DANIELSON. I can see some real advantages. That is what I was trying to see here. I can also see that a permanent inalienable property right can flow from this, under those perfect circumstances. Has anyone ever tried, so far as you know, to obtain a copyright on a trademark?

Mr. DIAMOND. People have tried to deposit labels on which trademarks appear, and the Copyright Office does issue certificates. Their system is quite different, but they do accept for deposit, let me put it that way, labels which meet their standards of works of art, but this does not constitute a registration of the trademark.

Mr. DANIELSON. No, I realize that is a different thing.

Mr. DIAMOND. Of course, the standards of infringement are entirely different.

Mr. DANIELSON. I realize that, but you feel this may have been done on some occasions?

Mr. DIAMOND. I am sure it has.

Mr. DANIELSON. So that in that event, the owner—again assume perfect cases—the owner of that copyright would have two legs to stand on; he would have the fact that he has the presumptions and standing to sue, which are derived from trademark laws, plus the protection granted by the copyright laws?

Mr. DIAMOND. That is correct, yes. As a matter of fact, there have been cases, for example, where the whole design of a label on a carton or a can has been copyrighted, and in addition to that, there has been a trademark on the container, and an action has been brought for infringement of both, where the other party copied.

Mr. DANIELSON. Thank you, sir. You have responded to my questions and I have taken more time than I am entitled to. I apologize and yield back such time as I do not have. Thank you.

Mr. KASTENMEIER. I appreciate Mr. Danielson's raising that question and spelling out the advantages, because I think you tended to suggest to those of us who really do not know the trademark law, that the advantages are not altogether absolute. At least by analogy, it is similar to a patent or even copyright, in terms of protection. It is somewhat less. Though advantages are really conferred by Federal law in the trademark field, and that was very useful. I appreciate your raising the question.

I, of course, would now like to yield to the gentleman from Michigan, who has been very patient, Mr. Sawyer.

Mr. SAWYER. Thank you, Mr. Chairman.

I may say, Mr. Diamond, that this has been very, very helpful to me. I have had very little, if any, exposure to the trademark area of the law. You really lay it out very well. I think I have a good grasp of it now, despite this just being a short session. Just to make sure that I do, the advantages of the registration, and I understand the differentiation between the mark and the registration of the mark are, the presumptions it creates with the potential subject to the statutory exceptions but becoming incontrovertible or conclusive after 65 years. Also you have access to the Federal courts. You can file it with the Customs Department, and thereby prevent intrusion from foreign products, and provide constructive notice to anyone else.

Then, if I understand it correctly, after the 5 years and the affidavits, it becomes conclusive, except for fraud in procurement, that it has become generic, that it has been abandoned, or that it is being used in a deceitful way as to the source of the products. Otherwise it is then conclusive, except for those exceptions.

I am interested, though, in this. I deduce, and perhaps it is unfair to ask you this, because I understand it is hard to appear in both a personal and a representative position, but I get the feeling that you have some personal reservations perhaps, as opposed to official reservations, as to the real necessity of this FTC ability to intervene in any event. Do I read that right on a personal basis as opposed to an official basis?

Mr. DIAMOND. If I may respond to that personally, which obviously is the only way in which I can respond, this is not obviously part of my prepared statement.

Mr. SAWYER. I understand.

Mr. DIAMOND. Nor part of the official position of the PTO or the Department of Commerce. My feeling is very frankly, Mr. Sawyer, that the Federal Trade Commission, or for that matter the Department of Justice, have better and broader authority under other laws, and it is only in that sense that I would think that this procedure is unnecessary. It is perhaps my own personal feeling

that colored some of the prepared statement, where I was perhaps overemphasizing the distinction between the mark as such and the registration, which are two different things.

I did point out that anything that can happen as a result of the Federal Trade Commission proceeding under the Lanham Act can affect only the registration, not the use of the mark. They have attacked trademarks and so has the Department of Justice attacked trademarks, not for becoming generic but in other contexts, of anticompetitive activity, shall I say.

Mr. SAWYER. But those would be under different facets of the law really?

Mr. DIAMOND. Yes, either under section 5 of the Federal Trade Commission Act or under the Sherman or Clayton Acts. There are a number of such cases.

Mr. SAWYER. Apparently in 32 years since the enactment of the act, the FTC, on any basis, whether it be abandonment or whatever, has only exercised this authority four times?

Mr. DIAMOND. That is correct, yes.

Mr. SAWYER. And this time is the first time on the generic argument?

Mr. DIAMOND. That is correct.

Mr. SAWYER. It would seem to me that if the argument were legitimate, certainly Formica is not without competition. It would seem to me you could fairly rely on competitors to do this, rather than the Federal Trade Commission anyway. I don't really understand why it became necessary for the Federal Trade Commission to do this, assuming that their position is sound.

Mr. DIAMOND. I really cannot respond to that one, I am afraid. I think that is a question for the Federal Trade Commission, but that was a point that I was trying to make in my prepared testimony without getting into the merits of the particular case.

Mr. SAWYER. Thank you.

Thank you, Mr. Chairman. That is all I have.

Mr. KASTENMEIER. One last question. In terms of justifying the Federal Trade Commission involving itself in cases of this sort, I recall that the argument is made that it may be very burdensome on economic competitors to undertake a challenge to a registration. This is particularly insofar as it tends to rely, on surveys and other devices, to make a case. Accordingly there may be times that a Federal agency rather than competitors would be in a better position to assert this particular argument. Are you familiar with that?

Mr. DIAMOND. I am certainly familiar with the argument, yes, Mr. Chairman, and I must say that it is similar to a question you asked me before about whether I could imagine a set of circumstances under which theoretically a competitor would not come forward, and this is really, as I understand your question, a variation on that set of circumstances, and again all I can do is appeal to history.

It may be that there could be the kind of case that you suggest. On the other hand, we have class actions these days, which is one way in which the financial burden could be shared, and I think if you look at some of the cases that have been reported, including some of those that I mentioned, you will find that the size of the industrial enterprises involved were really not all that enormous.

I can think of another one which I did not mention in my text because it really was a case where somebody succeeded in registering a trademark that should not have been registered at all, not one that became generic, and that is Yo-yo, and the competitor in that case succeeded in getting the Yo-yo registration canceled.

It was certainly not in the same class as DuPont, or Formica. In other words, it seemed to be possible in a just case for a relatively small company to establish the fact that it was unjustly accused of infringement and to have the trademark registration canceled.

Mr. KASTENMEIER. Of course, I suppose one can make the argument both ways, that the infrequency in the past 32 or 33 years of the Federal Trade Commission proceeding, if it is an indictment of the Federal Trade Commission, one answer is that it should have proceeded far more often than it did. You can have it that way too, to prove that in fact its involvement was justified under the law. In any event, I agree with you that perhaps some of those questions might be better presented to the commission.

On behalf of the committee, we are very indebted to you, Commissioner Diamond, for your presentation this morning, on the history and the issues involved in trademark. We wish you the very best in terms of whatever capacity you may appear before us. It may indeed be as Commissioner of Patents and Trademarks. Thank you.

Mr. DIAMOND. Thank you very much, Mr. Chairman.

Mr. KASTENMEIER. Because there is a quorum call pending, the Chair will recess for several minutes. Rather than proceed at this particular moment with the next witness, we will recess for a period of 5 minutes.

[Recess.]

Mr. KASTENMEIER. The committee will come to order.

The Chair would like to greet the Director of the Bureau of Competition of the Federal Trade Commission, Mr. Alfred F. Dougherty, Jr.

We are very pleased to have your testimony.

Mr. DANIELSON. Mr. Chairman, while the gentleman is coming forward, I would just like to state for the record that I thought Mr. Diamond's presentation was about as informative as anything I have ever run into on a subject as obscure as trademark. I express my appreciation. He did a very fine job.

Mr. KASTENMEIER. I would like to associate myself with the remarks of the gentleman from California. I agree. The Chair would like to welcome the Director of the Bureau of Competition, Federal Trade Commission.

Mr. Dougherty, we are pleased to have you here. We have your statement, which is a 27-page statement which you may give or may summarize, as you wish.

TESTIMONY OF ALFRED F. DOUGHERTY, DIRECTOR, BUREAU OF COMPETITION, FEDERAL TRADE COMMISSION, ACCOMPANIED BY PAUL C. DAW, DIRECTOR, DENVER REGIONAL OFFICE; AND JOHN H. EVANS, ATTORNEY, DENVER REGIONAL OFFICE

Mr. DOUGHERTY. Thank you very much, Mr. Chairman. I thank you and the members of the subcommittee for this opportunity

today to represent the views of the Federal Trade Commission's Bureau of Competition on H.R. 3685.

Mr. DOUGHERTY. As you know, this bill would remove the Commission's authority to petition for cancellation of a trademark registration when the sole ground for such a petition is that the mark has become a common descriptive name. I am appearing today in my capacity as Director of the Commission's Bureau of Competition. With me are Paul C. Daw, on my left, Director of the Commission's Denver Regional Office, and John H. Evans, also from the Denver Regional Office, who is managing attorney for the Commission's current cancellation proceeding against Formica. I must emphasize that the views that we express today are our own, and do not necessarily represent the views of any individual commissioner or the Commission itself.

Mr. KASTENMEIER. May I ask, why is that? Does not the Commission itself have a point of view about the legislation?

Mr. DOUGHERTY. That is a standard caveat, Mr. Chairman. Even though the Commission does approve the appearance of individuals who are staff members of the Commission, the Commission generally does not present its own views through us.

Mr. DANIELSON. Mr. Chairman, may I inject one question?

Did the Commission have to approve and authorize the filing of the cancellation?

Mr. DOUGHERTY. Yes, Mr. Danielson, the Commission did, and I was going to get into that. One of the principal reasons that the Commission does not approve statements like these is that the Commission is in the process of litigating the complaint, and feels that it is better to stand aside in presenting views that may be the subject of litigation.

Mr. DANIELSON. I understand that, but you could not have brought the——

Mr. DOUGHERTY. That is correct.

Mr. DANIELSON [continuing]. Without the approval——

Mr. DOUGHERTY. The staff conducted an investigation, made a recommendation to the Commission, and the Commission authorized the filing of the cancellation petition before the TTAB.

Mr. DANIELSON. Thank you.

Mr. DOUGHERTY. I will be speaking today about the Commission's responsibilities under section 14 of the Lanham Trademark Act of 1946. That statute, as this committee knows, authorized the Commission to petition for the cancellation of a Federal trademark registration on any of six enumerated grounds. The Commission currently is seeking cancellation of the 1946 registration of the trademark Formica on the ground that it has become the common descriptive name for decorative plastic laminate.

I will refrain, however, from a detailed discussion of the Formica proceeding, because the matter is still pending before the Patent and Trademark Office and it would be inappropriate for me to comment on the merits.

There are, nonetheless, several important issues I can discuss, for enactment of H.R. 3685 would have consequences extending far beyond curtailment of the *Formica* case. The legislation being considered today would eliminate what we view as a rational and efficient means of representing an important public interest.

Simply put, over a century of law supports our belief that generic words cannot function as trademarks and should not be afforded legal protection.

Under the law as it now stands, the Commission is empowered to act as a public counsel and seek the cancellation of trademarks which have become generic words. We believe that elimination of this public counsel role would be unwise and ill-founded. My remarks today will concentrate on the problems associated with generic trademarks and the wisdom of commissioning a public counsel to address those problems.

I. TRADEMARK LAW BACKGROUND

To gain an appreciation of the Commission's role with regard to trademark matters, it is useful first to consider some basics of trademark law.

As the subcommittee knows, trademarks are as old as mercantilism itself; protection of trademark rights, however, is a creation of the legal system, arising out of the law of unfair competition. The protected status of a mark is predicated on the recognized public benefits derived from trademarks.

Trademarks allow firms to distinguish their goods from those of their competitors, and thus enable consumers to make better use of product information gained through advertising and experience. Accordingly, consumers can use trademarks as symbols of quality and as shorthand guides to the repeated purchase of desired brands. At the same time, trademarks enable firms to accumulate and protect goodwill in their products.

In recognition of these benefits, the law grants trademarks extensive protection to encourage their creation and use. The Lanham Act creates protectible property rights in trademarks and, with certain qualifications, allows them to be registered and retained in perpetuity.

This possibility of perpetual existence is one essential difference between trademarks and other forms of intellectual property rights, such as patents and copyrights, which enjoy only a limited duration. Of course, the protections available for trademarks under the Lanham Act are not absolute.

First of all, certain words are not entitled to trademark registration. Moreover, even after a trademark has been registered, the act sets out specific conditions under which the registration may be canceled, no matter how long it has been in existence.

Injured parties may seek cancellation of a trademark registration on a number of such grounds, including: (1) Fraud in the procurement of the registration; (2) the presence of immoral, deceptive, or scandalous material in the mark; (3) abandonment of the mark; (4) use of the mark to misrepresent the source of goods or services; and (5) degeneration of the mark into the common descriptive, or generic, name of an article.

It is important to recognize that cancellation on any of these grounds vindicates public as well as private interests. A trademark which offends any of these provisions harms rather than benefits the public and is therefore not entitled to the public's grant of protection. When any of these grounds for cancellation exists but

no private challenger has come forward, the act provides for a public counsel to seek cancellation and thereby eliminate the harm to the public.

With regard to most of these grounds for cancellation, the harm resulting from trademark status is largely obvious. However, the harm associated with the perpetuation of trademark protection for a generic name has been called into question by the legislation you are considering and is central to the issue before the subcommittee. Therefore, a detailed examination of that point is in order.

The holder of a valid trademark has the exclusive right to use the trademarked term in connection with the goods to which it applies. It would be manifestly unfair to give one person this kind of control over the word which the public uses as the name for a product itself. If, for example, one baker could appropriate the word "bread" as a trademark for his product, other bakers would be hard pressed to adequately describe and promote their products to the public. The other bakers might well have a difficult time convincing people who wanted bread to buy brand X baked wheat loaves. Consumers would be reluctant to experiment with other products not called bread; and would be likely to pay more to purchase genuine bread from the trademark holder.

Potential competitors are likewise injured because of the difficulty of introducing a new brand into a market occupied by an entrenched generic trademark. While substantial advertising expenses must typically be borne by a new entrant into a market with differentiated products, an entrant into a market occupied by a generic mark confronts a unique barrier. Without calling the new product by its generic name, the newcomer must convince consumers that the new product is a functional substitute for the generically-branded product. This requires an extra investment reflecting the cost of advertising necessary to situate the new product within the correct product universe. Furthermore, to induce consumers to experiment with the new product, the entrant might have to set an initial price so low as to preclude entry by all except large, well-capitalized firms. For example, by the time the patents on aspirin and cellophane expired, the public had come to know the products only by those names. Without cancellation of those marks, it would have been almost impossible for a new seller to persuade buyers that he had an equivalent product, and the trademark holders could, in effect, have extended the patent monopoly beyond the life of the patent.

There is yet another category of marketplace participants who are injured by the existence of a generic trademark. Consider the situation that would prevail if the now generic word "linoleum" were still a trademark and could only be used commercially in connection with one firm's products. How does a merchant who sells a cleaner for linoleum-type products effectively advertise and promote his product, or a contractor who installs that type of product acquaint the public with his services? If they advertise linoleum cleaner or linoleum installation, they face harassment or suit by the trademark holder. If they advertise a cleaner for floor covering made of linseed oil and cork or installation of oxidized linseed oil on a canvas backing, it is likely that they will fail to

communicate to most of the public the nature of what they are offering. Consequently, they will also fail to attract customers.

To prevent these harmful effects on the marketplace, the law has never allowed a person to acquire trademark rights in a word which has belonged to the public as the everyday name for an article. The same effects occur when a word which was originally a trademark passes into the language as a common noun and becomes the name the consuming public uses for a type of product. Once such a word has become detached from its brand connotations, it no longer serves the purpose of identifying the products of one manufacturer and distinguishing them from other brands. The word has lost the attributes which once jusified its protection as a property right and in accord with the resounding consensus of Congress, courts, and commentators, such a word is not entitled to trademark protection.

As the Supreme Court noted in declaring that the term "shredded wheat" had lost its trademark significance and could be used by competitors, use of a product's generic name is the exercise of a right possessed by all—and in the free exercise of which the consuming public is deeply interested.

Because a generic word is the very antithesis of a trademark, and the vesting of exclusive rights to the use of a generic word in one person impairs competition and harms consumers, it is now firmly established that a trademark which becomes a generic word must be available for public use. Even a staunch critic of the *Formica* case has admitted that:

> It is highly unlikely that any support could be mustered among trademark owners or practitioners for the proposition that a mark that has truly become a generic term should nevertheless continue to be regarded as a valid trademark, with its owner entitled to maintain his rights to the exclusive use thereof.

The law's aversion to generic trademarks has led courts to withdraw protection from many former trademarks such as linoleum, aspirin, cellophane, cola, escalator, trampoline, and yo-yo. In each of these cases, once genericness was established, the trademark was regarded as invalid on a per se basis. The courts did not require the challenger to prove that the continuation of trademark protection would harm competition or consumers; such harm was presumed. One need only consider the impact of continued exclusive branded usage of any of these former marks to understand the harm likely to flow from a generic trademark.

In the Lanham Act, Congress codified this per se treatment of generic trademarks and also made it clear that cancellation of a generic trademark does not require a showing of any fault on the part of the trademark holder.

It may seem at first blush that canceling a trademark that has become generic subsequent to registration imposes an unjustified hardship on its owner, who may have expanded considerable sums in advertising and promoting it. Yet, as generations of judges and the framers of the Lanham Act recognize, this perception is erroneous.

In the first place, a trademark whose brand connotations have faded is clearly dysfunctional. Since it is the public, through the legal system, which grants exclusive rights to trademark owners, that same public is abundantly justified in removing those protec-

tions if a term ceases to function as a trademark and no longer benefits society. This is, at bottom, the considered policy judgment made by the public representatives who enacted the Lanham Act.

Moreover, the fate of cancellation is not some inscrutable Catch-22 that befalls the successful trademark owner as a side effect of popularity. There is no necessary correlation between success and generic usage. Hundreds of renowned trademarks are in no apparent danger of being cancelled as generic—Maxwell House coffee, Zenith television's, McDonalds restaurants and so on.

It is doubtful, for example, that the public would refer to any coffee, irrespective of brand, as, "A cup of Maxwell House."

The Swedish scholar, Lars Holmqvist, whose magisterial volume entitled "Degeneration of Trade Marks" is the most authoritative treatment of this subject from a comparative law perspective, devotes an entire chapter to "Reputation Versus Degeneration." Holmqvist's position is that trademark promotion which enhances a brand's distinctiveness is utterly different from use which diminishes distinctiveness. He trenchantly criticizes the view that genericness is a measure of the energy with which a firm has popularized its trademark:

"The semantic development," says Holmqvist,

> Taking place in a mark which is being put to use will result either in a reinforcement of its character as a proper name or in its development into a generic term. It is sometimes asserted that the owner of a trademark which has acquired a strong reputation on the market finds that his mark has suddenly degenerated. This is a false assumption.
>
> The great majority of trademarks are used in such a way as to acquire increased distinctiveness. Very few trademarks lose their distinctiveness as a result of being used. This is in itself substantial proof of the fact that it is incorrect to assume that degeneration is the ultimate result of a trademark acquiring a reputation on the market * * *.

Holmqvist's observations lead naturally into my third point about the fairness of cancellation. The trademark holder has both the ability and the responsibility to shape the public's use and understanding of his trademark. One arena for exercising this influence is the holder's own advertising. Trademark experts routinely counsel that a trademark owner should introduce a succinct and memorable common name in conjunction with any new trademark.

Especially where the trademarked product is new in kind or appearance, the public will predictably seize on the trademark as a descriptive designation unless they are provided some other ready name for the product. Thus, DuPont took care to coin and promote the common name polyester when it introduced its Dacron brand of synthetic fiber.

Trademark holders are also advised to police the use of the mark by the media, insure that the mark is always used as a proper adjective and never as a noun or in a combining form and, where possible, to affix the mark to more than one type of product to instill awareness of its proprietary nature.

If all the recommended steps are consistently followed, it is most unlikely that the mark will enter the language, regardless of its owner's commercial success. In fact, our review of the case law suggests that every instance of trademark degeneration is traceable to acts of omission or commission on the part of the trade-

mark holder. Perhaps, in part, this is why the Lanham Act does not require proof of such acts.

It may be tempting, of course, for a trademark holder to dispense with some of these protective measures. During the life of a patent, for example, the trademark holder may seek to establish the brand name as a household word and purposely devote little or no attention to inculcating a common name. This strategy may be a means of maximizing short-term sales and profits but the holder has mortgaged the secure future of his mark by impliedly approving its generic use.

Alternatively, a holder may simply be negligent in failing to use his mark correctly or police its use by others. Nevertheless, trademark rights are conditional;, it is the holder's duty to preserve the mark's distinctiveness. A negligent holder is hardly an innocent bystander when his mark becomes generic and is lost by his own lack of diligence. In either instance—a deliberate flirtation with genericness or sheer neglect—the trademark holder has no legitimate complaint when the legal status of the mark is adjusted to comport with its real life significance.

In sum, it could scarcely be more settled as a matter of statute, case law, and sound public policy that generic words are inherently unworthy of trademark protection.

CREATION OF A PUBLIC COUNSEL

Besides codifying the law dealing with generic trademarks, the Lanham Act made another major contribution to the law of trademark cancellation by conferring standing upon the Federal Trade Commission to petition for cancellation of allegedly invalid marks. In 1944, during the course of Senate hearings on the bill which eventually became the Lanham Act, representatives from the Justice Department and the Commission maintained that there should be a representative of the public interest empowered to challenge invalid trademarks. It was generally acknowledged that the Patent and Trademark Office could not completely fill that role. With its limited resources, the Patent and Trademark Office cannot always engage in a full scale inquiry to determine whether registration of a particular mark might be injurious to the public.

Additionally, once a mark is registered, there is never an occasion for sua sponte reexamination of the mark's validity by the office. Without the presence of some representative of the public interest, the trademark system being proposed would have had to rely solely on competitors to take action to cleanse the trademark register of invalid marks.

With these concerns in mind, Senator Claude Pepper, who became the Senate manager for the Lanham Act, put forth his belief that:

> It would be perfectly legitimate to provide that a public authority or agency should have authority, if they thought the public interest were being aggrieved, to bring their complaint or their protest to the attention of the Patent Office and to have a legitimate standing there, so that they might contest with the registrant.

It is significant to note that the proponents of the bill who were present at the hearing, including the First Assistant Commissioner of Patents, the chairman of the Committee on Legislation for the

Patent, Trademark and Copyright Section of the American Bar Association, and the chairman of the Committee on Trademarks and Counsel for the United States Trademark Association, voiced approval of such a provision. This concern over the need for a public interest advocate eventually led to the grant of standing to the FTC which is presently the law. The appropriateness of this grant of standing, as it relates to generic trademarks, is, of course, the central issue for the subcommittee. There should be nothing controversial about the grant; the policy rationale which led to its inclusion in the Lanham Act has not changed. Moreover, the voidability of a generic trademark, from a legal standpoint, is a per se principle arising out of the law of unfair competition.

The Federal Trade Commission was created in 1914 as a public counsel to root out practices which amounted to unfair competition. Professor J. Thomas McCarthy, a leading expert on the law of trademarks and unfair competition, has analogized the role of the FTC in challenging generic trademarks to the role of the FTC and Department of Justice in challenging antitrust violations. This analogy certainly seems apt in that both unchallenged generic trademarks and unchallenged antitrust violations cause public harm, and the need for a public advocate in both context seems compelling.

The existence of a private right of action against unfair competition is simply not sufficient, in either context to insure that the public interest in free and open competition is protected. Indeed, compared to antitrust law, where successful private plaintiffs can win treble damage awards, total reliance on private trademark enforcement is likely to be particularly unsatisfactory.

THE NEED FOR A PUBLIC COUNSEL

As I have indicated, the cancellation of generic trademarks benefits the public at large, including consumers, competing businesses and potential competitors. Were no public counsel authorized to seek cancellation, however, the interests of persons other than competitors would go largely, if not wholly, unrepresented.

The fact that numerous actions have been brought by private parties does not negate the proposition that a public counsel is needed. The volume of private litigation over the years indicates that competitors frequently will have incentives to bring cancellation actions. But even assuming that the instances in which a private litigant does not come forward are rather exceptional, there is still a need for a public counsel to deal with the unusual cases of competitive default.

For example, a competitor is likely to consider the free rider problem. A competitor faced with a generic trademark in his industry would ask himself, "Why should I go through the untold expense, delay and uncertainty of challenging the generic mark when if I win, all my competitors will also gain access to the word?"

A possible solution to this problem is for competitors to band together, pool their resources, and mount a joint challenge to a generic trademark. For whatever reason, this almost never happens. The only counter-example I know of is the pending Mercurochrome litigation, which was precipitated by the highly unusual

circumstance of over 100 licensees being terminated sumultaneously. Even there, only five of the licensees were willing to contribute to a legal challenge. It may be that companies believe that combining to challenge a generic mark is forbidden by the antitrust laws. Whether or not such fears are justified, the legitimacy of such a combination from an antitrust standpoint might present a further litigable issue and thus, in itself, be a disincentive to the war chest approach.

In addition to the free rider problem, which applies to all competitors, large or small, a small company faces other difficulties in challenging a generic trademark. Such a competitor might lack the sophistication, the financial resources, or the staying power to challenge the trademark owner. The would be challenger might legitimately fear that the demands of complex litigation would monopolize the energies of its management. Such a firm might also shrink from the uncertainties of litigation and the risk that cancellation, if it occurred, might not significantly improve the challenger's position. Over and above the expenses of protracted litigation against a determined corporate adversary, the small firm might fear retaliation in the marketplace.

This portrayal of the marginal firm does not, however, explain the reluctance of large, well financed companies to seek trademark cancellation. Why aren't such companies more frequent proponents of cancellation? In fact, if one examines the private cancellation cases, the largest corporations are as rare as very small ones among the ranks of challengers to generic marks. The workhorses of the case law are the second and third tier companies—an Aladdin Industries, which challenged the Thermos trademark, or a Royal Tops Manufacturing Co. (Yo-Yo). By and large, the leading companies have steered clear of these cases, much as, until recently, they shunned hostile corporation takeovers.

A partial explanation for the apparent willingness of major firms to coexist peacefully with generic marks in some markets is that in other markets they maintain conceivably generic marks of their own. Companies that are nervous about the status of their own marks would be ill advised to try to expand the frontiers of generic trademark law or enhance the acceptability of cancellation cases.

But this is surely too narrow-gaged an explanation. Many major companies own no trademarks that are arguably generic. Even these companies, however, have a healthy reverence for intellectual property rights. Having developed trademarks of their own, they know the costs involved in doing so and the inestimable goodwill value that can result. Because of their own experiences, they are averse to challenging fellow holders of longstanding intellectual property rights.

This is far from some sinister antitrust-type conspiracy; rather, it is a matter of norms, expectations, and philosophy. Unfortunately, however, corporate adherence to this philosophy does not insure that the public interest is being served.

An examination of industry structure sometimes yields further insight into the quiescence of competitors of a generic trademark holder. As an example, the plastic laminate industry in which Formica Corp. competes is highly concentrated; four firms control at least 80 percent of the market. Despite continuing market

growth there has been no new entry in almost 25 years, and import competition is nonexistent.

However much it might benefit competitors to be able to use the word "Formica" it would equally invite new entry and stimulate competitive activity in the market. Underscoring this point, a trade journal reported the industry's concern that the cancellation of the trademark would set off a price war and make the industry super-competitive.

In the same journal, an editorial observed that Formica Corp. had customarily provided a price umbrella for its industry rivals. Competitors might rationally prefer to cluster under such an umbrella, rather than take action which might promote its removal. It hardly needs mentioning, though, that a situation that is in the best interests of existing competitors need not be in the best interests of potential entrants or the consuming public.

These are just some of the reasons why existing competitors might refrain from challenging a generic mark. Additional analysis explains the inaction of other affected parties, such as consumers and potential competitors, whose interests in the eradication of generic marks would go wholly unrepresented if no public counsel were authorized to seek cancellation.

In the first place, it is highly doubtful that potential competitors possess the requisite standing to petition for cancellation. In order to raise the issue of genericness, a potential competitor would have to invest the capital necessary to enter the market, manufacture the goods, and then challenge the mark. Rather than hazard so much capital on so uncertain a prospect, he would probably decide to invest in a different industry.

The standing of consumers to petition for cancellation of generic trademarks is equally dubious. Obviously, too, litigating a trademark case can be enormously expensive, and each consumer has relatively little financial stake in cancellation. Without a public counsel to represent the interests of consumers and potential competitors, their voice in generic trademark litigation would be faint indeed.

The absence of a private challenge, however, does not mean that a trademark is not generic, nor is it an unfailing index of a competitively healthy industry. Indeed, in some cases, it may be indicative of competitive malaise. For these reasons, a public counsel is needed to restore competitive balance to an industry set askew by the existence of a generic trademark.

THE PUBLIC COUNSEL'S PERFORMANCE

It is true, of course, that to be effective the public counsel must act, and act prudently. Indeed, the Commisson might well be faulted on the grounds that its pursuit of the public counsel role under the Lanham Act has been rather lethargic. This paucity of activity was due in large part to the failure of the FTC's first two attempts to use its authority shortly after the Act took effect in 1947. These were the companion cases of *Royal* and *Elder*.

In *Royal,* the Patent Office held that the FTC could not seek cancellation of a mark that was registered solely under one of the pre-Lanham Act trademark acts.

The same result obtained in *Elder,* even though the trademark owner in that case had republished the prior act registration pursuant to the Lanham Act and claimed all of the benefits of Lanham Act registration.

As a result of these precedents, the Commission was limited to challenging registrations that were newly obtained after mid-1947. This ruling drastically circumscribed and dampened the Commission's efforts under the act, especially with regard to generic marks, because ordinarily a mark becomes generic only after an extended period of use.

Consequently, the FTC filed only a handful of cancellation petitions during the past 25 years. Of course, the current criticism of the Commission's conduct as public counsel concerns our activity, not our lack thereof. In my view, the study and deliberation that led up to renewal of our activity under the Lanham Act demonstrate that our actions, far from being capricious, are in fact well justified.

Late in 1976, the Commission's staff commenced an examination of whether renewed activity under the Lanham Act might be appropriate. Since trademark registrations under the act had by that time been accumulating for some 30 years, there has been ample opportunity for a trademark registered after 1946 to have become generic. The basic questions posed by this inquiry were whether there were any Lanham Act trademarks that had arguably become generic and whether any such trademarks appeared to be causing sufficient injury to consumers and competition to warrant intervention by a public counsel.

To answer these questions, the FTC staff developed a list of criteria to identify instances in which the public interest might be well served by cancellation. Examples of these criteria are: (1) High generic usage of the mark in question; (2) low recognition of the mark in question as a brand; (3) absence of a succinct and well understood name for the product apart from the trademark; (4) price premium for the trademarked product; (5) performance characteristics of the product not evident from visual inspection. For example, Yo-Yo, although cancelled by private action, might not have met this criterion; (6) trademark holder in the leading market position; and (7) role of the mark in question as an apparent barrier to entry into the industry.

Our staff determined that the characteristics of the Formica trademark and the decorative plastic laminate industry closely met the above criteria and presented a situation which seemed to warrant cancellation proceedings. In addition, because Formica Corp. maintained a 1963 registration of Formica for its decorative plastic laminates, the *Elder* precedent did not stand in the way of a challenge. Accordingly, the staff recommended to the Commission that a petition be filed seeking cancellation.

Because the investigation leading up to this recommendation had not occasioned any direct communications with Formica Corp., the FTC staff advised the company of the pending recommendation and, in keeping with the spirit of section 554(c)(1) of the Administrative Procedure Act, 5 U.S.C. 554(c)(1), expressed a willingness to discuss possible means of settling the matter.

Formica Corp. took the opportunity to make written submissions to the Commission and to meet with three of the four Commissioners in an effort to dissuade the Commission from taking the recommended action. One day before the Commission was scheduled to vote on the question, the company voluntarily cancelled its 1963 registration.

Formica Corp. also held a registration of Formica obtained in 1963 and subsequently republished under the Lanham Act. Therefore, its voluntary action had no practical effect on the company's rights as a registrant or the status of the trademark, except to deprive the FTC of the clearest basis for standing to petition to cancel Formica.

The Commission could seek cancellation of the republished registration only by overcoming the *Elder* precedent. Accordingly, the Commission directed the staff to consider whether any further action might be appropriate under these circumstances.

Upon further study, the staff remained convinced that Formica measured up well in relation to the selection criteria and that a cancellation proceeding would serve the public interest. The staff also scrutinized the *Elder* decision and concluded that its continuing vitality should be tested. Therefore, the staff renewed its recommendation that a declaration of Formica's genericness be sought, this time in the context of a petition to cancel the 1946 registration.

The Commissioners unanimously agreed with this recommendation. On May 31, 1978, they entered an order recording their finding of reason to believe that Formica had become generic and that its cancellation would be in the public interest. The cancellation petition was filed the same day.

The deliberateness of the assessment undertaken by the Commission and its staff in this instance reflects the Commission's determination to seek cancellation only when the facts warrant remedial action. In fact, all indications are that a decision by the Commission to initiate cancellation proceedings will be as soundly based as that of any private litigant.

It is true that a rational private petitioner will be acting in his self-interest, and he at least will benefit from success. He must recite in his petition that he believes he is or will be damaged by the continued registration of the mark, but for an actual competitor such injury is presumed.

Because of this presumption, the sole substantive element of a private petitioner's case is to prove that the mark at issue is, in fact, generic. He is not required to show, for example, that the trademark owner is culpably implicated in the mark's transition to genericness, that the owner's exclusive use of the mark has palpable anticompetitive effects, or that cancellation of the mark would benefit the consuming public. All these potential issues are overshadowed by the semantic properties of the trademark, which virtually guarantee marketplace dislocations. Presumably, the expense the petitioner will be forced to incur in demonstrating the mark's invalidity is deemed a sufficient assurance that he will exercise his standing responsibly and sparingly.

The private competitor, then, makes a hardheaded business calculation in deciding whether to challenge a trademark. Does the

absence of a comparable monetary stake on the part of the FTC mean that the agency should not be permitted to seek cancellation at all, or should have to make a different showing than a competitor?

What safeguards exist to insure that the Commission will exercise its statutory authority in a prudent and effective manner and that valid trademarks will not be improvidently or unjustly eradicated? There are at least two important checks on the Commission's authority.

First, before any trademark can be canceled at the instance of the FTC, the agency must demonstrate the invalidity of the mark in accordance with established legal standards. The FTC cannot itself make the determination of genericness; this is the responsibility of an independent, expert tribunal, the Trademark Trial and Appeal Board. Moreover, the TTAB's decisions are subject to extensive judicial review via either of two appellate avenues. If, as the law presumes, generic marks cause injury, and a mark is found to be generic at the behest of the FTC, that injury is eliminated, and the FTC's action would appear to have been well-founded.

Second, there is a self-imposed check. The Commission has taken it upon itself to make a public interest determination in connection with the exercise of its authority to seek cancellation. Subsumed within this public interest finding is an examination of the various selection criteria that have been devised to test the advisability of cancellation proceedings. Moreover, the Commission obviously does not have unlimited resources and is as concerned as a private business that its resources are being used wisely.

The net effect of these safeguards, I submit, is that a cancellation action commenced by the FTC is every bit as likely to yield public benefit as one begun by a business firm. In either instance, if the challenged trademark is proved generic, the societal impact of its cancellation or restriction will nearly always be beneficial.

What picture of the Commission's authority to seek cancellation of generic trademarks under the Lanham Act emerges from the foregoing discussion? First, we can see that the legal principle involved—that truly generic words are not entitled to trademark protection—is well founded, firmly established, and universally accepted.

Second, it is apparent that the grant of this authority is intended to provide a public counsel in those situations in which the public would benefit by a generic word being made available for use by all but no private litigant has come forward or succeeded in obtaining cancellation.

Third, a realistic appraisal reveals that the Commission stands as merely one more participant in the long tradition of challenges to generic trademarks. Legal and practical safeguards exist to insure that the Commission is no more likely to venture unwisely into trademark litigation than any private party would be.

All of the factors I have discussed today militate against enacting H.R. 3685 to remove the Commission's express authority to challenge allegedly generic trademarks. Additionally, the proposed legislation leaves unresolved a serious question about the future of any public interest representation with regard to trademarks.

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Are there no instances when, in response to a complaint or its own investigation, the Commission should take action against an allegedly generic mark that is creating market problems even though no private challenge is taking place? There will continue to be situations in which arguably generic marks impede the functioning of the marketplace but provoke no private challenges.

On this point, the recent publicity regarding the Commission's Lanham Act proceeding has prompted complaints to us from small businesses in at least ten industries burdened by allegedly generic marks. The complainants have recounted the market impairment created by the marks and the difficulties attendant upon a private challenge and have all sought Commission assistance.

The legislation being considered today provides no answer as to how the Commission should deal with this type of situation in the future. Its enactment would eliminate the most rational and efficient means of vindicating this important public interest. If the bill became law but complaints or other indications of market dysfunction persisted, could we look to our remaining authority under the Lanham Act?

Perhaps, but only if some independent ground for cancellation appeared to exist. Could we address the problem through section 5 of the FTC Act, which prohibits unfair methods of competition and unfair or deceptive acts or practices? Perhaps, but there are no established precedents for the legal standards or remedies which would be involved in such a case.

In summary, there is extensive support for the proposition that trademarks which degenerate into generic words are no longer entitled to legal protection. There is also ample evidence of the need for a public representative with the clear statutory authority to challenge marks whose existence subverts the integrity of the trademark system and impedes the free functioning of the marketplace.

There is no indication that such a mark should enjoy a greater immunity from public challenge that it would from a private one. There is also nothing to suggest that the Commission has failed to exercise its responsibilities as public champion in a reasoned and judicious manner. There are simply no compelling reasons for curtailing that responsibility and no need for legislation such as H.R. 3685.

Mr. Chairman, my colleagues and I will be pleased to attempt to answer any questions that you or the other subcommittee members might have.

[The statement follows:]

STATEMENT OF ALFRED F. DOUGHERTY, JR., DIRECTOR, BUREAU OF COMPETITION, FEDERAL TRADE COMMISSION

Mr. Chairman and Members of the Subcommittee: Thank you for the opportunity to be here today to present the views of the Federal Trade Commission's Bureau of Competition on H.R. 3685. As you know, this bill would remove the Commission's authority to petition for cancellation of a trademark registration when the sole ground for such a petition is that the mark has become a common descriptive name. I am appearing today in my capacity as Director of the Commission's Bureau of Competition. With me are Paul C. Daw, Director of the Commission's Denver Regional Office, and John H. Evans, also from the Denver Regional Office, who is managing attorney for the Commission's current cancellation proceeding. With their

assistance, I will be pleased to answer any questions that you may have at the conclusion of this statement.

I will be speaking today about the Commission's responsibilities under Section 14 of the Lanam Trademark Act of 1946. That statute authorizes the Commission to petition for the cancellation of a federal trademark registration on any of six enumerated grounds. The Commission currently is seeking cancellation of the 1946 registration of the trademark Formica on the ground that it has become the common descriptive name for decorative plastic laminate.

I will refrain, however, from a detailed discussion of the *Formica* proceeding, because the matter is still pending before the Patent and Trademark Office and it would be inappropriate for me to comment on the merits. There are, nonetheless, several important issues I can discuss, for enactment of H.R. 3685 would have consequences extending far beyond curtailment of the *Formica* case. The legislation being considered today would eliminate what we view as a rational and efficient means of representing an important public interest. Simply put, over a century of law supports our belief that generic words cannot function as trademarks and should not be afforded legal protection. Under the law as it now stands, the Commission is empowered to act as a public counsel and seek the cancellation of trademarks which have become generic words. We believe that elimination of this public counsel role would be unwise and ill-founded. My remarks today will concentrate on the problems associated with generic trademarks and the wisdom of commissioning a public counsel to address those problems.

I. TRADEMARK LAW BACKGROUND

To gain an appreciation of the Commission's role with regard to trademark matters, it is useful first to consider some basics of trademark law.

As the Subcommittee knows, trademarks are as old as mercantilism itself; protection of trademark rights, however, is a creation of the legal system, arising out of the law of unfair competition. The protected status of a mark is predicated on the recognized public benefits derived from trademarks. Trademarks allow firms to distinguish their goods from those of their competitors, and thus enable consumers to make better use of product information gained through advertising and experience. Accordingly, consumers can use trademarks as symbols of quality and as "shorthand" guides to the repeated purchase of desired brands. At the same time, trademarks enable firms to accumulate and protect goodwill in their products. In recognition of these benefits, the law grants trademarks extensive protection to encourage their creation and use. The Lanham Act creates protectible property rights in trademarks, and with certain qualifications, allow them to be registered and retained in perpetuity.

This possibility of perpetual existence is one essential difference between trademarks and other forms of intellectual property rights, such as patents and copyrights, which enjoy only a limited duration. Of course, the protections available for trademarks under the Lanham Act are not absolute. First of all, certain words are not entitled to trademark registration. Moreover, even after a trademark has been registered, the Act sets out specific conditions under which the registration may be cancelled, no matter how long it has been in existence.

Injured parties may seek cancellation of a trademark registration on a number of such grounds, including: (1) Fraud in the procurement of the registration; (2) the presence of immoral, deceptive, or scandalous material in the mark; (3) abandonment of the mark; (4) use of the mark to misrepresent the source of goods or services; and (5) degeneration of the mark into the common descriptive, or generic, name of an article. It is important to recognize that cancellation on any of these grounds vindicates public as well as private interests. A trademark which offends any of these provisions harms rather than benefits the public and is therefore not entitled to the public's grant of protection. When any of these grounds for cancellation exists but no private challenger has come forward, the Act provides for a public counsel to seek cancellation and thereby eliminate the harm to the public.

With regard to most of these grounds for cancellation, the harm resulting from trademark status is largely obvious. However, the harm associated with the perpetuation of trademark protection for a generic name has been called into question by the legislation you are consideriang and is central to the issue before the Subcommittee. Therefore, a detailed examination of that point is in order.

The holder of a valid trademark has the exclusive right to use the trademarked term in connection with the goods to which it applies. It would be manifestly unfair to give one person this kind of control over the word which the public uses as the name for a product itself. If, for example, one baker could appropriate the word "bread" as a trademark for his product, other bakers would be hard pressed to

adequately describe and promote their products to the public. The other bakers might well have a difficult time convincing people who wanted bread to buy "brand X baked wheat loaves." Consumers would be reluctant to experiment with other products not called "bread" and would be likely to pay more to purchase "genuine Bread" from the trademark holder.

Potential competitors are likewise injured because of the difficulty of introducing a new brand into a market occupied by an entrenched generic trademark. While substantial advertising expenses must typically be borne by a new entrant into a market with differentiated products, an entrant into a market occupied by a generic mark confronts a unique barrier. Without calling the new product by its generic name, the newcomer must convince consumers that the new product is a functional substitute for the generically-branded product. This requires an extra investment reflecting the cost of advertising necessary to situate the new product within the correct product universe. Furthermore, to induce consumers to experiment with the new product, the entrant might have to set an initial price so low as to preclude entry by all except large, well-capitalized firms. For example, by the time the patents on aspirin and cellophane expired, the public had come to know the products only by those names. Without cancellation of those marks, it would have been almost impossible for a new seller to persuade buyers that he had an equivalent product, and the trademark holders could, in effect, have extended the patent monopoly beyond the life of the patent.

There is yet another category of marketplace participants who are injured by the existence of a generic trademark. Consider the situation that would prevail if the now generic word "linoleum" were still a trademark and could only be used commercially in connection with one firm's products. How does a merchant who sells a cleaner for linoleum-type products effectively advertise and promote his product, or a contractor who installs that type of product acquaint the public with his services? If they advertise "linoleum cleaner" or "linoleum installation," they face harassment or suit by the trademark holder. If they advertise a "cleaner for floor covering made of linseed oil and cork" or "installation of oxidized linseed oil on a canvas backing," it is likely that they will fail to communicate to most of the public the nature of what they are offering. Consequently, they will also fail to attract customers.

To prevent these harmful effects on the marketplace, the law has never allowed a person to acquire trademark rights in a word which had belonged to the public as the everyday name for an article.[1] The same effects occur when a word which was originally a trademark passes into the language as a common noun and becomes the name the consuming public uses for a type product. Once such a word has become detached from its brand connotations, it no longer serves the purpose of identifying the products of one manufacturer and distinguishing them from other brands. The word has lost the attributes which once justified its protection as a property right, and, in accord with the resounding consensus of Congress, courts, and commentators, such a word is not entitled to trademark protection.[2] As the Supreme Court noted in declaring that the term "shredded wheat" had lost its trademark significance and could be used by competitors, use of a product's generic name "is the exercise of a right possessed by all—and in the free exercise of which the consuming public is deeply interested." [3]

Because a generic word is the very antithesis of a trademark, and the vesting of exclusive rights to the use of a generic word in one person impairs competition and harms consumers, it is now firmly established that a trademark which becomes a generic word must be made available for public use. Even a staunch critic of the *Formica* case has admitted that "[i]t is highly unlikely that any support could be mustered among trademark owners or practitioners for the proposition that a mark that has truly become a generic term should nevertheless continue to be regarded as a valid trademark, with its owner entitled to maintain his rights to the exclusive use thereof." [4]

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[1] *See, e.g.,* R. Callman, "The Law of Unfair Competition, Trademarks and Monopolies," § 74.1 (3d Ed. 1967).

[2] *See* J. Gilson, "Trademark Protection and Practice," § 2.02 (1978); R. Callman, supra note 1, § 74.1; E. Vandenburgh, "Trademarks and Unfair Competition," § 12.1 (1973); S. Diamond, "Trademark Law and Procedure," § 9.20 (2d Ed. 1968); J. McCarthy, "Trademark Problems and How to Avoid Them," at 187 (1974).

[3] *Kellogg Co.* v. *National Biscuit Co.,* 305 U.S. 109 (1938).

[4] Ball, "Government Versus Trademarks: Today—Pharmaceuticals, ReaLemon and Formica—Tomorrow?", 68 T.M.R. 471, 491 (1978).

The law's aversion to generic marks has led courts to withdraw protection from many former trademarks as linoleum,[5] aspirin,[6] cellophane,[7] cola,[8] escalator,[9] trampoline,[10] and yo-yo.[11] In each of these cases, once genericness was established, the trademark was regarded as invalid on a per se basis. The courts did not require the challenger to prove that the continuation of trademark protection would harm competition or consumers; such harm was presumed. One need only consider the impact of continued exclusive branded usage of any of these former marks to understand the harm likely to flow from a generic trademark. In the Lanham Act, Congress codified this per se treatment of generic trademarks and also made it clear that cancellation of a generic trademark does not require a showing of any fault on the part of the trademark holder.

It may seem at first blush that cancelling a trademark that has become generic subsequent to registration imposes an unjustified hardship on its owners, who may have expended considerable sums in advertising and promoting it. Yet, as generations of judges and the framers of the Lanham Act recognize, this perception is erroneous..

In the first place, a trademark whose brand connotations have faded is clearly dysfunctional. Since it is the public, through the legal system, which grants exclusive rights to trademark owners, that same public is abundantly justified in removing those protections if a term ceases to function as a trademark and no longer benefits society. This is, at bottom, the considered policy judgment made by the public representatives who enacted the Lanham Act.

In the second place, the fate of cancellation is not some inscrutable Catch-22 that befalls the successful trademark owner as a side-effect of popularity. There is no necessary correlation between success and generic usage. Hundreds of renowned trademarks are in no apparent danger of being cancelled as generic—Maxwell House coffee, Zenith television, McDonald's restaurants, and so on. It is doubtful, for example, that the public would refer to any coffee, irrespective of brand, as "a cup of maxwell house."

The Swedish scholar, Lars Holmqvist, whose magisterial volume entitled "Degeneration of Trade Marks" is the most authoritative treatment of this subject from a comparative law perspective, devotes an entire chapter to "Reputation Versus Degeneration." Holmqvist's position is that trademark promotion which enhances a brand's distinctiveness is utterly different from use which diminishes distinctiveness. He trenchantly criticizes the view that genericness is a measure of the energy with which a firm has popularized its trademark:

"The semantic development [says Holmqvist] taking place in a mark which is being put to use will result either in a reinforcement of its character [as] a proper name or in its development into a generic term. It is sometimes asserted that the owner of a trademark which has acquired a strong reputation on the market finds that his mark has "suddenly" degenerated. This is a false assumption.

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"The great majority of trade marks are used in such a way as to acquire increased distinctiveness. Very few trade marks lose their distinctivenss as a result of being used. This is in itself substantial proof of the fact that it is incorrect to assume that degeneration is the ultimate result of a trade mark acquiring a reputation on the market.* * *." [12]

Holmqvist's observations lead naturally into my third point about the fairness of cancellation. The trademark holder has both the ability and the responsibility to shape the public's use and understanding of his trademark. One arena for excercising this influence is the holder's own advertising. Trademark experts routinely counsel that a trademark owner should introduce a succinct and memorable common name in conjunction with any new trademark. Especially where the trademarked product is new in kind or appearance, the public will predictably seize on the trademark as a descriptive designation unless they are provided some other ready name for the product. Thus, Du Pont took care to coin and promote the common name "polyester" when it introduced its Dacron brand of synthetic fiber. Trademark holders are also advised to police the use of the mark by the media, insure that the mark is always used as a proper adjective and never as a noun or in

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[5] *Linoleum Mfg. Co.* v. *Nairn, L. R.*, 7 Ch. Div. 834 (1878).
[6] *Bayer Co.* v. *United Drug Co.*, 272 F. 505 (S.D.N.Y. 1921).
[7] *DuPont Cellophane Co.* v. *Waxed Products Co.*, 85 F. 2d 75 (2d Cir. 1936).
[8] *Coca-Cola Co.* v. *Snow Crest Beverages*, 162 F. 2d 280 (1st Cir. 1947).
[9] *Haughton Elevator Co.* v. *Seeberger*, 85 U.S.P.Q. 80 (Comm'r Pat. 1950).
[10] *Nissen Trampoline Co.* v. *American Trampoline Co.*, 193 F. Supp. 745 (D. Iowa 1961).
[11] *Donald F. Duncan, Inc.*, v. *Royal Tops Mfg. Co.*, 343 F.2d 655 (7th Cir. 1965).
[12] L. Holmqvist, "Degeneration of Trade Marks" 164-66 (1971).

a combining form, and, where possible, to affix the mark to more than one type of product to instill awareness of its proprietary nature.[13]

If all the recommended steps are consistently followed, it is most unlikely that the mark will enter the language, regardless of its owner's commercial success. In fact, our review of the case law suggests that every instance of trademark degeneration is traceable to acts of omission or commission on the part of the trademark holder. Perhaps, in part, this is why the Lanham Act does not require proof of such acts.

It may be tempting, of course, for a trademark holder to dispense with some of these protective measures. During the life of a patent, for example, the trademark holder may seek to establish the brand name as a household word and purposely devote little or no attention to inculcating a common name. This strategy may be a means of maximizing short-term sales and profits, but the holder has mortgaged the secure future of his mark by impliedly approving its generic use. Alternatively, a holder may simply be negligent in failing to use his mark correctly or police its use by others. Nevertheless, trademark rights are conditional; it is the holder's duty to preserve the mark's distinctiveness. A negligent holder is hardly an innocent bystander when his mark becomes generic and is lost by his own lack of diligence. In either instance—a deliberate flirtation with genericness or sheer neglect—the trademark holder has no legitimate complaint when the legal status of the mark is adjusted to comport with its real-life significance.

In sum, it could scarcely be more settled as a matter of statute, case law, and sound public policy that generic words are inherently unworthy of trademark protection.

II. CREATION OF A PUBLIC COUNSEL

Besides codifying the law dealing with generic trademarks, the Lanham Act made another major contribution to the law of trademark concellation by conferring standing upon the Federal Trade Commission to petition for cancellation of allegedly invalid marks. In 1944, during the course of Senate hearings on the bill which eventually became the Lanham Act, representatives from the Justice Department and the Commission maintained that there should be a representative of the public interest empowered to challenge invalid trademarks. It was generally acknowledged that the Patent and Trademark Office could not completely fill that role. With its limited resources, the Patent and Trademark Office cannot always engage in a fullscale inquiry to determine whether registration of a particular mark might be injurious to the public. Additionally, once a mark is registered, there is never an occasion for *sua sponte* reexamination of the mark's validity by the Office. Without the presence of some representative of the public interest, the trademark system being proposed would have had to rely solely on competitors to take action to cleanse the trademark register of invalid marks.

With these concerns in mind, Senator Claude Pepper, who became the Senate manager for the Lanham Act, put forth his belief that: "It would be perfectly legitimate to provide that a public authority or agency should have authority, if they thought the public interest were being aggrieved, to bring their complaint or their protest to the attention of the Patent Office and to have a legitimate standing there, so that they might contest with the registrant." [14]

It is significant to note that the proponents of the bill who were present at the hearing, including the First Assistant Commissioner of Patents, the Chairman of the Committee on Legislation for the Patent, Trademark, and Copyright Section of the American Bar Association, and the Chairman of the Committee on Trademarks and Counsel for the United States Trademark Association, voiced approval of such a provision.[15] This concern over the need for a public interest advocate eventually led to the grant of standing to the FTC which is presently the law.

The appropriateness of this grant of standing, as it relates to generic trademarks, is, of course, the central issue before the Subcommittee. There should be nothing controversial about the grant; the policy rationale which led to its inclusion in the Lanham Act has not changed. Moreover, the voidability of a generic trademark, from a legal standpoint, is a per se principle arising out of the law of unfair competition. The Federal Trade Commission was created in 1914 as a public counsel to root out practices which amounted to unfair competition. Professor J. Thomas

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[13] *See generally* S. Diamond, *supra* note 2, 221–32 (1974); J. Gilson, *supra* note 2, § 2.02[7]; U.S. Trademark Assn., "U.S. Trademark Management" 70–73 (1956); R. Callman, *supra* note 1, § 74.2; Zivin, "Understanding Generic Words," 63 T.M.R. 173, 194–96 (1973); Lunsford, "*Policing and Preserving Trademarks,*" Barrister Summer 1976 p. 53; J. Calimafde, "Trademarks and Unfair Competition," § 5.03 (1970).

[14] Hearings on H.R. 82 Before a Subcomm. of the Senate Comm. on Patents, 78th Cong., 1st Sess. (1944) at 140.

[15] Id. at 141.

McCarthy, a leading expert on the law of trademarks and unfair competition, has analogized the role of the FTC in challenging generic trademarks to the role of the FTC and Department of Justice in challenging antitrust violations.[16] This analogy certainly seems apt in that both unchallenged generic trademarks and unchallenged antitrust violations cause public harm, and the need for a public advocate in both contexts seems compelling. The existence of a private right of action against unfair competition is simply not sufficient, in either context, to insure that the public interest in free and open competition is protected. Indeed, compared to antitrust law, where successful private plaintiffs can win treble damage awards, total reliance on private trademark enforcement is likely to be particularly unsatisfactory.

III. THE NEED FOR A PUBLIC COUNSEL

As I have indicated, the cancellation of generic trademarks benefits the public at large, including consumers, competing businesses and potential competitors. Were no public counsel authorized to seek cancellation, however, the interests of persons other than competitors would go largely, if not wholly, unrepresented. The fact that numerous actions have been brought by private parties does not negate the proposition that a public counsel is needed. The volume of private litigation over the years indicates that competitors frequently will have incentives to bring cancellation actions. But even assuming that the instances in which a private litigant does not come forward are rather exceptional, there is still a need for a public counsel to deal with the unusual cases of competitive default.

For example, a competitor is likely to consider the "free rider" problem. A competitor faced with a generic trademark in his industry would ask himself, "Why should I go through the untold expense, delay and uncertainty of challenging the generic mark, when, if I win, all my competitors will also gain access to the word?" The lone challenger might well be in a worse position after the litigation than before. After freeing the trademark, he would be faced with depleted resources and revitalized competition from manufacturers who had not undertaken the expense of litigation but who could share in its benefits. A rational competitor, then, may decide a suit is not worth the investment if others will get a "free ride."

A possible solution to this problem is for competitors to band together, pool their resources, and mount a joint challenge to a generic trademark. For whatever reason, this almost never happens. The only counterexample I know of is the pending *Mercurochrome* litigation,[17] which was precipitated by the highly unusual circumstance of over one hundred licensees being terminated simultaneoulsy. Even there, only five of the licensees were willing to contribute to a legal challenge. It may be that companies believe that combining to challenge a generic mark is forbidden by the antitrust laws. Whether or not such fears are justified, the legitimacy of such a combination from an antitrust standpoint might present a further litigable issue and thus, in itself, be a disincentive to the "war chest" approach.

In addition to the "free rider" problem, which applies to all competitors, large or small, a small company faces other difficulties in challenging a generic trademark. Such a competitor might lack the sophistication, the financial resources, or the staying power to challenge the trademark owner. The would-be challenger might legitimately fear that the demands of complex litigation would monopolize the energies of its management. Such a firm might also shrink from the uncertainties of litigation and the risk that cancellation, if it occurred, might not significantly improve the challenger's position. Over and above the expenses of protracted litigation against a determined corporate adversary, the small firm might fear retaliation in the marketplace.

This protrayal of the marginal firm does not, however, explain the reluctance of large, well-financed companies to seek trademark cancellation. Why aren't such companies more frequent proponents of cancellation? In fact, if one examines the private cancellation cases, the largest corporations are as rare as very small ones among the ranks of challengers to generic marks. The workhorses of the case law are the second- and third-tier companies—an Aladdin Industries (which challenged the Thermos trademark) or a Royal Tops Manufacturing Co. (yo-yo). By and large, the leading companies have steered clear of these cases, much as, until recently, they shunned hostile corporate takeovers.

A partial explanation for the apparent willingness of major firms to co-exist peacefully with generic marks in some markets is that in other markets they maintain conceivably generic marks of their own. Companies that are nervous about

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[16] Address by J. Thomas McCarthy, John Marshall Annual Conference on Intellectual Property Law, Feb. 23, 1979.

[17] *Pennex products Co., Inc.* v. *Becton Dickinson & Co., Inc.*, 78 Civ. 2239 (CHR) (S.D.N.Y. 1978).

the status of their own marks would be ill-advised to try to expand the frontiers of generic trademark law or enhance the acceptability of cancellation cases.

But this is surely too narrow-gauged an explanation. Many major companies own no trademarks that are arguably generic. Even these companies, however, have a healthy reverence for intellectual property rights. Having developed trademarks of their own, they know the costs involved in doing so and the inestimable goodwill value that can result. Because of their own experiences, they are averse to challenging fellow holders of longstanding intellectual property rights. This is far from some sinister antitrust-type conspiracy; rather, it is a matter of norms, expectations, and philosophy. Unfortunately, however, corporate adherence to this philosophy does not ensure that the public interest is being served.

An examination of industry structure sometimes yields further insight into the quiescence of competitors of a generic trademark holder. As an example, the plastic laminate industry in which Formica Corporation competes is highly concentrated; four firms control at least 80 percent of the market. Despite continuing market growth, there has been no new entry in almost 25 years, and competition is nonexistent. However much it might benefit competitors to be able to use the work "formica", it would equally invite new entry and stimulate competitive activity in the market. Underscoring scoring this point, a trade journal reported the industry's concern that cancellation of the trademark would set off a "price war" and make the industry "super-competitive".[18] In the same journal, an editorial observed that Formica Corporation had customarily provided a "price unbrella" for its industry rivals.[19] Competitors might rationally prefer to cluster under such an umbrella, rather than take action which might promote its removal. It hardly needs mentioning, though, that a situation that is in the best interests of existing competitors need not be in the best interests of potential entrants or the consuming public.

These are just some of the reasons why existing competitors might refrain from challenging a generic mark. Additional analysis explains the inaction of other affected parties, such as consumers and potential competitors, whose interests in the eradication of generic marks would go wholly unrepresented if no public counsel were authorized to seek cancellation. In the first place, it is highly doubtful that potential competitors possess the requisite standing to petition for cancellation.[20] In order to raise the issue of genericness, a potential competitor would have to invest the capital necessary to enter the market, manufacture the goods, and then challenge the mark. Rather than hazard so much captial on so uncertain a prospect, he would probably decide to invest in a different industry. The standing of consumers to petition for cancellation of generic trademarks is equally dubious.[21] Obviously, too, litigating a trademark case can be enormously expensive, and each consumer has relatively little financial stake in cancellation. Without a public counsel to represent the interests of consumers and potential competitors, their voice in generic trademark litigation would be faint indeed.

The absence of a private challenge, however, does not mean that a trademark is not generic, nor is it unfailing index of a competitively healthy industry. Indeed, in some cases, it may be indicative of competitive malaise. For these reasons, a public counsel is needed to restore competitive balance to an industry set askew by the existence of a generic trademark.

IV. THE PUBLIC COUNSEL'S PERFORMANCE

It is true, of course, that to be effective the public counsel must act, and act prudently. Indeed, the Commission might well be faulted on the ground that its pursuit of the public counsel role under the Lanham Act has been rather lethargic. This paucity of activity was due in large part to the outcome of the FTC's first two attempts to use its authority shortly after the Act took effect in 1947. These were the companion cases of *Royal* and *Elder.*[22] In *Royal,* the Patent Office held that the FTC could not seek cancellation of a mark that was registered solely under one of the pre-Lanham trademark acts. The same result obtained in *Elder,* even though the trademark owner in that case had republished the prior Act registration pursuant to the Lanham Act and claimed all of the Benefits of Lanham Act registration. As a result of these precedents, the Commission was limited to challenging registrations that were newly obtained after mid-1947. This ruling drastically circumscribed

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[18] "Kitchen Industry Upset by FTC Proposed Action Against Formica," Kitchen Business, May 1978 at 35.

[19] "Formica or formica, it's a capital crime," Kitchen Business, May 1978 at 69.

[20] See *Golden Gate Salami Co.* v. *Gulf States Paper Corp.,* 332 F.2d 184, 188 (C.C.P.A. 1964).

[21] Cf. *Colligan* v. *Activities Club of New York, Ltd.,* 442 F.2d 686 (2d Cir. 1971).

[22] *FTC* v. *Elder Mfg. Co.* and *FTC* v. *Royal Mfg. Co.,* consolidated and reported at 84 U.S.P.Q. (Comm'r Pat. 1950).

and dampened the Commission's efforts under the Act, especially with regard to generic marks, because ordinarily a mark becomes generic only after an extend period of use. Consequently, the FTC filed only a handful of cancellation petitions during the past twenty-five years. Of course, the current criticism of the Commission's conduct as public counsel concerns our activity, not our lack thereof. In my view, the study and deliberation that led up to renewal of our activity under the Lanham Act demonstrate that our actions, far from being capricious, are, in fact, well-justified.

Late in 1946, the Commission's staff commenced an examination of whether renewed activity under the Lanham Act might be appropriate. Since trademark registrations under the Act had by that time been accumulating for some thirty years, there had been ample opportunity for a trademark registered after 1976 to have become generic. The basic questions posed by this inquiry were whether there were any Lanham Act trademarks that had argubly become generic and whether any such trademarks appeared to be causing sufficient injury to consumers and competition to warrent intervention by a public counsel.

To answer these questions, the FTC staff developed a list of criteria to identify instances in which the public interest might be well-served by cancellation. Examples of these criteria are: (1) High generic usage of the mark in question; (2) low recognition of the mark in question as a brand; (3) absence of a succinct and well-understood name for the product apart from the trademark; (4) price premium for the trademarked product; (5) performance characteristics of the product not evident from visual inspection (e.g., "yo-yo," although cancelled by private action, might not have met this criterion); (6) trademark holder in the leading market position; and (7) role of the mark in question as an apparent barrier to entry.

Our staff determined that the characteristics of the Formica trademark and the decorative plastic laminate industry closely met the above criteria and presented a situation which seemed to warrant cancellation proceedings. In addition, because Formica Corporation maintained a 1963 registration of Formica for its decorative plastic laminates, the *Elder* percedent did not stand in the way of a challenge. Accordingly, the staff recommended to the Commission that a petition be filed seeking cancellation.

Because the investigation leading up to this recommendation had not occasioned any direct communications with Formica Corporation, the FTC staff advised the company of the pending recommendation and, in keeping with the spirit of Section 554(c)(1) of the Administrative Procedure Act, 5 U.S.C. § 554(c)(1), expressed a willingness to discuss possible means of settling the matter. Formica Corporation took the opportunity to make written submissions to the Commission and to meet with three of the four Commissioners in an effort to dissuade the Commission from taking the recommended action. One day before the Commission was scheduled to vote on the question, the company voluntarily cancelled its 1963 registration.

Formica Corporation also held a registration of Formica obtained in 1946 and subsequently republished under the Lanham Act. Therfore, its voluntary action had no practical effect on the company's rights as a registrant or the status of the trademark, except to deprive the FTC of the clearest basis for standing to petition to cancel Formica. The Commission could seek cancellation of the republished registration only by overcoming the *Elder* precedent. Accordingly, the Commission directed the staff to consider whether any further action might be appropriate under these circumstances.

Upon further study, the staff remained convinced that FORMICA measured up well in relation to the selection criteria and that a cancellation proceeding would serve the public interest. The staff also scrutinized the *Elder* decision and concluded that its continuing vitality should be tested. Therefore, the staff renewed its recommendation that a declaration of FORMICA's genericness be sought, this time in the context of a petition to cancel the 1946 registration.

The Commissioners unanimously agreed with this recommendation. On May 31, 1978, they entered on order recording their finding of reason to believe that FORMICA had becom generic and that its cancellation would be in the public interest. The cancellation petition was filed the same day.[23]

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[23] Formica Corporation thereafter asked the Trademark Trial and Appeal Board to dismiss the petition on the ground that the FTC lacked statutory authority to bring or maintain it. In an opinion dated November 8, 1978, the Board denied the company's motion and, in so doing, expressly overruled the *Elder* decision *FTC* v. *Formica Corp.*, 200 U.S.P.Q. 182 (T.T. A.B. 1978). On January 25, 1979, the Court of Customs and Patent Appeals denied Formica Corporation's petition for a writ of mandamus to compel the Board to dismiss the case. *Formica Corp.* v. *Lefkowitz*, 200 U.S.P.Q. 915 (C.C.P.A. 1979).Formica's application for certiorari review was denied by the United States Supreme Court on June 4, 1979. *Formica Corp.* v. *Lefkowitz*, 99 S. Ct. 2838 (1979). Thereafter, the Trademark Trial and Appeal Board resumed proceedings in the case. Discovery is presently in progress.

The deliberateness of the assessment undertaken by the Commission and its staff in this instance reflects the Commission's determination to seek cancellation only when the facts warrant remedial action. In fact, all indications are that a decision by the Commission to initiate cancellation proceedings will be as soundly based as that of any private litigant.

It is true that a rational private petitioner will be acting in his self-interest, and he at least will benefit from success. He must recite in his petition that he believes he is or will be damaged by the continued registration of the mark, but for an actual competitor such injury is presumed.[24] Because of this presumption, the sole substantive element of a private petitioner's case is to prove that the mark at issue is, in fact, generic. He is not required to show, for example, that the trademark owner is culpably implicated in the mark's transition to genericness, that the owner's exclusive use of the mark has palpable anticompetitive effects, or that cancellation of the mark would benefit the consuming public. All of these potential issues are overshadowed by the semantic properties of the trademark, which virtually guarantee marketplace dislocations. Presumably, the expense the petitioner will be forced to incur in demonstrating the mark's invalidity is deemed a sufficient assurance that he will exercise his standing responsibly and sparingly.[25]

The private competitor, then, makes a hard-headed business calculation in deciding whether to challenge a trademark. Does the absence of a comparable monetary stake on the part of the FTC mean that the agency should not be permitted to seek cancellation at all, or should have to make a different showing than a competitor? What safeguards exist to ensure that the Commission will exercise its statutory authority in a prudent and effective manner and that valid trademarks will not be improvidently or unjustly eradicated? There are at least two important checks on the Commission's authority.

First, before any trademark can be cancelled at the instance of the FTC, the agency must demonstrate the invalidity of the mark in accordnace with established legal standards. The FTC cannot itself make the determination of genericness; this is the responsibility of an independent, expert tribunal, the Trademark Trial and Appeal Board. Moreover, the TTAB's decisions are subject to extensive judicial review via either of two appellate avenues. If, as the law presumes, generic marks cause injury, and a mark is found to be generic at the behest of the FTC, that injury is eliminated, and the FTC's action would appear to have been well-founded.

Seconed, there is a self-imposed check. The Commission has taken it upon itself to make a "public interest" determination in connection with the exercise of its authority to seek cancellation. Subsumed within this public interest finding is an examination of the various selection criteria that have been devised to test the advisability of cancellation proceedings. Moreover, the Commission obviously does not have unlimited resources and is as concerned as a private business that its resources are being used wisely.

The net effect of these safrguards, I submit, is that a cancellation action commenced by the FTC is every bit as likely to yield public benefit as on begun by a business firm. In either instance, if the challenged trademark is proved generic, the societal impact of its cancellation or restriction will nearly always be beneficial.

V. CONCLUSION

What picture of the Commission's authority to seek cancellation of generic trademarks under the Lanham Act emerges from the foregoing discussion? First, we can see that the legal principle involved—that truly generic words are not entitled to trademark protection—is well-founded, firmly established, and universally accepted. Second, it is apparent that the grant of this authority is intended to provide a public counsel in those situations in which the public would benefit by a generic word being made available for use by all but no private litigant has come forward or succeeded in obtaining cancellation. Third, a realistic appraisal reveals that the Commission stands as merely one more participant in the long tradition of challenges to generic trademarks. Legal and practical safeguards exist to ensure that

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[24] See *Firestone Tire & Rubber Co.* v. *Goodyear Tire & Rubber Co.*, 189 U.S.P.Q. 348 (C.C.P.A. 1976).

[25] Significantly, while the competitor's self-interest precludes his spending more than he stands to gain, this does not necessarily ensure that the public will benefit from a successful cancellation petition. Take, as a simplified example, a duopoly situation in an industry with very high capital barriers to entry. Company A owns a generic mark and administers prices in tandem with Company B. Because of the generic mark, A commands a premium. If cancellation occurs, lockstep pricing will probably continue, except that the price spread between A and B will disappear. B Will benefit considerably, because it will be able to match A's prices evenly, but the public will be no better off.

the Commission is no more likely to venture unwisely into trademark litigation than any private party would be.

All of these factors militate against enacting H.R. 3685 to remove the Commission's express authority to challenge allegedly generic trademarks. Additionally, the proposed legislation leaves unresolved a serious question about the future of any public interest representation with regard to trademarks.

Are there no instances when, in response to a complaint or its own investigation, the Commission would take action against an allegedly generic mark that is creating market problems even though no private challenge is taking place? There will continue to be situations in which arguably generic marks impede the functioning of the marketplace but provoke no private challenges. On this point, the recent publicity regarding the Commission's Lanham Act proceeding has prompted complaints to us from small businesses in at least ten industries burdened by allegedly generic marks. The complainants have recounted the market impairment created by the marks and the difficulties attendant upon a private challenge and have all sought Commission assistance.

The legislation being considered today provides no answer as to how the Commission should deal with this type of situation in the future. Its enactment would eliminate the most rational and efficient means of vindicating this important public interest. If the bill became law but complaints or other indications of market dysfunction persisted, could be look to our remaining authority under the Lanham Act? Perhaps, but only if some independent ground for cancellation appeared to exist. Could we address the problem through Section 5 of the FTC Act, which prohibits "unfair methods of competition" and "unfair or deceptive acts or practices"? Perhaps, but there are no established precedents for the legal standards or remedies which would be involved in such a case.

In summary, there is extensive support for the proposition that trademarks which degenerate into generic words are no longer entitled to legal protection. There is also ample evidence of the need for a public representative with the clear statutory authority to challenge marks whose existence subverts the integrity of the trademark system and impedes the free functioning of the marketplace.

There is no indication that such a mark should enjoy a greater immunity from public challenge than it would from a private one. There is also nothing to suggest that the Commission has failed to exercise its responsibilities as public champion in a reasoned and judicious manner. There are simply no compelling reasons for curtailing that responsibility and no need for legislation such as H.R. 3685.

Mr. KASTENMEIER. Thank you Mr. Dougherty. I compliment you on an excellent statement that certainly treats the issue very well. I appreciate your statement. I am going to yield to my two colleagues first. I have a number of questions, but this will enable them to get their questions in. I yield to the gentleman from California and then the gentleman from Michigan.

Mr. DANIELSON. The FTC's authority to bring a cancellation is statutorily created; is that correct?

Mr. DOUGHERTY. That is correct.

Mr. DANIELSON. If I remember from Mr. Diamond's statement, there have been four such procedures since the 1946 Act. In two of these apparently the respondent was willing to consent, but there was found to be a jurisdictional fault in that they were pre-Lanham Act trademark registrations. Is that basically correct?

Mr. DOUGHERTY. Mr. Danielson, with all due respect to my distinguished colleague in the bar, we take some issue with the numbers. In fact, our research indicates that there have been six prior actions by the Commission, one of which included a claim of genericness. It happened in a situation where there were two counts in the case. I can ask Mr. Daw or Mr. Evans to elaborate further.

Mr. DANIELSON. We are switching from four to six?

Mr. DOUGHERTY. That is right.

Mr. DANIELSON. Let's not spend more time on it because that is not a heck of a lot. Out of 11,000 or 12,000, you could put it in your eye, if you know what I mean. It does not amount to anything.

Were not a couple of them disallowed on the grounds that they were pre-Lanham Act registrations?

Mr. EVANS. Mr. Danielson, as Mr. Dougherty indicated, that is the case. Those were the first two actions by the Commission filed under the Lanham Act.

Mr. DANIELSON. I gather the answer is yes?

Mr. EVANS. Yes.

Mr. DANIELSON. There was another one in which it was found that there was in effect a fraudulent colored registration, the use of an Italian word that described some kind of rayon, so there was cancellation, but that was brought by FTC?

Mr. EVANS. Yes.

Mr. DANIELSON. Now we are up to Formica. I am going to let the other two be in orbit. Who else besides FTC and an affected competitor would have standing to bring a cancellation proceeding?

Mr. DAW. Congressman Danielson, I don't believe anyone else would have clear standing. A potential competitor under the case law could be dismissed as a mere intermeddler.

Mr. DANIELSON. I take it your answer is no one?

Mr. DAW. That is correct.

Mr. DOUGHERTY. No one that we know of.

Mr. DAW. Except the Federal Trade Commission and an existing competitor.

Mr. DANIELSON. So in other words, the Attorney General could not do it either?

Mr. DOUGHERTY. No, sir.

Mr. DANIELSON. So that if the FTC were removed, the only persons having standing would be persons whose immediate economic interests as competitors would be impacted?

Mr. DOUGHERTY. That is the way we understand the law, Mr. Danielson.

Mr. DANIELSON. I think that is the only question I have, Mr. Chairman.

Mr. KASTENMEIER. A good question.

I would like to yield now to the gentleman from Michigan, Mr. Sawyer.

Mr. SAWYER. As I understand it, this litigation that was initiated by FTC doesn't make any claim of any anticompetitive practices or any other misuse or abuse of the trademark; am I correct?

Mr. DOUGHERTY. No, Mr. Sawyer. It only indicates our belief that Formica has become a generic word, and therefore the registration of that mark should be cancelled.

Mr. SAWYER. As I understand it, in the marketplace 90 percent or more of all these laminates are bought by either furniture manufacturers or contractors, cabinetmakers, as opposed to being bought by the public. Am I correct in that?

Mr. DAW. Congressman Sawyer, I am a little bit wary about delving too deeply into that particular question, because it appears that one of the contested legal issues in the case will be the relevant universe for testing the genericness of the term; that is to say, whether we should test the perception of the general public or the perception of some other category of users, such as——

Mr. SAWYER. I wasn't asking what you tested; I just wanted to know, of the purchasers in the marketplace, if it is not true that

over 90 percent or more of them are sophistiated business people, either furniture manufacturers or cabinetmakers.

Mr. DAW. After expressing the caveat, Congressman Sawyer, I will attempt to answer your question as directly as I can.

Mr. DOUGHERTY. We do feel that we are somewhat on the horns of a dilemma here today because we do have a case in litigation. We are trying not to get into the merits of the litigation and still provide the subcommittee with the best information that we can, so you can make your judgments. I will ask Mr. Daw to go ahead and answer on the basis of that understanding with the subcommittee.

Mr. KASTENMEIER. If I may make a suggestion, why don't you deal hypothetically with another case, say 60 percent of yo-yo manufacturers?

Mr. DAW. We will try to deal hypothetically with yo-yo or linoleum or something of that sort.

Mr. SAWYER. This is not getting into the merits. These apparently are statistical figures that either exist or don't exist, or is there some dispute about them?

Mr. DAW. There is in fact some dispute, Mr. Sawyer. I think for purposes of responding to your question, the number that you are referring to would separate the do-it-yourself market from all others. There would probably be some dispute between us and Formica Corp. as to the extent of the do-it-yourself market, and probably some dispute between us and them as to their share of that do-it-yourself market.

But with those reservations, the do-it-yourself market, we would acknowledge, is a minority of all laminate sales. However, we do not concur in the implication that the existence of a sophisticated buyer as an intermediary eliminates any conceivable problem with the ultimate consumers. A great deal of this product is incorporated into let's say kitchen countertops installed by remodelers or contractors. There is a substantial segment of the market, far larger than your percentages might indicate, in which the oral specifications of the buyers exercise a substantial influence over the product choice.

Mr. SAWYER. What I was really leading up to is, assume you prevail in this action; what public good do you perceive you will have accomplished?

Mr. DOUGHERTY. I can put it best, I believe, in terms of consumer dollars saved, which is one of the principal reasons that the Commission chose to go forward in this action. We believe that there is approximately a 10 to 15 percent price premium at the retail level associated with the brand Formica, and if that price premium were eliminated, it would benefit consumers to the tune of between $10 and $15 million a year through lower prices. That is for Formica alone, notwithstanding any impact that our action might have throughout the rest of the plastic laminate market.

Mr. SAWYER. I don't presume you have anyway, if we assume there is a 10 or 15 percent price differential let's say between Formica and others, how do you determine what their trademark contributes to that differential, or their reputation or their quality or whatever?

Mr. DAW. Congressman Sawyer, again the ultimate legal question in this case is whether the term "Formica" is a valid trademark recognized and known as a trademark, or is in fact a generic term which, in its principal sense, is not used as a trademark by the public.

Mr. SAWYER. I understand that, but it strikes me that if a public agency is going to get into this, certainly it is not tilting with the theoretical question. You must be attempting to accomplish some public good, and I was just curious as to what that is.

Mr. DOUGHERTY. To go back to your original question, the registration of the trademark "Escalator" held by Otis was canceled, and I would submit that most of the purchasers of Otis escalators were probably sophisticated buyers. I think it would have been highly unlikely in that situation, where you only had sophisticated buyers, that the Federal Trade Commission would have decided to take action to cancel that mark. I don't think that the direct potential consumer benefit would be there, even though I think we could have petitioned to cancel that mark under our jurisdiction, and would have prevailed at that time.

However, here you have a product which is important to the consumer. We have a billion dollar industry. This is not a mom-and-pop operation. We have a substantial price premium. We have seven firms in the industry, all large firms, that I believe are unlikely to petition for the cancellation.

Mr. SAWYER. Why would that be? Why would competitors, some six of them, be unlikely to, if they felt they were suffering from it?

Mr. DOUGHERTY. Mr. Sawyer, I believe an industrial organization economist would say that any time you reach a situation where you have a tight oligopoly, and you have a tight oligopoly in this industry with four firms holding more than 80 percent of the market, the likelihood of interdependent conduct, action, or mutual forebearance, is very high. Those firms have an interest in making sure that there is no more entry into that industry, and that prices are high. Now, Westinghouse' prices might not be as high as Formica's, but they are probably higher than they would be in a purely competitive market.

Mr. SAWYER. You have one going down to 1 percent of the market, Laminart, whatever their product or their brand name is.

Mr. DOUGHERTY. One percent of a billion dollar market is a large market. It is also Eagle which is probably the smallest firm in this industry, and still is a very large firm.

Mr. SAWYER. Do you claim that there is any anticompetitive or monopolistic or oligopolistic practice being engaged in this market?

Mr. DOUGHERTY. Under our petition to the Trademark Trial and Appeal Board, we are not making that contention, nor are we required to. The only legal issue that is on the table is whether or not Formica has become generic and its registration should be canceled. What you are really asking about, is why did the Commission choose to act in this situation, and in what future situations might the Commission choose to act.

And as I indicated in my testimony, there are criteria that we have established. Formica meets all those criteria.

A principal fallout that we are looking for from these kinds of actions is whether or not the consumer is likely to be saved a

considerable amount of money in the marketplace, and whether or not the industry, as a result of such an action, might become more competitive. As the trade journal for the industry indicated, a trade war is likely to break out, and pricing is likely to become supercompetitive, if this mark is cancelled. I think that answers the question of why did the Federal Trade Commission choose to take action. Even the industry's trade journal recognizes that the public is likely to benefit.

Mr. SAWYER. That is all I have. Thank you, Mr. Chairman.

Mr. KASTENMEIER. The gentleman from Kentucky.

Mr. MAZZOLI. No questions.

Mr. KASTENMEIER. I have just a few questions. Incidentally, you heard the questions earlier put to Mr. Diamond. Do you think in any event the act might be changed to canceling registrations rather than marks? Do you agree with his analysis of the accuracy of the terms, the inaccuracy of the terms as used in present law?

Mr. DOUGHERTY. Mr. Chairman, I am an antitrust lawyer, and certainly don't pretend to have the credentials of Mr. Diamond. But based upon our analysis, and some expertise that has been gained in my staff, we would agree with him. We think it is a constructive suggestion.

Mr. EVANS. There is one point, though, Mr. Chairman, related to Mr. Diamond's remarks as to the words "registration" or "mark" in the proviso, that is, what the effect of cancellation would be upon the future of the trademark for which the registration had been cancelled. Mr. Diamond suggested that it would have no effect on the trademark holder's ability to use the mark on his products or to prevent use by others. I think we would agree with respect to his use of the mark on the product, but I don't feel he would be successful in preventing the use by others.

Recent cases on the issue of collateral estoppel, such as Parklane Hosiery, demonstrate that once the validity of the mark underlying the registration had been questioned and had been found to be invalid, because it was generic, the commonlaw rights in that mark would also be extinguished, and the finding of genericness by the TTAB could be raised on a collateral basis in a private action.

Mr. KASTENMEIER. While you may not know the answer to this, I wondered nonetheless if you would attempt to give us some idea as to what the cost of bringing a cancellation proceeding such as the one in the *Formica* case might be. In other words, what sort of expense or time would be required in a typical case of this sort?

Mr. EVANS. I could give you an idea of the amount of hours that have been put in by Commission staff with regard to this case. There have been estimates set forth by Formica Corp. That this case is costing in the area of $1 million for each side to litigate.

Mr. DAW. Mr. Chairman, we do have one indication. One of the small businessmen who has complained to us indicated to me that his counsel had advised him that a private challenge would cost upwards of $100,000, and I suspect that errs on the conservative side.

Mr. KASTENMEIER. Can you enlighten us a little bit further? There was an allusion to a survey. Apparently these generic term contests involve some determination of how the public, as the gentleman from Michigan points out or you suggest what is the

public may be another issue. It does involve ascertaining publicly in limited or in generic terms the acceptance of a trademark as a generic term. Can you give us some idea of how these surveys are conducted, not necessarily in the *Formica* case alone, but in any contemporary case?

Mr. DAW. Perhaps we could refer to the survey in the *Thermos* case, Mr. Chairman. I believe that almost all of the latter-day generic trademark cancellation cases have hinged on survey evidence at least to some degree. In the *Thermos* case, a polling firm was retained to conduct a national stratified random sampling poll of I believe 1,200 people, though the size of the sample varies in case to case, and I am not exactly sure of that number. It involves telephoning selected households and asking them, for example, "Are you familiar with the type of container used to keep liquids hot or cold? And if so, what do you call it? And do you know any brand names? Both sides are likely to undertake survey research.

In the *Teflon* case, I believe four surveys were introduced, two by each side.

Mr. KASTENMEIER. Are these likely to be an expensive form of evidence?

Mr. DAW. Oh, yes. Upward of $20,000 apiece, in some instances upward of $100,000.

Mr. KASTENMEIER. Other than the survey, are there any objective determinants, as to whether something, a word is generic or not?

Mr. DAW. There are various kinds of evidence, Mr. Chairman, to which one would look. Nothing in and of itself is dispositive or outcome determinative. One might look to dictionary references. One might look to news clippings to determine whether the word has been used properly in a proprietary or a generic sense. One might bring forward expert testimony from linguists or semanticists having to do with the properties of the word, and whether the way it is used is an indication of whether it has passed into the language.

Mr. KASTENMEIER. I think that you and I might agree that a term used as a trademark is generic, but that no harm competitively or to the public or in any other sense ensues and therefore it is not in effect challenged. There could be many situations like that.

Mr. DAW. Mr. Chairman, I don't know that I can totally concur in your remarks. The law certainly presumes that there is no redeeming social value to any generic trademark. Perhaps the difference between us comes in evaluating whether a particular mark is or is not generic. But if you take the case of a word which has lost all brand significance, consumers all think it is the universal name for the product class, and therefore when they try to order that type of product universally use that brand name in the mistaken belief that they are using a common name, then that invariably causes injury.

There may be mitigating factors in particular instances. For example one of our case selection criteria relates to whether the product is easily identifiable on visual inspection, one type of Yo-Yo versus another, for example.

The presence of that ease of inspection might tend to make it easier for a competitor to make his way in the marketplace, notwithstanding the generic mark, but there has been no defense

whatsoever put forward justifying the existence of any generic mark. Naturally, a public agency would have to, as a matter of wise husbanding of its resources, pick and choose among arguably generic marks and proceed against only those that seem to have the most harmful effect on the marketplace.

Mr. KASTENMEIER. If, and I ask you to bear with the question, if for some reason, the role of the FTC were eliminated in this, is there any other way of providing for a public counsel role in terms of challenging generic? This is the only one, is that correct?

Mr. DOUGHERTY. Just off the top of my head, Mr. Chairman, I suppose that the consumers could be provided a private right of action, although as you have indicated, it would be an expensive undertaking. There have been more and more difficulties getting class actions successfully pursued.

Mr. KASTENMEIER. I thought the answer to a previous question was limited to those who who would have standing; it would be one of the four or six manufacturers or the FTC and nobody else; is that correct?

Mr. DOUGHERTY. That is correct.

Mr. KASTENMEIER. But other consumers would have no standing?

Mr. DOUGHERTY. That is correct. As we understand the law, it is those competitors who have a direct pecuniary interest. So, if you take away the public counsel role, I think even though it is a very technical area, that in the future, Congress would once again provide a public counsel role after reconsidering the action 10 or 15 years from now. Of course the FTC jurisdiction could be replaced by other agencies of Government. I would point out, however, that I think the action was not taken lightly by the Congress back in 1946. It was after 8 years of consideration that the Lanham Act was passed. The FTC does have a consumer protection role as well as an antitrust role, and having five Commissioners sit and exercise their wisdom before any action is taken is probably better in a public policy sense than a single agency head having the authority. That does not preclude addition of others than the FTC, or substitution, or creating a private right of action.

Mr. KASTENMEIER. If this bill were approved, what you are suggesting is that the FTC or the Justice Department could entertain the notion of proceeding on an antitrust basis under some other authority. That would be one of the several options of the situation in a given industry, which from your standpoint was bad. However it would remove one of the several options you have.

Mr. DOUGHERTY. There is absolutely no precedent under section 5 of the FTC Act, as we have done our research, to guide us toward bringing actions with respect to genericness under section 5. So it would be taking away a clear statutory grant and it would be putting us in never-never land. Just speaking for myself, I do not believe that it would be very likely that the Commission would take action in those circumstances.

Mr. KASTENMEIER. Suppose the smallest competitor in the instant case, hypothetically, desired to proceed, but lacked the ability, financially, from an economic standpoint. Could it either procure action by the FTC, solicit it, or join with it in some connection to pursue the case?

What I am asking is, could there be some kind of joint role rather than the exclusive role of the FTC in pursuing the cancellation?

Mr. DOUGHERTY. Generally what happens in that situation is that a small company comes to the Commission and complains to us and we decide whether or not the complaint has merit, based upon our evaluation criteria, and run it through a very careful screening process, and we decide whether or not we are going to take action. If the small company took action and then came to us and said we would like your help, will you come to the TTAB, as an amicus, we would consider that.

But the joint action, I think it is a dangerous precedent to have public and private interests join together in any actions. We have economic interests to worry about other than just those of competitors.

Mr. KASTENMEIER. Your application would certainly contain allegations then that the applications of a private competitor would not.

Mr. DOUGHERTY. Our evaluative criteria and evaluation as to whether it is in the public interest to proceed might be.

Mr. KASTENMEIER. Suppose I am representing the Formica Corp., is there any possibility I could have a bill introduced which would, in the case of any slippage in the industry, prevent any competitive firm from seeking to cancel my trademark registration?

Mr. DOUGHERTY. You are asking whether or not Formica could have a bill introduced that would do the same thing to other competitors——

Mr. KASTENMEIER. Sure. Why are they in a more secure position pursuing these matters than you? I am talking about the competitors. I know it is a fine case of common law.

Mr. DAW. It would entail a reversal of the common law and the Lanham Act. It would seem nonsensical to invalidate those laws. If that happened you could trademark the word "pickle" and force competitors to say we sell cucumbers steeped in brine.

Mr. KASTENMEIER. Is the evil the FTC is pursuing remedied in the Lanham Act?

Mr. DOUGHERTY. With respect to Formica's interest, the problem would exist if anyone challenged their mark for genericness. If our position is correct, if a price war might break out, as well as other things happening, then it would not.

Mr. MAZZOLI. On page 2 of the statement of Mr. Diamond, there is a list of several items and pieces of merchandise whose brand names were lost: aspirin, celluloid, thermos—I wonder how many of those were done at the initiation of FTC.

Mr. DOUGHERTY. Not one of those.

Mr. MAZZOLI. This is your first foray into the field.

Mr. DAW. Of the marks on that list, I believe all were canceled as a result of litigation between private parties.

As we started to explain earlier, the Commission has filed a total of six petitions under the Lanham Act. This is the second one in which the Commission has alleged that the mark is that of a common descriptive name.

In two of the others, the gravamen was that it was a common descriptive name before they sought a trademark on it. However,

the *Formica* case, I believe, is the only case that rises to the stature of a well-known term.

Mr. MAZZOLI. Let me say, I have some great reservations about seeing these matters. I certainly can understand where a competitor can come into court and file suit and challenge, but if you cannot show some conspiracy among organizations making countertop materials wherein they resist taking the step because it is against their financial interest to do so, it would seem FTC would want not to be involved. It seems to me you are taking away a property right—and I say this not owning any stock of any company in America—but it seems to be depriving something away from the company which it has painstakingly developed over a couple of years.

Thermos goes back to the 1900's. Escalator went back into the 1900's. I do not know when Formica started, but I imagine it was back in the fifties, when my father was alive and a lot of homes were being built. That is not a long length of time. I think the length of time would be a factor and more the concern of taking a property right. And, second, I do not know what would inhibit you from going into a law—you might decide because one organization is taking a big hunk of the market, you might want to step in quickly rather there an letting a period of time elapse.

Upon very hasty and probably cursory look, there does appear to be some problem.

Mr. DOUGHERTY. Mr. Mazzoli, we have covered most of that ground already. I ask that you take a look at our statement and we will be glad to respond to any questions you have.

Legally, there is no property right associated with the generic word. That is the issue before the trial board. If our surveys are correct, if they stand up, then we are not taking anything. What we are doing, we are giving back to the public what the public is entitled to.

Mr. MAZZOLI. With television nowadays, I can see where within a couple of years you could develop a generic name.

Mr. DOUGHERTY. There are ways to protect a trademark. Had Formica all along used the word "Formica brand plastic laminate" as other entrepreneurs used those protective phrases and taken other action to protect their mark, it is unlikely that mark today would be generic.

Mr. MAZZOLI. In television, $35,000 for a 15-second spot on national TV, you probably do not want the announcer spurting out so many words, so I can see where sometimes from the standpoint of advertising being used, using all these words may not be feasible.

Mr. DANIELSON. Mr. Chairman, I have two quick ones.

Your jurisdiction is that provided in section 14 of the Lanham Act; is that correct?

Mr. DOUGHERTY. Yes, sir.

Mr. DANIELSON. As I read it, you are in the proviso at the bottom of the section, but it provides that any person who believes that he is or will be damaged would have standing. I understand the decisions of the courts have squeezed that down to where it is a competitor only. Or you have a de minimis situation, but is it truly down to a competitor only?

Mr. DAW. I am not sure the case law is totally controlling. The closet precedents are opposition proceedings or cases brought under the section of the Lanham Act that creates an action against deceptive advertising. The language of the latter is almost identical to section 14.

Mr. DANIELSON. These matters are heard by the TTAB, Trademark Trail and Appeal Board?

Mr. DOUGHERTY. Yes, sir.

Mr. DANIELSON. To what extent are the decisions of that board reviewable?

Mr. EVANS. The Lanham Act provides that such a decision can either be appealed to the Court of Customs and Patent Appeals or either party can take a de novo appeal to Federal district court.

Mr. DANIELSON. This would be a de novo hearing in the district court. In the Court of Customs and Patent Appeals, you go up on the record.

Mr. EVANS. Yes.

Mr. DANIELSON. In the district court, you could go up to the Supreme Court.

Have the decisions of the Trademark Trial and Appeal Board been reviewed very often on cancellation matters?

Mr. DAW. They frequently have been reviewed, Mr. Danielson, by the Court of Patents and Customs Appeals.

Mr. DANIELSON. Are they ever reversed on cancellations?

Mr. EVANS. I am aware of instances in which they were reversed.

Mr. DANIELSON. On the ultimate question of whether the ultimate word is generic?

Mr. EVANS. They have been reversed on that point, yes, sir.

Mr. SAWYER. Mr. Chairman.

Mr. KASTENMEIER. The gentleman from Michigan.

Mr. SAWYER. On reading the statute, it is parallel to the point made by Mr. Danielson. It seems to read very clearly by any person who believes he is or will be damaged by the registration of any mark.

Have any Federal courts authoritatively narrowed that down to exclude consumers?

Mr. DAW. I explained that the only case I am aware of is the *Colligan* case, which was brought under section 43(a) of the Lanham Act, which provides a Federal right of action for false advertising. There the second circuit read "any person who believes he is or will be damaged" as excluding consumers.

Mr. SAWYER. But there has been no interpretation of this section on that score?

Mr. DAW. Not that I am aware of, sir.

Mr. SAWYER. Mr. Dougherty mentioned there was some semblance of an oligopoly here, price maintenance and what not. If those facts are true, you have other sections you can proceed under, except you have to prove those elements; is that correct?

Mr. DOUGHERTY. We have general antitrust jurisdiction, Mr. Sawyer. Now I certainly did not intend to leave the impression with the subcommittee that that type of conduct or this structure standing alone necessarily constitutes an antitrust violation. What I was speaking to were the criteria that the Commission looks to, the facts the Commission looks at in making a decision as to

whether or not it is in the public interest to proceed in a given matter.

Mr. SAWYER. After having looked at it from that perspective, if you can proceed under this act, you can, in effect, accomplish all your ends without having to prove anything except by policy of recognition of a word. In other words, you do not have to prove, if you bring it under this act, any elements of price maintenance, meeting of the minds, conspiracy, that you would have to prove if you opted to proceed under the other laws.

Mr. DOUGHERTY. The reason we are proceeding in this situation is that we believe Formica is generic. That is the legal issue and that is all we have to prove.

Mr. SAWYER. I understand that, but I had earlier asked if instead of having an abstract interest pursuing a public agency with limited resources to establish the generic point as to whether Formica meets generic criteria would not seem important unless you felt there were other public goods to be accomplished. If that were in fact true, you could proceed under other laws, but you would have to prove them.

Mr. DOUGHERTY. Trademark cancellation certainly does have consumer protection value where the trademark has been fraudulently procured or is generic. So, there are other attributes that the Commission looks at and the Commission is particularly well suited to address. We believe that considerable consumer benefit could flow from this action.

Mr. SAWYER. I have nothing further, Mr. Chairman.

Mr. KASTENMEIER. Thank you. We desire to thank Mr. Dougherty and we thank your colleagues, too, for their appearance here this morning.

Now our last witness is Mr. Thomas J. Ward of Ward, Lalos, Leeds, Keegan & Lett, representing the United States Trademark Association.

Your statement, together with its attachments, will be received and made a part of the record.

TESTIMONY OF THOMAS J. WARD, WARD, LALOS, LEEDS, KEEGAN & LETT, REPRESENTING THE UNITED STATES TRADEMARK ASSOCIATION

Mr. WARD. In view of that, I will just try to hit the high points.

The United States Trademark Association is a 101-year-old, nonprofit membership corporation, the purposes of which are to protect the interests of the public in the use of trademarks, to promote and further the concept of trademarks, and to protect the rights of trademark owners. Its over 1,400 members are primarily owners of trademarks and others having a special interest in trademarks. We believe that the association is the oldest and largest organization in the world dedicated totally to the development and protection of trademark rights.

Mr. KASTENMEIER. Your organization was formed immediately prior to the act of 1881, probably in an attempt to persuade the Congress to act in a particular way in terms of legislation in this field.

Mr. WARD. I believe that it was for that purpose Mr. Chairman, I do know that the association has been involved directly in each

and every debate giving rise to the consideration of passage of trademark laws by the Congress of the United States and most specifically involved very heavily in what came to be known as the Lanham Act, the Trademark Act of 1946.

Mr. KASTENMEIER. I was just assuming historically, since you were formed in 1878 or thereabouts, that you participated as an association in the legislating of the law of 1881, one of the principal landmarks in the field of trademarks.

Mr. WARD. That is correct, Mr. Chairman.

Now that I have explained who we are, I will go back to Mr. Dougherty's comments wherein he explained on page 16 of his prepared statement the apparent willingness of major firms to coexist peacefully with generic marks.

In his statement, he made the point that even these companies' competitors have a healthy reverence for intellectual property rights. I did not know that was a bad thing, but if it is, we are guilty, Mr. Chairman, we do have a healthy reverence for intellectual property rights. They are valuable not only to the people who own them, but to the people of the United States. A look at the balance-of-payment studies of this country will convince you of the value of these rights to this country.

Mr. KASTENMEIER. The aspirin case and all the others, I take it you are siding against the petitioners in those cases.

Mr. WARD. No, Mr. Chairman.

Mr. KASTENMEIER. You think the aspirin case and the others that did become generic were appropriate?

Mr. WARD. Yes, Mr. Chairman, if a trademark becomes generic, the law should strike it from the register. I think there is a question as to motivation and how these questions come up. We would submit the way they should come up properly is in the marketplace among competitors and others and it should not be a function of the Government, and most specifically should not be a function of the Federal Trade Commission especially if it is objective, is not to rectify the status of the trademark register, but to effect some structural change in the marketplace. We think that is trying to get to the remedy—I think Congressman Sawyer raised a question about it—without having to prove the case. I did not come here, though, to fight with the FTC. We think they do a good job most of the time. If I did come here to fight with the FTC, I think I would point out that its understanding of the basic law which we are discussing here. Section 14 of the Trademark Act, which Congressmen Sawyer and Danielson referred to, states that anyone, upon payment of a prescribed fee, can file a petition to cancel. I think the FTC's position as to what the status of the law is and the representation to this committee is wrong. I would also point out within the past 3 or 4 years, I represented a petitioner for cancellation successfully, and the total cost to my client in that case, through decision, was less than $15,000. I think it was less than $10,000, but I could not swear to that. I can swear to the less than $15,000 figure. Obviously, the FTC estimates of over $100,000 in legal fees to maintain an action to cancel a registration are in error. I think I should also point out, that had a survey done as recently as 3 months ago, for a total cost of approximately $6,000.

So the figures that have been presented to you by the FTC, I would disagree with. I think you would want to hear from one who has actually spent the money in these types of proceedings .

The association has requested an opportunity to participate in the hearings on H.R. 3685 since it involves a question having a significant impact upon trademark rights in the United States.

Section 14 of the Lanham Act now provides that the Federal Trade Commission may apply to cancel the registration of a mark on certain grounds. In view of Mr. Diamond's explanation, I will not comment further on that, but let me state if H.R. 3685 becomes law, the FTC will retain its standing to apply for cancellation on all of the aforesaid grounds except that it would no longer have any authority "* * * to make such an application to cancel solely on the ground that any registered mark has become the common descriptive name of an article or substance."

That is a very limited exception to the exception that Mr. Diamond talked about.

Mr. KASTENMEIER. Why do you want them involved in any of the other cases, fraud or any of the others? I ask that because if 3 years hence they bring a fraud case and the industry comes running in here seeking to challenge their trademark on those grounds.

Mr. WARD. It raises interesting questions. I am not here as a representative of industry. The trademark association only considered this bill and where the association would stand on this bill.

Speaking personally, I have no opposition to depriving the FTC of any ground to petition any registration, but my personal view certainly is not that of the association.

Mr. KASTENMEIER. How about consumers?

Mr. WARD. I think consumers should have the right. I think competitors should have the right, and others that we might not have discussed.

Mr. KASTENMEIER. With the entrance into the market?

Mr. WARD. Certainly.

What troubles me and goes back to Congressman Sawyer's comments is, if you study what the FTC has been doing in the last few years, it is almost as though they have discovered trademarks. I refer to the cereal cases which is a structural investigation and the remedy that the FTC seeks is a royalty free license of all the trademarks of the leading cereal manufacturers, in order to invite others to compete. In the *Realemon* case after the Commission had been able to establish there were some anticompetitive practices, they sought a compulsory trademark license as the remedy. In *Formica*, the FTC seems to be saying, "Let us forget about proving the case, let us get right to the remedy." That is my philosophical opposition to what they are doing.

Mr. KASTENMEIER. You mean they do not have to prove the case of generic terms?

Mr. WARD. They have to prove the case of generic terms, but they do not seem to have a burden to show why there will be any good flowing to anyone, other than their theory. If it is, in fact, generic, our view is, if the FTC is going to have the power to petition, it should be not only generic, but coupled with some other wrongdoing.

In this case, Your Honor—excuse me, Mr. Chairman, I am more of a trial lawyer——

Mr. MAZZOLI. It sounds good. We all appreciate that once in a while. It is kind of a nice change of pace.

Mr. WARD. In this case, the FTC has not charged Formica Corp. with any wrongdoing. The FTC has not charged Formica Corp. with any unfair trade practice or with any unfair method of competition. It has not charged that Formica Corp. has violated the antitrust laws. It has not complained about Formica's pricing practices or its selling practices. It has not complained about Formica's advertising for its products. The Commission has not even complained about the nature or quality of Formica's products themselves. In fact, the FTC has not managed to find a single thing wrong with the conduct of Formica Corp. and Formica Corp. has not been charged with any wrongdoing of any kind, other than they think the trademark generic.

Mr. KASTENMEIER. In a sense it is a question of who is able to bring a generic case.

Let me ask you this. In 1946 the United States Trademark Association was certainly in existence. The Congress specifically authorized the FTC to bring these generic cases. Can you give us any kind of background as to why they did or why your association opposed it at that time; 33 years have transpired, and involved one earlier case in which they lost one initiative.

Mr. WARD. I would be happy to provide you the legislative history which exists, but I believe the reason behind the inclusion of this proviso, section 14, to be the following. Prior to the enactment of this legislation, the Food and Drug Administration had been fairly active in keeping up with what was going on in the trademark area and would, from time to time, send a note over to the Patent Office, requesting that a trademark registration not be issued because that was the name of a drug or what have you. That, prior to the enactment of this legislation, was a fact. That is the way it worked.

When this bill went to conference, I do not know that this particular proviso was debated, but when it went to conference, the question of wether the Government, should be able to bring an action was raised. It was briefly debated in conference with the result being that the FTC was given the authority it now has.

I believe the question then came down to giving the FTC standing to filing and opposition as opposed to cancel a registration. You understand when an applicant seeks registration, if he meets all the substantive requirements of the loan, the application is published for 30 days, during which time any party with standing can oppose the issuance of registration. The Justice Department said that standing to oppose was not really adequate, because the Government often did not know what was going on in the marketplace? Justice suggested that FTC ought to have the authority to petition to cancel. That in a nutshell is my understanding of the legislative history. It is vague, and was never debated. I do not think there was ever any mandate, it was just a safety valve to let the Government take action if they had any concern. Other Government agencies could ask the FTC to bring an action if they wished. In fact, that has happened. There have been two cases

where the Department of Agriculture asked the FTC to file petitions for cancellation. They are unreported decisions.

It is important to note that no competitor has challenged Formica Corp.'s ownership or its right to exclusive use of its trademark or complained that the Formica trademark represents an unfair exploitation of a generic term. No customers have complained of any confusion in the marketplace as a result of Formica Corp.'s use of its trademark. In view of the absence of allegations of wrongdoing from any source, one is compelled to ask why has the FTC embarked on its campaign to destroy the Formica trademark? What does it hope to achieve?

It concerns me even more this morning, Mr. Chairman, that question has been asked of the FTC by several members of this committee, and I have not heard an answer. I think the committee is entitled to an answer.

Mr. KASTENMEIER. My recollection is, in answer to the question, Mr. Dougherty suggested it would save the consumer an estimated $15,000 or 10 to 15 percent of the price on the trademark. That is one of the reasons given. Also, and these may be more related to antitrust than otherwise, but one of the tests is whether new entrants to the market are kept out by virtue of the generic trademark.

Mr. WARD. Mr. Dougherty is in an enviable position because his testimony is taken as that of the Commission, but he has a caveat that it is not binding on the Commission.

The FTC hopes to accomplish some type of restructuring of the marketplace by its action. This exercise of the authority which they now have under existing law, is improper, and for that reason alone, this legislation should be enacted.

As we have set forth in our paper, the FTC has indicated that the examination of the industry, the effect upon competition and possible antitrust implications on barriers to entry into the industry will not be aired before the Trademark Trial and Appeal Board. In fact, the Trademark Trial and Appeal Board has already indicated that it will not be able to even consider those questions.

You have heard several of the witnesses say that before the FTC took this action against Formica, the marketplace had taken care of itself. Numerous actions against aspirin, cellophane, escalator, shredded wheat, and yo-yo, to mention a few, have been successfully brought. In each case, the issue of whether a trademark has indeed become generic was raised by a competitor with standing, which either asserted a need to use the word in its business in order to compete effectively, or which had already started to use the word and defended its right to continue.

We submit the FTC has ample power and authority under the FTC Act to prevent unfair competition and use of misleading trade practices, including those in which use of a generic term is claimed as a trademark. Here, however, no offense is even suggested. The FTC has apparently decided on its own, and without benefit of input from interested parties, that it would be beneficial to bring a cancellation proceeding. We submit that such interference in the ordinary workings and interplay of the marketplace is undesirable, and that challenges to a registered trademark resting solely on the ground that it is generic and that competitors should also be able

to use it is best left to the private sector. I believe Mr. Diamond's comments would support that conclusion. The effect of interference by the FTC will not aid the consumer in making an informed choice but may encourage unscrupulous manufacturers, under the presumed mantle of Government approval, to label as "formica" a product which is not of the same high quality as that which consumers have come to expect of laminate now identified as Formica.

An interesting question occurred to me last night. What is the next target for the FTC, if they succeed here? Several possible targets have been bandied about the trademark bar, if you will, and I believe by FTC staffers. One of those is Xerox. I do not mean to single out Xerox, and I do not think it is generic any more than Formica is. But what would happen if the FTC were to obtain a determination that Xerox was generic. I suggest what it would do would cause an avalanche of copying machines with prominent markings "Xerox" on them. Would IBM make these products? I do not think so, I think IBM is proud of its trademark. But I think foreign manufacturers of electronic products would be very much inclined, if they could use the word Xerox on their copying machine, to ship them and have them landed on the west coast and sell them throughout the United States.

I think that example, perhaps, better than Formica, shows the effect of this particular type action that the FTC is embarking on. The people who make Xerox equipment in upstate New York might complain after their jobs have disappeared, because the FTC has been successful in having the Xerox trademark in this hypothetical declared generic. That is why I think it important to study this issue right now.

In summary, we believe that the Federal Trade Commission does not require this type of power which it now possesses under the Lanham Act to seek declarations that trademarks of companies are generic. A review of decided cases during the 20th century will reveal that a great number of formerly well-known trademarks were held generic in litigation between private parties, thus evidencing the fact that those in the marketplace know how to resort to and use the judicial process to declare trademarks generic when there is a need to do so. Thus, we see no need whatsoever for the Federal Trade Commission or any other Government agency to seek to extinguish trademark rights when the trademark owner is accused of no wrongdoing whatsoever. The Federal Trade Commission has a very broad charter under the Federal Trade Commission Act to prevent unfair and deceptive methods of competition. Stripping them of this unwarranted ancillary authority under the Lanham Act, as this bill proposes to do, will merely permit the FTC to have more time to focus on the issues which Congress has delegated to it under the Federal Trade Commission Act. It will also enable businesses to be free from unwarranted attacks which seek to extinguish what is often their most valuable asset, the company name and trademark, in an instance where no wrongdoing has been alleged. We therefore wholeheartedly support this bill and we thank you for the opportunity to appear here today and express our views.

I would be pleased of course to answer any questions you might have.

[Statement of Mr. Ward follows:]

STATEMENT OF UNITED STATES TRADEMARK ASSOCIATION

My name is Thomas J. Ward. I am an attorney in private practice in Washington, D.C. I appear here today on behalf of the United States Trademark Association to testify in support of H.R. 3685.

The United States Trademark Association is a 101 year old, nonprofit membership corporation, the purposes of which are to protect the interests of the public in the use of trademarks, to promote and further the concept of trademarks, and to protect the rights of trademark owners. Its over 1,400 members are primarily owners of trademarks and others having a special interest in trademarks. We believe that the Association is the oldest and largest organization in the world dedicated totally to the development and protection of trademark rights.

The Association has requested an opportunity to participate in the hearings on H.R. 3685 since it involves a question having a significant impact upon trademark rights in the United States.

Section 14 of the Lanham Act now provides that the Federal Trade Commission may apply to cancel the registration of a mark on the following grounds:[1]

1. If the registered mark becomes the common descriptive name of an article or substance,[2] or has been abandoned, or its registration was obtained fradulently or contrary to the provisions of section 4 or of subsection (a), (b) or (c) of section 2 of this Act for a registration hereunder, or contrary to similar prohibitory provisions of said prior acts for a registration thereunder, or if the registered mark is being used by, or with the permission of, the registrant as to misrepresent the source of the goods or services in connection with which the mark is used; or

2. In the case of a certification mark on the ground that the registrant (1) does not control, or is not able legitimately to exercise control over, the use of such mark, or (2) engages in the production or marketing of any goods or services to which the certification mark is applied, or (3) permits the use of the certification mark for purposes other than to certify, or (4) discriminately refuses to certify the goods or services of any person who maintains the standards or conditions which such mark certifies.

If H.R. 3685 becomes law, the FTC will retain its standing to apply for cancellation on all of the aforesaid grounds except that it would no longer have any authority, "* * * to make such an application to cancel solely on the ground that any registered mark has become the common descriptive name of an article or substance." USTA supports H.R. 3685.

H.R. 3685 was introduced following the initiation of a cancellation proceeding in the Patent and Trademark Office by the Federal Trade Commission in which it claimed that the Formica trademark has become generic. The FTC has not charged Formica Corporation with any unfair trade practice or with any unfair method of competition. It has not charged that Formica Corporation has violated the antitrust laws. It has not complained about Formica's pricing practices or its selling practices. It has not complained about Formica's advertising for its products. The Commission has not even complained about the nature or quality of Formica's products themselves. In fact, the FTC has not managed to find a single thing wrong with the conduct of Formica Corporation and Formica Corporation has not been charged with any wrongdoing of any kind. It is important to note that no competitor has challenged Formica Corporation's ownership or its right to exclusive use of its trademark or complained that the Formica trademark represents an unfair exploitation of a generic term. No customers have complained of any confusion in the marketplace as a result of Formica Corporation's use of its trademark. In view of the absence of allegations of wrongdoing from any source, one is compelled to ask: Why has the FTC embarked on its campaign to destroy the Formica trademark? What does it hope to achieve?

Thus, although the Formica proceeding involves a trademark owned by an individual company, the role of the Commission, the basic issues raised by its action against Formica, and the attempt of this bill to meet the problem are of interest and importance to all members of USTA.

The Formica proceeding is the first ever commenced by the FTC to cancel a registration solely on the ground that the trademark involved has become a generic

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[1] The full text of Section 14 is attached hereto, along with Sections 2(b), (b) and (c) and 4, all of which are collectively identified as Exhibit A.

[2] The language is from the 1962 Amendments to the Lanham Act. When the statute was first passed the section read, in relevant part: "* * * the registered mark becomes the common descriptive name of an article or substance on which the patent has expired * * *."

term. The substantive allegations in the FTC Petition for Cancellation are, in their entirety:[3]

"As ground for this petition, it is alleged that Respondent's registered mark No. 421,496 is registered on the principal register established by the Lanham Trademark Act and has become the common descriptive name of the articles and substances included in Respondent's description of goods.

Wherefore, Petitioner prays that Registration No. 421,496 be cancelled or restricted and the (sic) this Petition for Cancellation be sustained in favor of petitioner."

The Director of the FTC's Bureau of Competition has acknowledged that the only issue in the case is whether the mark is generic, and has suggested that the FTC has no obligation to prove that perpetuation of the mark harms competition or consumers.[4] He offered this "assurance": "Although the issue is straightforward, be assured that before filing a petition for cancellation, or for that matter an antitrust complaint, the Commission determines that the action would be in the public interest. This normally entails an examination of the industry to see if consumer and competitive problems will be beneficially affected by the Commission's filing of a petition."

That examination of the industry, however, is apparently not a matter the FTC contemplates will be aired in the cancellation proceeding.

Before the FTC took the unprecedented action against Formica, any challenge to a trademark on the ground that it had become generic was left completely to the private sector, where challengers have successfully challenged such one-time trademarks as aspirin, cellophane, escalator, shredded wheat and yo-yo.[5] In each case the issue of whether a trademark had indeed become generic was raised by a competitor with standing, which either asserted a need to use the word in its business in order to compete effectively, or which had already started to use the word and defended its right to continue.

The FTC has ample power and authority under the FTC Act to prevent unfair competition and use of misleading trade practices, including those in which use of a generic term is claimed as a trademark. Here, however, no offense is even suggested. The FTC has apparently decided on its own, and without benefit of input from interested parties, that it would be beneficial to bring a cancellation proceeding. We submit that such interference in the ordinary workings and interplay of the marketplace is undesirable, and that challenges to a registered trademark resting solely on the ground that it is generic and that competitors should also be able to use it, is best left to the private sector. The effect of interference by the FTC will not aid the consumer in making an informed choice but may encourage unscrupulous manufacturers, under the presumed mantle of government approval, to label as "formica" a product which is not of the same high quality as that which consumers have come to expect of laminate now identified as Formica.

USTA believes that the action of the FTC in the Formica case and the reasoning of those who support it may be based on the misconception that a trademark is a perpetual monopoly which inhibits competition in the sale of a given commodity. In fact, a trademark does not prevent anyone from making or selling any type of product or article. A trademark, rather, is the identification placed on the article to enable the consumer to know that it comes from a particular source. Each time the consumer sees the mark, he can be assured that the source, and thus the quality of the product, is the same. Competitors may sell the same product. They are even free to use the trademark, as for example, in comparative advertising, to inform the public of the respective merits of their product and that of the trademark owner. The mark, in other words, does not give anyone a monopoly in the sale of goods. If the mark is being used in connection with a scheme to create a monopoly or to restrain competition, the FTC and others already have authority to act to prevent this. It is submitted that the FTC's authority to act against "generic trademarks" should be limited to those cases where a monopolistic or anti-competitive effect is alleged and proved, and that its authority to bring actions such as that taken against Formica should be restricted.

In summary, we believe that the Federal Trade Commission does not require this type of power which it now possesses under the Lanham Act to seek declarations that trademarks of companies are generic. A review of decided cases during the 20th Century will reveal that a great number of formerly well-known trademarks were

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[3] A copy of the FTC Petition for Cancellation is attached hereto as Exhibit B.

[4] June 28, 1979 speech by Alfred F. Dougherty, Jr. before the Boston Bar Association.

[5] *Bayer Co.* v. *United Drug Co.*, 272 Fed. 505 (SDNY 1921); *DuPont Cellophane Co.* v. *Waxed Products Co., Inc.*, 85 F.2d 75, 30 USPQ 332 (CA 2 1936) *Haughton Elevator Co.* v. *Seeberger*, 85 USPQ 80 (Comr. 1950); *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111, 30 USPQ 296 (1938); and *Donald F. Duncan, Inc.* v. *Royal Tops Mfg. Co., Inc.*, 343 F.2d 655, 144 USPQ 617 (CA 7 1965).

held generic in litigation between private parties, thus evidencing the fact that those in the marketplace know how to resort to and use the judicial process to declare trademarks generic when there is a need to do so. Thus, we see no need whatsoever for the Federal Trade Commission or any other government agency to seek to extinguish trademark rights when the trademark owner is accused of no wrongdoing whatsoever. The Federal Trade Commission has a very broad charter under the Federal Trade Commission Act to prevent unfair and deceptive methods of competition. Stripping them of this unwarranted ancillary authority, under the Lanham Act as this bill proposes to do, will merely permit the FTC to have more time to focus on the issues which Congress has delegated to it under the Federal Trade Commission Act. It will also enable businesses to be free from unwarranted attacks which seek to extinguish what is often their most valuable asset, the company name and trademark, in an instance where no wrongdoing has been alleged. We therefore, wholeheartedly support this bill and we thank you for the opportunity to appear here today and express our views.

Commissioner (Amended Oct. 9, 1962, 76 Stat. 769; and Jan. 2, 1975, 88 Stat. 1955).

Sec. 14 (15 U.S.C. 1064). Cancellation of registrations

A verified petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this Act, or under the Act of March 3, 1881, or the Act of February 20, 1905—

(a) within five years from the date of the registration of the mark under this Act; or

(b) within five years from the date of publication under section 12 (c) hereof of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905; or

(c) at any time if the registered mark becomes the common descriptive name of an article or substance, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 4 or of subsection (a), (b), or (c) of section 2 of this Act for a registration hereunder, or contrary to similar prohibitory provisions of said prior Acts for a registration thereunder, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services in connection with which the mark is used; or

(d) at any time if the mark is registered under the Act of March 3, 1881, or the Act of February 20, 1905, and has not been published under the provisions of subsection (c) of section 12 of this Act; or

(e) at any time in the case of a certification mark on the ground that the registrant (1) does not control, or is not able legitimately to exercise control over, the use of such mark, or (2) engages in the production or marketing of any goods or services to which the certification mark is applied, or (3) permits the use of the certification mark for purposes other than to certify, or (4) discriminately refuses to certify the goods or services of any person who maintains the standards or conditions which such mark certifies:

Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in subsections (c) and (e) of this section any mark registered on the principal register established by this Act, and the prescribed fee shall not be required (Amended Oct. 9, 1962, 76 Stat. 769).

(1) a written application, in such form as may be prescribed by the Commissioner, verified by the applicant, or by a member of the firm or an officer of the corporation or association applying, specifying applicant's domicile and citizenship, the date of applicant's first use of the mark, the date of applicant's first use of the mark in commerce, the goods in connection with which the mark is used and the mode or manner in which the mark is used in connection with such goods, and including a statement to the effect that the person making the verification believes himself, or the firm, corporation, or association in whose behalf he makes the verification, to be the owner of the mark sought to be registered, that the mark is in use in commerce, and that no other person, firm, corporation, or association, to the best of his knowledge and belief, has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when applied to the goods of such other person, to cause confusion, or to cause mistake, or to deceive: Provided, That in the case of every application claiming concurrent use the applicant shall state exceptions to his claim of exclusive use, in which he shall specify, to the extent of his knowledge, any concurrent use by others, the goods in connection with which and the areas in which each concurrent use exists, the periods of each use, and the goods and area for which the applicant desires registration;

(2) a drawing of the mark; and

(3) such number of specimens or facsimiles of the mark as actually used as may be required by the Commissioner.

(b) By paying in the Patent and Trademark Office the filing fee.

(c) By complying with such rules or regulations, not inconsistent with law, as may be prescribed by the Commissioner.

(d) If the applicant is not domiciled in the United States he shall designate by a written document filed in the Patent and Trademark Office the name and address of some person resident in the United States on whom may be served notices or process in proceedings affecting the mark. Such notices or process may be served upon the person so designated by leaving with him or mailing to him a copy thereof at the address specified in the last designation so filed. If the person so designated cannot be found at the address given in the last designation, such notice or process may be served upon the Commissioner (Amended Oct. 9, 1962, 76 Stat. 769).

Sec. 2 (15 U.S.C. 1052). Trademarks registrable on the principal register

No trademark by which the goods of the applicant may be

distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

(a) consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute;

(b) consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof;

(c) consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow, if any, except by the written consent of the widow;

(d) consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when applied to the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: *Provided*, That when the Commissioner determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (i) the earliest of the filing dates of the applications pending or of any registration issued under this Act; or (ii) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date; or (iii) July 5, 1947, in case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods in connection with which such mark is registered to the respective persons;

(e) consists of a mark which, (1) when applied to the goods of the applicant is merely descriptive or deceptively misdescriptive of

them, or (2) when applied to the goods of the applicant is primarily geographically descriptive or deceptively misdescriptive of them, except as indications of regional origin may be registrable under section 4 hereof, or (3) is primarily merely a surname;

(f) except as expressly excluded in paragraphs (a), (b), (c), and (d) of this section, nothing herein shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce. The Commissioner may accept as prima facie evidence that the mark has become distinctive, as applied to the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the 5 years next preceding the date of the filing of the application for its registration (Amended Oct. 9, 1962, 76 Stat. 769).

Sec. 3 (15 U.S.C. 1053). Service marks registrable

Subject to the provisions relating to the registration of trademarks, so far as they are applicable, service marks used in commerce shall be registrable, in the same manner and with the same effect as are trademarks, and when registered they shall be entitled to the protection provided herein in the case of trademarks, except when used so as to represent falsely that the owner thereof makes or sells the goods on which such mark is used. The Commissioner may establish a separate register for such service marks. Applications and procedure under this section shall conform as nearly as practicable to those prescribed for the registration of trademarks.

Sec. 4 (15 U.S.C. 1054). Collective and certification marks registrable

Subject to the provisions relating to the registration of trademarks, so far as they are applicable, collective and certification marks, including indications of regional origin used in commerce, shall be registrable under this Act, in the same manner and with the same effect as are trademarks, by persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks sought to be registered, even though not possessing an industrial or commercial establishment, and when registered they shall be entitled to the protection provided herein in the case of trademarks, except when used so as to represent falsely that the owner or a user thereof makes or sells the goods or performs the services on or in connection with which such mark is used. The Commissioner may establish a separate register for such collective marks and certification marks. Applications and procedure under this sec-

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tion shall conform as nearly as practicable to those prescribed for the registration of trademarks.

Sec. 5 (15 U.S.C. 1055). Use by related companies

Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public.

Sec. 6 (15 U.S.C. 1056). Disclaimer of unregistrable matter

(a) The Commissioner may require the applicant to disclaim an unregistrable component of a mark otherwise registrable. An applicant may voluntarily disclaim a component of a mark sought to be registered.

(b) No disclaimer, including those made under paragraph (d) of section 7 of this Act, shall prejudice or affect the applicant's or registrant's rights then existing or thereafter arising in the disclaimed matter, or his right of registration on another application if the disclaimed matter be or shall have become distinctive of his goods or services (Amended Oct. 9, 1962, 76 Stat. 769).

Sec. 7(a) (15 U.S.C. 1057a). Certificate of registration on the principal register. Issuance and form

Certificates of registration of marks registered upon the principal register shall be issued in the name of the United States of America, under the seal of the Patent and Trademark Office, and shall be signed by the Commissioner or have his signature placed thereon, and a record thereof shall be kept in the Patent and Trademark Office. The registration shall reproduce the mark, and state that the mark is registered on the principal register under this Act, the date of the first use of the mark, the date of the first use of the mark in commerce, the particular goods or services for which it is registered, the number and date of the registration, the term thereof, the date on which the application for registration was received in the Patent and Trademark Office, and any conditions and limitations that may be imposed in the registration (Amended Aug. 17, 1950, 64 Stat. 459, and Oct. 9, 1962, 76 Stat. 769).

Sec. 7(b) (15 U.S.C. 1057b). Same—Prima facie evidence

A certificate of registration of a mark upon the principal register

Exhibit B

MAY 31 1978

PAT. & T.M. OFFICE

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

FEDERAL TRADE COMMISSION Petitioner	PETITION FOR CANCELLATION Registration No. 421,496 Date of Issue: June 4, 1976
FORMICA CORPORATION (a Delaware Corporation) Registrant-Respondent	Cancellation No. 11955

I. STANDING TO PETITION FOR CANCELLATION

Petitioner, the Federal Trade Commission, an agency of the United States Government, is authorized pursuant to 15 U.S.C. §1064 to apply to cancel any mark registered on the principal register established by the Lanham Trademark Act at any time if the registered mark becomes the common descriptive name of an article or substance.

II. DESCRIPTION OF RESPONDENT'S REGISTRATION

Respondent's trademark, Registration No. 421,496 was registered under the Trademark Act of 1905 on June 4, 1946 and republished under section 12(c) of the Lanham Trademark Act of 1946 on May 11, 1948. The description of goods contained in Respondent's Registration No. 421,496 is: Laminated Sheets of Wood, Fabric or Paper Impregnated With Synthetic Resin and Consolidated Under Heat and Pressure for Use on Table Tops, Furniture and Wall Panelling.

III. Grounds for Cancellation

As grounds for this petition, it is alleged that Respondent's registered mark No. 421,496 is registered on the principal register established by the Lanham Trademark Act and has become the common descriptive name of the articles and substances included in Respondent's description of goods.

WHEREFORE, Petitioner prays that Registration No. 421,496 be cancelled or restricted and the this Petition for Cancellation be sustained in favor of petitioner.

Petitioner hereby authorizes the Denver Regional Office of the Federal Trade Commission, 1405 Curtis Street, Suite 2900, Denver, Colorado, 80202, to transact all relevant business with the Patent and Trademark Office and to receive all official communications in connection with this Petition for Cancellation.

Petitioner: Federal Trade Commission
Pennsylvania Avenue and Sixth Street, N.W.
Washington, D.C. 20580

By John H. Evans
John H. Evans

Ralph H. Folsom
Ralph H. Folsom
Attorneys
Denver Regional Office
Federal Trade Commission
1405 Curtis Street, Suite 2900
Denver, CO 80202

State of Washington)
) s.s.
County of District of Columbia)

The undersigned state that they are attorneys in the Denver Regional Office, Federal Trade Commission, and authorized to sign for the Petitioner for Cancellation herein; that a copy of the order of the Federal Trade Commission directing the filing of this Petition for Cancellation is attached; that they have read and signed the Petition and know the contents thereof; that all allegations made herein are true except as to matters alleged on information and belief which are believed to be true; and further that willful false statements and the like so made are punishable by fine or imprisonment, or both, under section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the Petition for Cancellation or any decision resulting therefrom.

John H. Evans / Ralph H. Folsom

Date: May 31, 1978

Subscribed and sworn to before me this 31st day of May, 1978, by John H. Evans, Ralph H. Folsom

Seal

Notary Public

My commission expires 11/14/82

Registrant-Respondent's Address:
Formica Corporation
120 East Fourth Street
Cincinnati, Ohio 45202

Petitioner's Address:
Federal Trade Commission
Denver Regional Office
1405 Curtis Street, Suite 2900
Denver, Colorado 80202

MAY 31 1978

PAT. & T.M. OFFICE

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

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of the Federal Trade Commission, 1405 Curtis Street, Suite 2900, Denver, Colorado, 80202, to transact all relevant business with the Patent and Trademark Office and to receive all official communications in connection with this Petition for Cancellation.

Petitioner: Federal Trade Commission
Pennsylvania Avenue and Sixth Street, N.W.
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By John H. Evans
John H. Evans

Ralph H. Folsom
Ralph H. Folsom
Attorneys
Denver Regional Office
Federal Trade Commission
1405 Curtis Street, Suite 2900
Denver, CO 80202

State of Washington)
) s.s.
County of Washington)

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John H. Evans / Ralph H. Folsom

Date: May 31, 1978

Subscribed and sworn to before me this 31st day of May, 1978, by John H. Evans, Ralph H. Folsom

Seal

Notary Public

My commission expires 4/30/82

Registrant-Respondent's Address:
Formica Corporation
120 East Fourth Street
Cincinnati, Ohio 45202

Petitioner's Address:
Federal Trade Commission
Denver Regional Office
1405 Curtis Street, Suite 2900
Denver, Colorado 80202

Mr. KASTENMEIER. Thank you, Mr. Ward. You made an excellent presentation. In fact, all three witnesses today I thought were very illuminating to this committee. I just have one or two questions and then I will yield to my colleagues.

I thought earlier you said if a term was generic, and was so determined, that it should in fact be—there is no reason for it not to be in fact declared generic.

I ask that because I am not clear. You suggest that in those terms where someone might be confused, you would not want even a competitor challenging Xerox and you do look to other motivation.

If you had a small electronics firm go after Xerox on its name, "Xerox" as a generic, then you have the same possibility that Japanese and others will be using it?

Mr. WARD. You are absolutely right.

Mr. KASTENMEIER. A small firm on a competitive basis does not sanctify that result any more than the FTC proceeding against them.

Mr. WARD. I think history will teach us that these types of actions are brought by competitors. I am sure the same arguments were made on thermos—which by the way did involve a foreign competitor—I think the marketplace has handled this problem, competition has handled it in a way that is beneficial to trademark law, to the U.S. Patent and Trademark Office, to the integrity of the Register of Trademarks, and it has not devastated any given industry to the best of my knowledge, nor has it had any adverse effect upon the economy. I am just using Xerox, which I will disclaim as a very bad example, but that is the logical end of this type of activity by the FTC.

Mr. KASTENMEIER. I think it is a good example because it could have the effects you might forecast. We live with this all the time. This committee has problems about semiconductor chips and the replication and whether that is a copyright, patent, trademark, or none of the above, type of situation competitively for domestic corporation as against domestic corporations and foreign corporations.

So I think that is one of the difficulties we have in any event. One of the things that troubles me in terms of the purpose of this discussion is this is really the first major case that the FTC has been in, in a field in which there have been a number of major cases, and I really do not see—well, I could understand if it were successful—I suppose that is the problem as far as industry is concerned—but I think up to now they might have been criticized for being relatively inactive when they do have presumably some sort of legislative mandate under 1946 law. I think it may be true that their interests may be beyond the seeking the mere declaration that a term is generic, that is all they need show. I suppose it is like criticizing a law enforcement agency, a defendant or his attorney coming in and saying they really want to get him on armed robbery instead of petty theft, and they are using petty theft because it is easier to prove, that is all.

Mr. WARD. I would respond.

Mr. KASTENMEIER. Of course; I would like for you to respond.

Mr. WARD. The example here is that by prevailing on a very narrow issue, that is, the generic question, they will achieve the destruction in my view of substantial trademark rights that go beyond the fact of the registration.

Mr. KASTENMEIER. When you say destruction of trademark rights, you are talking about it compared to destruction of trademark rights in aspirin and all the others. I think we agree.

Mr. WARD. If you look back at the facts, you will find that competitors were using aspirin generically. You do not have that in the Formica situation. This underscores the philosophical concern we have. I do not think that the USTA would take a position only on the basis of one isolated case, but we do see a tendency, and we do see that what the trademark is being used here for by the FTC is a means to accomplish an end totally apart from trademark rights. It is an attempt to restructure the marketplace. We do not think trademarks should be used for that purpose.

Mr. KASTENMEIER. I think that is an argument I understand. I think you are well disposed to make that argument.

Let me yield to my colleagues. The gentleman from Michigan, Mr. Sawyer.

Mr. SAWYER. Thank you, Mr. Chairman.

You mentioned, and I could not help but note in passing the course the FTC has been off on for the past several years. I am embarrassed to say, a younger law partner of mine, Lou Engman, started it off on that course.

Mr. WARD. I know Lou, and he might have changed his mind by now.

Mr. SAWYER. Yes, I am sure he would.

I am a little concerned, not being, as you know, a do-it-yourselfer or very skilled in that area, I sort of thought I knew what Formica was, I was aware it was made by American Cyanamid, and I knew it was a standard product they made. I was aware there were other laminates, but it would seem to me as a consumer, knowing what Formica is, if I were to tell a carpenter I wanted a Formica, I am liable to get any kind of crumbly top, because there are laminates and laminates. So it would seem from a consumer point of view, it might be considerably misleading and opening the door to being sold as a counter cover something not Formica as you know what Formica is.

The thing that is bothering me is that first of all, if there is nothing but the academic exercise of determining whether something is or is not a generic term based on a poll, it seems to me nothing to be spending public money on. If there is some real public service to be gotten—namely, a price effect on the marketplace or some kind of linked conspiracy—if that is the motivation, there are other laws they can proceed under where they have to prove the case. But this way, they do not have to prove anything under motivation except by what a poll says or by a majority. That is quite different than taking a petty theft plea on an armed robbery. It is allowing a type of enforcement against a perceived evil that the law has not chosen to acknowledge in any other way.

I was kind of impressed with some of the competitors' statements on that. Dr. Wilson, who is president of Wilson Plastics, with 22

percent of this market, in a press release he issued on July 1, 1978, says:

> Why doesn't the FTC ask Formica's competitors if our competitive rights are restricted by Formica? We'll tell FTC that Formica has only about one-third or less of the market while competitors have the rest. Ralph Wilson Co. has been in business for 23 years and has risen from 16th place to challenge for first place. We have never felt that Formica possessed unfair advantage, as FTC alleges.

Then Charles Keller, the president of Pioneer Plastics, in Fortune magazine, September 10, 1979, says an FTC victory:

> Really would not help us. We do not sell directly to the consumer. The people we sell to know us under our brand name.

Then James Lovett, of Westinghouse, with 8 percent of the market, testifying before the full Committee on Interstate and Foreign Commerce on May 11, said:

> The FTC in a recent case seeks cancellation of a trademark although it makes no allegation of wrongful acts, but the action sought would punish a successful company while not assisting consumers one iota because over 90 percent of sales of decorative laminate is sold to professionals like furniture manufacturers, cabinetmakers, architects, and designers and the public does not buy laminates by name. Also, there is no monopoly in the sale of laminated materials as no company sells more than 40 percent of the market.

Apparently even those who presumably would benefit don't agree either that this is any kind of a proper function. I have pretty well stated it. Thank you, Mr. Chairman.

Mr. KASTENMEIER. The gentleman from Kentucky.

Mr. MAZZOLI. Thank you, Mr. Chairman.

I guess I really don't have any questions, but perhaps to follow up on what the gentleman from Michigan was saying. If there has been some improper activities in the marketplace, there are plenty of weapons at the FTC's disposal, it seems to me, to go after it, without using the withdrawal of property rights.

They may have an argument. They say if it is generic automatically there is no property right, but they have to assume until proven it is generic that there is a property value in what this company has done over the years to develop the name Formica. It seems to me that this Congress ought to be very apprehensive and very chary about ever sanctioning any activity which will withdraw a property right unless there is no other way to proceed against some wrongdoing in the field.

At the same time, I don't have a lot of truck with the big corporations either, because I think if they are given half a chance, they are going to do every damn thing possible to rip off and go rampant through the field. I have seen it so many times, and the corporations will tell you on the one hand how desirous they are of serving the consumer, and on the other hand everything you buy is faulty and falls apart.

I am really torn and tormented, to say the least, to do anything which would protect the corporation's right to do mischief and damage, while at the same time I share some concerns about withdrawing a valuable right, unless there is no other way to cure the wrong that I am trying to drive at. I am a lot more comfortable, as I mentioned earlier today, where the people moving to take his property right away are those who perceive themselves to be injured, the people against whom this company competes.

I am less comfortable where that is done by some Federal agency for perhaps other ends, but I thank you very much. In fact, you and all the witnesses today have been very helpful to the committee. I thank you.

Mr. WARD. Thank you very much. I would just like to make one comment, that the United States Trademark Association isn't comprised of just giant corporations who may or may not engage in objectionable practices.

Mr. MAZZOLI. I get ripped off by the corner automobile dealer just as well. It doesn't make any difference. Size is very relative. I am the rippee more than the rippor.

Mr. WARD. We are going to the same dealer.

Mr. MAZZOLI. I think we both are, yes. Thank you very much.

Mr. KASTENMEIER. In behalf of the committee, I would like to thank you, Mr. Ward, and congratulate you on your presentation.

I remind my colleagues and others interested that we will resume these hearings on this legislation tomorrow at 10 o'clock. We will have two of our collegues here, and we will have another expert on trademark law and an attorney, so we will have four witnesses tomorrow morning.

Mr. SAWYER. Are we going to meet in this room?

Mr. KASTENMEIER. Hopefuly at the same time, that is to say, 10 a.m.

Thank you, Mr. Ward. This concludes today's hearings.

[Whereupon, at 2:05 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Thursday, October 17, 1979.]

TRADEMARKS AND THE FEDERAL TRADE COMMISSION

THURSDAY, OCTOBER 18, 1979

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES,
AND THE ADMINISTRATION OF JUSTICE,
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to adjournment, at 10:15 a.m., in room 2226, Rayburn House Office Building, Hon. Robert W. Kastenmeier (chairman of the subcommittee) presiding.

Present: Representatives Kastenmeier, Danielson, Gudger, and Railsback.

Also present: Bruce A. Lehman, chief counsel; Thomas E. Mooney, associate counsel, and Audrey Marcus, clerk.

Mr. KASTENMEIER. The meeting will come to order.

Today we are having a second day of hearings on the bill H.R. 3685. We are very pleased to greet as our first witness this morning the author of the bill, our very distinguished colleague from New Jersey, who has contributed a great deal as a member of the Commerce Committee and to the House generally. I would like to greet Hon. Andrew Maguire.

TESTIMONY OF HON. ANDREW MAGUIRE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY, ACCOMPANIED BY DAVID DREYER, STAFF MEMBER

Mr. MAGUIRE. Thank you very much, Mr. Chairman. I have with me Mr. David Dreyer of my staff.

Thank you, Mr. Chairman and members of the subcommittee for both holding hearings on H.R. 3685, and for inviting me to testify on behalf of my legislation this morning. As some of you may know, my principal area of expertise is in the health field. But I think all of us are under a special obligation, during this session of what has been dubbed "the oversight Congress," to participate in another look at every aspect of our regulatory structure. Where we can dispense with an unnecessary layer of legal bureaucracy for the benefit of citizens as taxpayers, without working to the detriment of those same citizens as consumers, we should do so.

I became interested in this issue after reading two letters from constituents in my district which complained about a generic trademark action launched by the Federal Trade Commission. Using its authority under section 14(c) of the Lanham Act of 1946, the Commission petitioned the Commissioner of Patents to remove Formica

from the register of trademarks on the sole ground that it had become generic.

The corporation had been accused of no wrongdoing. No competitor had challenged the trademark nor had any complained that the Formica trademak represented an unfair exploitation of a generic term. No monopolistic pratice had been alleged, nor had any customers complained of any confusion in the marketplace. Nevertheless, the Commission maintained that it was per se in the public interest to revoke the trademark on the basis that it had degenerated into common usage.

Moreover, the Commission made it clear that it intended to use generic trademark actions on an ongoing basis and that the Formica espisode was an experiment that would be repeated. Since May, 1978, when the Commission started its famous action against Formica, the case has been described in several forums as a reusable, "innovative remedy." This is how it was described in the Annual Report of the Federal Trade Commission for 1978. Chairman Pertschuk in a January 1979 interview in the Village-Voice newspaper stated that he was going to rely on innovative remedies—like the action against Formica—because the scenario of court action, consent decree, and further monopolization, ad infinitum, is unproductive with respect to his agency fulfilling its role as the procompetitive arm of the Federal Government.

I have the most profound respect for Chairman Pertschuk, and think in fact that as Chairman of the Commission he has done and is doing an excellent job. But I find the Commission's intention, to use its cancellation powers in this manner troubling. I believe that the record shows that the market is quite capable of promoting generic trademark actions without government involvement.

I believe that the record shows, in the Commission's first usage of this power, that the commission is using inexact tools for gaging when a generic trademark action is appropriate, and that it is using the wrong legal tool, the Lanham Act, to promote a restructuring of the laminate market. I believe in the absence of any indications of anticompetitive behavior in the market, that the Government should refrain from playing the role of advocate and return to the role of arbiter, judging cases brought by competitors against registrants.

Finally, I believe that the role of the Government can be limited without degrading the common law distinction between the terms generic and trademark, and this is the intent of my legislation.

The Lanham Act of 1946 defines a trademark as:

> . . . any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others.

Trademarks serve as the primary means by which competing products obtain public recognition of their individual merits. The separation of the producer from the purchase—a fact of modern industrial life—requires that some tool be available for distinguishing between the sources of products which have given satisfaction in the past and those which have not. The role of trademarks as legitimate business tools has been recognized and, if protected, can be retained for perpetuity.

It is equally understood that the exclusive monopoly granted to trademark registrants ought to be terminated for specific public policy reason. We say that a trademark becomes generic if it is used to describe the goods themselves rather than identifying a source of a brand of these goods. When a mark becomes generic, people are misled as to the function of the word.

It no longer performs the function which justified protection and thus becomes actionable. Trademarks which have become generic are subject to challenge. Why? To prevent the owner of a mark from inhibiting competition in the sale of particular goods and to maintain the public's right to use the language involved without provoking suits by the registrant for infringement.

Trademark law has always provided a mechanism for competitors who, at their own risk, expended the resources and hired the lawyers to confront a registrant. The casebooks are filled with examples. Notable are the entry of words like aspirin, cellophane, zipper, thermos, linoleum, mimeograph, yo-yo, safari, shredded wheat, lanolin, celluloid, and dry ice into the realm of everyday use. Time after time, when a trademark becomes generic, legitimate private actions weeded from the register names which identified classes of products and returned what was in effect common property to all competitors from the businesses which appropriated it.

On a private basis, the system of policing the register works well. In the words of communications analyst Walter P. Margulies:

> One could compile a lexicon of former trademarks that have become common words . . . The fact is, trademark mortality has been such that the United States Trademark Association coined the term "genericide" to alert its members to the danger.

Thus the entry of the FTC into the process has not been taken as a natural consequence of incomplete trademark protection, or at least it would be very difficult to argue that it has. Not unnaturally, the Commission tries to deflect criticism of its activities in this particular case, by pointing to the Congress. Paul C. Daw, Director of the Commission's regional office in Denver, and a leader of the generic trademark project, said in a letter to Wendell Ford:

> In authorizing the FTC to seek cancellation, Congress apparently recognized the substantial public interest involved in avoiding the perpetuation of protected trademark status of generic words.

This I would submit is a loose reading of the legislative history of the Lanham Act. While Congress never intended to protect generic words, it is not at all clear that Congress intended the FTC to substitute its judgment for that of competitors.

Congressman Lanham introduced what became the Lanham Trademark Act 8 years before it was finally enacted into law. Versions of the bill were heard in committee and actually passed the House and the Senate on different occasions before the 1945 version of the bill, H.R. 1654, received successful consideration by the 79th Congress. At no time until the bill went into conference did either body contemplate assigning the power to petition for revocation on the ground of genericness to the FTC. That is a point which I would like to underline.

Representatives of the Department of Justice repeatedly raised objections that trademarks were monopolistic and that Congress

should not establish a register of trademarks at all, claiming that marks are no more than psychological marketing devices. Proponents of the bill prevailed in urging the House to recognize trademarks as the antithesis of monopoly because they permit consumers to make a choice between articles which would otherwise be indistinguishable.

It was not until the Lanham Act went to conference, that compromise language was inserted into the bill that authorized the FTC to participate in the cancellation process. The House acceded to the Senate's request that the FTC be permitted to share the power that competitors at risk already held to challenge trademarks on the six bases established by the section under discussion today. That this language decided on by Congress was a hesitant extension, rather than an express call for action by the FTC, is evidenced by the Commission's apparent reluctance to use any of its trademark cancellation powers. In 32 years, the Commission has successfully completed only three in a total of five challenges—two on the basis of abandonment, one for fraudulently obtaining a mark. It has never tried, before the Formica challenge, to strip a corporation of its trademark on the sole ground of genericness.

While I sympathize, indeed endorse, Chairman Pertschuk's search for more effective antitrust remedies, I think that the tools he has chosen to fight the *Formica* case are neither as fair nor as effective as they should be. Perhaps that is why in the past the Commission has not pursued Lanham actions, choosing instead to let the market provide remedies. And why some of the principal arguments that the Commission has used to defend this innovative remedy seem unpersuasive.

Trademarks are exclusive monopolies that are granted in perpetuity so long as they don't inhabit competition by others firms. The FTC has not demonstrated, in the Formica action, that the mark is insulating the corporation from competitors. Formica's market share has dropped from 100 percent to 38 percent in the last several years. Instead, the FTC argues that the generic mark has established Formica in a position of leadership in the laminate field which stifles competition and which prevents entry by new firms.

The Commission believes that in an industry where it can cost up to $200 million to set up a new factory, the capital intensiveness of the manufacturing process is irrelevant and that it is exclusively the generic mark which prevents Formica's competitors from improving their inferior market shares and inhibits new entrants into the laminate market. Even if it were appropriate to raise the generic issue on behalf of antitrust considerations, the Commission's arguments in this case do not demonstrate a strong case of monopoly.

But several commentators have noted that "the Lanham Act does not authorize cancellation of a trademark for violation of antitrust law." But under the broader body of law regulating the activities of the FTC, and under my bill, the Commission will retain the authority to mount actions against trademarks. So, references to excessive concentration ratios by the FTC to further their arguments on behalf of generic trademark actions are invalid under the provisions and structure of present law.

While I support the chairman's search for alternative remedies in the antitrust field, the Lanham Act is not an appropriate choice. As Professor Kleinman says:

> The use of Lanham to pursue antitrust cases is not good sportsmanship, good statemanship or good statemanship or good government.

The Lanham Act handicaps the commission in that there is no definition of the relevant purchasing public for the FTC to poll to assess the public's usage of the generic term. This is no small matter as was recently noted by Judge Miller of the U.S. Court of Customs and Patent Appeals:

> The perception of the mark to nonprospective purchasers would be irrelevant, because a mark primarily functions to indicate a single quality control source of the goods and services involved, and this is meaningful only to prospective purchasers or patrons.

Mr. KASTENMEIER. I am going to have to interrupt at this point. I dislike interruping the witness, but the witness and both of us will need to answer a vote on the House floor. The second bells have already sounded. Accordingly, I will have to recess the committee hearing for approximately 10 minutes.

[Recess.]

Mr. KASTENMEIER. The committee will come to order.

We will resume hearing from our colleague, the gentleman from New Jersey, Mr. Maguire. We are pleased to have with us the gentleman from Illinois, Mr. Railsback, fresh from his triumph on the House floor yesterday.

Mr. RAILSBACK. I am not sure of that, Mr. Chairman.

Mr. MAGUIRE. He looks a little bloody, Mr. Chairman.

Mr. RAILSBACK. I think you are right.

Mr. MAGUIRE. Should I resume, then, where I left off?

Mr. KASTENMEIER. You had reached the middle of page 8. You had completed Judge Miller's statement.

Mr. MAGUIRE. Right.

The FTC, in shaping its case, neglected to poll the relevant market to determine if Formica was used generically. Original equipment manufacturers—OEM's—cabinetmakers, interior decorators, and the like, are the largest purchasers of laminates, consuming perhaps 90 percent of what is produced. But the Lanham Act is silent as to who the FTC must poll to determine if the term is used generically. And the commission itself admits that it polled the "man on the street," in effect, in deciding its action.

Except in the most extreme cases, there is still no defined point at which we can say genericness ensues. The FTC cannot be sure at what point instant consumer recognition has become instant consumer acceptance. As Justice Harlan said:

> Undeniably, advertising may sometimes be used to create irrational brand preferences and mislead customers as to the actual differences between products, but it is very difficult to discover at which point advertising ceases to be an aspect of healthy competition.

But even if the Commission, using again the example of the Formica case, could zero in on the 10 percent of the population which does purchase laminate directly, who is to say at what point usage by that sample would constitute common usage?

The Commission maintains that the generic mark enables Formica to charge a price premium for its product. Stephen Nye, a former Commissioner, attacked the usage of the price premium argument in a related action by saying:

> It verges on the preposterous for the FTC, which is, after all, the Federal agency which is charged with policing truth in the marketplace, to be a party to a scheme whereby a recognized trademark heretofore owned and used by its owner and manufacturer could be slapped on every competitor's product in the hopes that the price comes down a little.

But more importantly, if there is economic harm in the continued use of the trademark, there is likely to be a countervailing economic incentive on the part of private industrial users to challenge the registrant. Ask the Bayer Co. or Coca-Cola; their competitors saw the economic advantage in challenging their famous trademarks and did so successfully, without the Government's help.

Finally, with respect to the price premium, let us not forget the options left open to the competition. The simple allure of a trademark is not the exclusive means by which consumers choose products. Price, design, color, and availability all function as means for attracting consumers. If consumers, for example, do not want to subsidize advertisements, then some company can make a handsome profit by merely supplying the physical product—calling it countertops or kitchen surfaces—and selling it at a lower price. That is the essence of competition.

Based on this record, I considered whether the FTC's involvement was necessary in a case where there was no unwieldly market share and no false, misleading or deceptive act. I considered whether it was proper—when there are recognized alternative antitrust remedies available—for the commission to use the Lanham Act to restructure allegedly concentrated markets.

I considered, given the imperfect use of section 14(c) by the Commission, if it were possible to fashion a statute which describes how the FTC is to gather competent evidence that existing or potential private industrial competition of the registrant desires cancellation of the mark on the ground of genericness and cannot sustain or economically justify the financial burden of cancellation. Rather than trying to weave all of these desiderata into a grand revision of the Lanham Act to preserve the Commission's role, I think we can and should resume relying only on the market for these actions.

My bill, if enacted, would restore to the private sector the sole authority to petition the U.S. Patent Office to cancel a registered trademark exclusively on the ground that it has become generic, and this power in the hands of the private sector seems to have worked quite well. My bill would continue to permit the Commission to revoke a trademark where it sees the mark functioning in concert with practices which restrict competition.

If, for example, a registrant attempts to prevent a retailer from selling his trademarked goods at a price other than that established by the registrant, the trademark will still be susceptible to cancellation. And, competitors will still be permitted to use the readily available descriptive name; that is, Newmica kitchen surfaces, Micarta countertops, or whatever.

If enacted, my bill will relieve the legitimate concerns of the trademark community that the FTC is going to continue to rely on a shortcut procedure, namely the Lanham Act, to deal with cases where it may believe there is anticompetitive behavior, but where it does not want to sustain the burden of that argument directly.

As I mentioned in the opening of my statement, there is a serious need for us to reexamine the powers of government and to trim away excess layers of bureaucracy. The Lanham Act provides a good mechanism for the market to police the register of famous trademarks. If the trademark becomes a tool to circumvent free enterprise and unbridled competition, public policy dictates that the rights enjoyed by ownership be kept within bounds. And, of course, under the overall body of FTC law, the market then would be actionable by the FTC, but similarly the powers of government, like the right to hold a registered trademark, should endure as long as their continued existence benefits the public.

The Federal Trade Commission's first execution of its authority to cancel generic trademarks demonstrate that this particular power to cancel generic trademarks solely on the grounds of genericness is not likely to be used beneficially on balance.

I offer my legislation as the medium for retracting this and only this specific authority, which was uncertainly granted in the first place, and which unnecessarily distracts now from the important antitrust activities which the FTC ought under its mandate in the Federal Trade Commission Act to pursue on behalf of the public.

Mr. Chairman, I thank you very much and all the members of the committee, for the opportunity to appear before you, and I compliment you on holding these hearings and considering this important matter.

[Statement of Hon. Andrew Maguire follows:]

STATEMENT OF HON. ANDREW MAGUIRE ON H.R. 3685

Thank you Mr. Chairman and Members of the Subcommittee for both holding hearings on HR 3685 and for inviting me to testify on behalf of my legislation this morning. As some of you may know, my principal area of expertise is in the health field. But I think all of us are under a special obligation during this session of what has been dubbed "the Oversight Congress," to participate in another look at every aspect of our regulatory structure. Where we can dispense with an unnecessary layer of legal bureaucracy for the benefit of citizens as taxpayers, without working to the detriment of those same citizens as consumers, we should do so.

I became interested in this issue after reading two letters from constituents in my district which complained about a generic trademark action launched by the Federal Trade Commission. Using its authority under Section 14(c) of the Lanham Act of 1946[1], the Commission petitioned the Commissioner of Patents to remove Formica from the register of trademarks on the sole ground that it had become generic. The corporation had been accused of no wrongdoing. No competitor had challenged the trademark nor had any complained that the Formica trademark represented an unfair exploitation of a generic term. No monopolistic practice had been alleged, nor had any customers complained of any confusion in the marketplace. Nevertheless, the Commission maintained that it was per se in the public interest to revoke the trademark on the basis that it had degenerated into common usage.

Moreover, the Commission made it clear that it intended to use generic trademark actions on an ongoing basis and that the Formica episode was an experiment that would be repeated. Since May, 1978, when the Commission started its famous action against Formica, the case has been described in several forums as a reusable, "innovative remedy." This is how it was described in the Annual Report of the

[1]Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in subsections (c) and (e) of this section any mark registered on the principle register established by this chapter, and the prescribed fee shall not be required. 15 U.S.C Section 1064.

Federal Trade Commission for 1978[2]. Chairman Pertschuk in a January, 1979, interview in the Village Voice Newspaper[3], stated that he was going to rely on innovative remedies—like the action against Formica—because the scenario of Court Action, Consent Decree, and further monopolization, ad infinitum, is unproductive with respect to his agency fulfilling its role as the procompetitive arm of the Federal government.

I find the Commission's intention to use its cancellation powers in this manner troubling. I believe that the record shows that the market is quite capable of promoting generic trademark actions without government interference. I believe that the record shows, in the Commission's first usage of this power, that the Commission is using inexact tools for gauging when a generic trademark action is appropriate, and that it is using the wrong legal tool, the Lanham Act, to promote a restructuring of the laminate market. I believe, in the absence of any indications of anti-competitive behavior in the market, that the government should refrain from playing the role of advocate and return to the neutral role of arbiter, judging cases brought by competitors against registrants. Finally, I believe that the role of the government can be limited without degrading the common law distinction between the terms generic and trademark. With a broad brush description, this is the intent of my legislation.

The Lanham Act of 1946 defines a trademark as "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others.[4]

Trademarks serve as the primary means by which competing products obtain public recognition of their individual merits. The separation of the producer from the purchaser—a fact of modern industrial life—requires that some tool be available for distinguishing between the sources of products which have given satisfaction in the past and those which have not. The role of trademarks as legitimate business tools has been recognized and, if protected, can be retained for perpetuity.

It is equally understood that the exclusive monopoly granted to registrants ought to be terminated for specific public policy reasons. We say that a trademark becomes generic if it is used to describe the goods themselves rather than identifying a source of a "brand" of these goods. When a mark becomes generic, people are misled as to the function of the word. It no longer performs the function which justified protection and thus becomes actionable. Trademarks which have become generic are subject to challenge. Why? To prevent the owner of a mark from inhibiting competition in the sale of particular goods and to maintain the public's right to use the language involved without provoking suits by the registrant for infringement.

Trademark law has always provided a mechanism for competitors who, at their own risk, expended the resources and hired the lawyers to confront a registrant. The casebooks are filled with examples. Notable are the entry of words like aspirin, cellophane, zipper, thermos, linoleum, mimeograph yo-yo, safari, shredded wheat, lanolin, celluloid, and dry ice into the realm of everyday use. Time after time, when a trademark becomes generic, legitimate private actions weeded from the register names which identified classes of products and returned what was in effect common property to all competitors from the businesses which appropriated it.

On a private basis, the system of policing the register works well. In the words of Communications Analyst Walter P. Margulies, one could compile a lexicon of former trademark that have become common words. . . The fact is, trademark mortality has been such that the United States Trademark Association coined the term "genericide" to alert its members to the danger.[5]

But the entry of the FTC into the process has not been taken as a natural consequence of incomplete trademark protection. Instead, the Commission is seen as a wild card. Naturally, the Commission tries to deflect criticism of its activities by pointing to Congress. Paul C. Daw, Director of the Commission's Regional Office in Denver, and a leader of the generic trademark project, said in a letter to Wendell Ford: In authorizing the FTC to seek cancellation, Congress apparently recognized the substantial public interest involved in avoiding the perpetuation of protected trademark status for generic words.[6]

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[2] "Annual Report," Federal Trade Commission, 1978, pp. 14 and 15.

[3] Cockburn, Alexander and Ridgeway, James, "The White Knight of Red Tape," Village Voice, January, 1979, page 26.

[4] 15 U.S.C. 1127.

[5] Margulies, Walter P., "How the F.T.C. Threatens Trademarks" New York Times, May 20, 1979, p. 6.

[6] Daw, Paul C., Regional Director of the Federal Trade Commission Regional Office in Denver, in a letter to the Hon. Wendell H. Ford, Chairman, Consumer Subcommittee, United States Senate, February 9, 1979, p. 2.

This is a loose reading of the legislative history of the Lanham Act. While Congress never intended to protect generic words, it is not at all clear that Congress intended the FTC to substitute its judgment for that of competitors.

Congressman Lanham introduced what became the Lanham Trademark Act 8 years before it was finally enacted into law. Versions of the bill were heard in committee and actually passed the House and the Senate on different occasions before the 1945 version of the bill, H.R. 1654, received successful consideration by the 79th Congress. At no time until the bill went into conference did either body contemplate assigning the power to petition for revocation on the ground of genericness to the FTC.

Representatives of the Department of Justice repeatedly raised objections that trademarks were monopolistic and that Congress should not establish a register of trademarks, which they claimed are no more than psychological marketing devices. Proponents of the bill prevailed in urging the House to recognize trademarks as the antithesis of monopoly because they permit consumers to make a choice between articles which would otherwise be indistinguishable. It was not until the Lanham Act went to conference, that compromise language was inserted into the bill that authorized the FTC to participate in the cancellation process. The House acceded to the Senate's request that the FTC be permitted to share the power that competitors at risk already held to challenge trademarks on the six bases established by the section under discussion today.

That this language decided on by Congress was a hesitant extension, rather than express call for action by the FTC, is evidenced by the Commission's apparent reluctance to use any of its trademark cancellation powers. In 32 years, the Commission has successfully completed only three in a total of five challenges—two on the basis of abandonment, one for fraudulently obtaining a mark. It has never tried, before the Formica challenge, to strip a corporation of its trademark on the sole ground of genericness.

While I symphathize with Chairman Pertschuk's search for easy anti-trust remedies, I think that the tools that he has chosen to fight the Formica case are neither fair nor effective. Perhaps that is why, in the past, the Commission hasn't pursued Lanham actions, choosing instead to let the market provide remedies. Any why some of the principal arguments that the Commission has used to defend this "innovative remedy" seem unpersuasive.

Trademarks are exclusive monopolies that are granted in perpetuity so long as they don't inhibit competition by other firms. The FTC cannot demonstrate, in the Formica action, that the mark is insulating the corporation from competitors. Formica's marketshare has dropped from 100 percent to 38 percent in the last several years. Instead, the FTC says that the generic mark has established Formica in a position of leadership in the laminate field which stifles competition and which prevents entry by new firms into the market. The Commission believes that in an industry where it costs $200 million[7] to set up a new factory, the capital intensiveness of the manufacturing process is irrelevant and that it is exclusively the generic mark which prevents Formica's competitors from improving their inferior market shares and inhibits new entrants into the laminate market. Even if it were appropriate to raise the generic issue on behalf of anti-trust considerations, the Commission's arguments in this case do not demonstrate a strong case of monopoly.

But, several commentators have noted, "that the statute does not authorize cancellation of a trademark for violation of anti-trust law." That is why under current law and under my bill, the Commission will retain the authority to mount actions against trademarks under the Federal Trade Commission Act. So, references to excessive concentration ratios by the FTC to further their arguments on behalf of generic trademark actions are invalid. While I support the Chairman's search for alternative remedies in the antitrust field, the Lanham Act is not an appropriate choice. As Professor Kleinman says, "the use of Lanham to pursue anti-trust cases is not good sportsmanship, good statesmanship or good government." [8]

The Lanham Act handicaps the Commission in that there is no definition of the relevant purchasing public for the FTC to poll to assess the public's usage of the generic term. This is no small matter as was recently noted by Judge Miller of the United States Court of Customs and Patent Appeals: The perception of the mark to non-prospective purchasers would be irrelevant, because a mark primarily functions

[7] Friedman, Martin B., Statement before the Consumer Subcommittee, United States Senate, October 15, 1979, p. 6.

[8] Kleinman, Seymour, Esq., Address before the Bar Association of the City of New York, June 6, 1979.

to indicate a single quality control source of the goods and services involved, and this is meaningful only to prospective purchasers or patrons.[9]

The FTC, in shaping its case, neglected to poll the relevant market to determine if Formica was used generically. Original Equipment Manufacturers (O.E.M.'s), cabinetmakers, interior decorators, and the like, are the largest purchasers of laminates, consuming perhaps 90 percent of what is produced. But the Lanham Act is silent as to who the FTC must poll to determine if the term is used generically. And the Commission itself admits that it polled the "man on the street" in deciding its action.

Except in the most extreme cases, there is still no defined point at which we can say genericness takes place. The FTC cannot be sure at what point instant consumer recognition has become instant consumer acceptance. As Justice Harlan said, "Undeniably, advertising may sometimes be used to create irrational brand preferences and mislead customers as to the actual differences between products, but it is very difficult to discover at which point advertising ceases to be an aspect of healthy competition." [10]

But even if the Commission, using again the example of the Formica case, could zero in on the 10 percent of the population which does purchase laminate directly, who is to say what point of usage by that sample would constitute common usage?

The Commission maintains that the generic mark enables Formica to charge a price premium for its product. Stephen Nye, a former Commissioner, attacked the usage of the Lanham Act for this purpose by saying, * * * it verges on the preposterous for the FTC, which is, after, the Federal agency which is charged with policing truth in the market place, to be a party to a scheme whereby a recognized trademark heretofore owned and used by its owner and manufacturer could be slapped on every competitor's product in the hopes that the price comes down a little.[11]

But more importantly, if there is economic harm in the continued use of a trademark, there must be a countervailing economic incentive on the part of private industrial users to challenge the registrant. Ask the Bayer Company or Coca-Cola; their competitors saw the economic advantage in challenging their famous trademarks and did so successfully, without the government's help.

Finally, with respect to the price premium, let us not forget the options left open to the competition. The simple allure of a trademark is not the exclusive means by which consumers choose products. Price, design, color, and availability all function as means for attracting consumers. If consumers, for example, do not want to subsidize advertisements, then some company can make a handsome profit by merely supplying the physical product—calling it "countertops" or "kitchen surfaces"—and selling it at a lower price. That is the essence of competition.

Based on this record, I considered whether the FTC's involvement was necessary in a case where there was no unwieldly marketshare and no false, misleading or deceptive act. I considered whether it was proper—when there are recognized alternative antitrust remedies available—for the Commission to use the Lanham Act to restructure allegedly concentrated markets. I considered, given the imperfect use of Section 14(c) by the Commission, if it were possible to fashion a statute which describes how the FTC is to gather competent evidence that the relevant purchasing public regards the mark as generic. Finally, I considered if it was possible to perfect a statute which describes how the FTC is to gather competent evidence that existing or potential private industrial competition of the registrant desires cancellation of the mark on the ground of genericness and cannot sustain or economically justify the financial burden of cancellation. Rather than trying to weaver all of these desiderata into a grand revision of the Lanham Act to preserve the Commission's role, I think we should resume relying only on the market for these actions.

My bill, if enacted, would restore to the private sector the sole authority to petition the United States Patent Office to cancel a registered trademark exclusively on the ground that it has become generic, a power that we have seen works quite well. My bill would continue to permit the Commission to revoke a trademark where it sees the mark functioning in concert with practices which restrict competition. If, for example, a registrant attempts to prevent a retailer from selling his trademarked goods at a price other than that established by the registrant, the trademark will still be susceptible to cancellation.[12] And, competitors will still be permitted to use the readily available descriptive name, i.e., NEWMICA kitchen surfaces, MICARTA countertops, or whatever. If enacted, my bill will relieve the

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[9] Application of Abcor Development Corporation, 588 F.2d 811 (1978), at 9.

[10] F.T.C. vs. The Proctor and Gamble Company, 386 U.S. at 568, 1967.

[11] Nye, Stephen, "In Defense of Truthful Comparative Advertising," U.S.T.A. Forum, March 24, 1976.

[12] 15 U.S.C. Section 45 at note 89.

legitimate concerns of the trademark community that the FTC is going to continue to rely on a popgun (The Lanham Act) to deal with cases where it may believe there is anti-competitive behavior, but where it does not want to sustain the burden of that argument directly.

As I mentioned in the opening of my statement, there is a serious need for us to reexamine the powers of government and to trim away excess layers of bureaucracy. The Lanham Act provides a good mechanism for the market to police the register of famous trademarks. If the trademark becomes a tool to circumvent free enterprise and unbridled competition, public policy dictates that the rights enjoyed by ownership be kept within bounds. Similarly, the powers of government, like the right to hold a registered trademark, should endure as long as their continued existence benefits the public. The Federal Trade Commission's first execution of its authority to cancel generic trademarks demonstrates that this particular power is not likely to be used beneficially. I offer my legislation as the medium for retracting this authority.

Mr. KASTENMEIER. On behalf of the committee, I congratulate our colleague oin his scholarly presentation, and the case he so well makes in support of his legislation.

I have just a couple of questions, and possibly others have as well. I take it if the FTC had proceeded to cancel the Formica trademark on the grounds of being fraudulently procured, you would not be offering a bill to eliminate authority to so proceed?

Mr. MAGUIRE. Absolutely not, Mr. Chairman.

Mr. KASTENMEIER. I say that because the representative of the U.S. Trademark Association indicated privately he would like to see those powers removed as well, speaking for himself.

Mr. MAGUIRE. I would emphatically disagree with his position on that matter, as you have represented it to me, Mr. Chairman.

Mr. KASTENMEIER. Suppose we have a situation where the smallest company in the market, which we will say has 1 percent, decides that it is injured by virtue of the trademark, and that the trademark is generic, and it goes to the FTC and says:

Look, we cannot possibly hope to get into a protracted proceeding with American Cyanamid on this question, with this huge conglomerate, this powerful corporation. We want you, using your powers under the Lanham Act, to proceed.

If that were the situation, and the FTC did proceed, believing that the term was generic, you still want to see their power removed?

Mr. MAGUIRE. I would say that the FTC, if it were approached in that fashion, ought to have the wherewithal if it is going to bring an action, to make that action stick under the terms of its mandate respecting competition, rather than to advert simply to the characteristic of genericness.

On the other hand, if it could show that the smaller manufacturer, or that some body of consumers was being disadvantaged, unfairly treated, prices were being manipulated in some fashion, for example, and that the market was distorted as a result of anticompetitive activities of American Cyanamid or any other of the larger manufacturers, then it would take that set of arguments and make the case.

I don't think that genericness, in and of itself, can or should be regarded as the definitive characteristic, even when somebody who has one percent of the market comes and says, "I am being disadvantaged." I would say that the case still has to be proven on the basis of some distortion in the marketplace with respect to a firm's size constituting an economic disincentive I would point out that

yo-yo, a trademark of the Topps Co., was challenged by a smaller manufacturer, challenged successfully, and that manufacturer is still a smaller manufacturer, but the case was sustained by a private party.

Mr. KASTENMEIER. The hypothetical situation I am posing to you is not the other anticompetitive aspects of the industry, but a situation in which the 1 percent manufacturer of laminates says to the Federal Trade Commission:

> We are injured by virtue of the fact that the term Formica is used, and we believe it to be generic. We cannot bring a suit. We ask that you bring the suit under your authority under the Lanham Act.

Mr. MAGUIRE. I guess my response to that would be what would prevent them from bringing a suit? People bring suits all the time. Companies have lawyers, and they have recourses under the law, and these are used in hundreds of cases every year. Why would somebody with 1 percent of the laminate market be precluded in any way from bringing a suit? My answer would be if they want to bring a suit, bring a suit.

Mr. KASTENMEIER. If they are small and are injured, they might well not be able to bring the suit. Of course, one could also ask, why are not the other manufacturers bringing a suit presently? We can speculate on why people fail to bring suits. If the ultimate question is whether the term is generic or not, and I would concede that American Cyanamid or its subsidiary Formica would be injured, but they would be injured whether brought in by a competitor or by the FTC. It wouldn't really matter. They would be injured in each case.

Mr. MAGUIRE. Who would be injured?

Mr. KASTENMEIER. American Cyanamid, Formica Corp., by virtue of a suit. I am now talking about a suit which would cancel the registration of the trademark, notwithstanding the fact that a small competitor or the FTC brought the action.

Mr. MAGUIRE. In reviewing the history of this act, and the legal history of actions that have been taken, privately apart from the act, I just don't see that the case you propose is a problem, and in the Formica case I don't know of anybody who has 1 percent of the market who has come forward and said, "Please help us out," unless I am misinformed. I do not think that has happened, and it may be a case ultimately of priorities. Why should we be engaging in all of this activity on what appears to be an area that isn't terribly troublesome?

Mr. KASTENMEIER. The reason I pose a hypothetical is because this is not a private claims bill in which we only look at this case.

Mr. MAGUIRE. Right.

Mr. KASTENMEIER. You propose to repeal a general statute.

Mr. MAGUIRE. That is right.

Mr. KASTENMEIER. Which would apply to many future cases possibly, although it would appear in the past that the FTC has not really used this authority very frequently.

Mr. MAGUIRE. I revert to my central argument, Mr. Chairman, which is, it seems to me that the remedies are, in fact, available without the FTC, and that the FTC should, when it enters the legal process against a trademark, be able to sustain its case on the grounds of some anticompetitive characteristics rather than simply

and solely on the basis of a determination that a term is now used in such-and-such a way. In other words, there has to be some real harm shown, and I don't think that they should be permitted to act unless they can show that.

Mr. KASTENMEIER. I yield to the gentleman, Mr. Railsback.

Mr. RAILSBACK. I want to thank the chairman for yielding, and just welcome the witness. Speaking personally I have a lot of problems in understanding that if there is no strong evidence of anticompetitive behavior—and incidentally we have actually checked with some of the major competitors of Formica, to try to determine if it has caused them any problems, if they are concerned if the Formica trademark has made it difficult for them to compete, and I am persuaded that not only are they not complaining, but just the opposite. They are taking the side of Formica, and for the life of me, I don't understand.

It seems to me like a rather gratuitous gesture on the part of the FTC in the absence of complaints to it, to be doing what it is doing in the *Formica* case. I recognize we are not judges, but at the same time I think we do have an opportunity to at least clarify congressional intent. Is that really what you are seeking to do?

Mr. MAGUIRE. Yes, it is. I think the origin of this section of the Lanham Act is one in which clearly it was a last-minute thought in conference committee, and it wasn't very carefully defined, and I think now frankly the Congress has an obligation to think through these issues with great care and with some sophistication, and I welcome the fact that the subcommittee has begun that effort.

Mr. RAILSBACK. I think, Mr. Chairman, that is all that I have. I guess I agree, in reading your statement, which I read pretty carefully, I agree with your conclusions.

Mr. MAGUIRE. I thank you.

Mr. KASTENMEIER. I would like to yield to the gentleman from California, Mr. Danielson.

Mr. DANIELSON. Thank you. I am sorry I was late. I am suffering from the usual problem of conflicting schedules.

You state in your comments here, Mr. Maguire—let me back up. You are familiar with this matter. What are the specific grounds on which the Federal Trade Commission seeks to have the registration canceled?

Mr. MAGUIRE. Under the law as it presently stands——

Mr. DANIELSON. No, no, I am talking about the action which they have filed which seeks cancellation of the registration of the trademark Formica as a proprietary trademark.

Mr. MAGUIRE. They seek to cancel on the grounds that it is generic.

Mr. DANIELSON. That is what I understood, and that is one of the bases which is provided for in the Lanham Act.

Mr. MAGUIRE. That is correct.

Mr. DANIELSON. The Lanham Act approaches it from two different points of view arriving at the same goal, however, namely that if a trademark becomes a generic term, if it loses its uniqueness, it becomes a generic term, then the trademark may no longer exist or not a proprietary right, but somebody has to cancel the registration.

Second, if someone seeks to obtain a registered trademark, he may not do so if he is using a word which is generic. I cannot trademark the word "milk," as much as I might like to. I cannot trademark, register the trademark "milk" for a cow's product, because it is a generic term.

On the other hand, in the linoleum case, linolium was once a registered trademark, but it became of such common usage that it lost its uniqueness, became a generic term, and it had to be declassified. It was declassified in a proceeding brought by someone.

Mr. MAGUIRE. Right.

Mr. DANIELSON. And linoleum is a part of the language today. It is a common noun rather than a trademark symbol. The Lanham Act does provide not only that you cannot register as a trademark a generic term, which it does, and in addition, that if a trademark becomes a generic term, and loses its uniqueness, then it can be deregistered, or registration can be canceled.

Under the Lanham Act, the action to cancel a registration can be filed by any person who believes that he is or will be damaged, et cetera, which I understand has been by judicial interpretation narrowed down to competitor. I have been so informed, as the committee has, or by the Federal Trade Commission, which right in the law there is the provision that the Federal Trade Commission may apply to cancel on the ground specified in subsection (c), et cetera, and subsection (c) is the one that says, "At any time if the registered mark becomes the common descriptive name of an article or substance." That is the only issue that is at stake, as I understand it, in the present pending action. Isn't that true?

Mr. MAGUIRE. That is correct.

Mr. DANIELSON. And it is not for us as a legislative committee, or for the Congress as a legislatice body, to act as the Trademark Trial and Appeals Board, which is the court in which these matters are tried. It is not for us to render that judicial function and say that this is not generic, or it is generic, as the case may be. Isn't that a factual matter to be determined by a factfinding body, by a court?

Mr. MAGUIRE. Yes; I would think that it was. The only question at issue here is who under the law ought to have——

Mr. DANIELSON. The right to petition?

Mr. MAGUIRE. The right to petition the court; that is correct.

Mr. DANIELSON. As I recapped a moment ago, under the law there are only two—I may use the word in a broad sense—two persons who can bring the action, an injured party or the Federal Trade Commission?

Mr. MAGUIRE. Right.

Mr. DANIELSON. No one else can bring the action. What your bill seeks to do is say the Federal Trade Commission cannot do it, so that would leave us with the point where no one could bring the action except the injured person, and the courts have restricted that now to a competitor. If there are only four competitors in the field, and they seem to get along very well together, who has the incentive to bring the action, even though it might become as common as, say, linoleum?

Mr. MAGUIRE. I might say that the FTC, of course, could bring an action under provisions of the Federal Trade Commission Act, if

they were able to sustain the argument before the court that there was an anticompetitive characteristic present.

Mr. DANIELSON. But under this particular Lanham Act, their grounds would be subsection (c)—that it has become a common descriptive name of an article or substance. In other words, that it is now generic. Genericness has deprived it of its right to be a registered trademark.

Mr. MAGUIRE. If the legislation presently being examined by the committee were to pass, it is very important to understand that the Federal Trade Commission could still act on the basis of an anticompetitive finding, and they could still use genericness in concert with these other findings, to proceed against a mark.

Mr. DANIELSON. Right.

Mr. MAGUIRE. All I am doing in this proposed piece of legislation is saying genericness, per se, cannot and should not be the sole basis for an action by the FTC.

Now interestingly, the FTC in its letter to me and its testimony before this committee has elaborated on some of the policy considerations that it found were in its judgment relevant before it began to act on the basis of the genericness language in the Lanham Act.

In other words, they are attempting to make a case to the effect that there is a price premium, that the structure of the market is perhaps less competitive than it should be. There are four major firms, and so on, with a certain share of the market. My only argument is if they can sustain those arguments and they wish to pursue it under the language that is in the law and would continue to be in the law, if my proposed bill were passed, let them make that case directly in the usual way rather than using the Lanham Act as a short circuiting of the process of proof and of making a showing.

Mr. DANIELSON. I understand your argument, but as I read your bill, and I am quoting now, "The Federal Trade Commission shall not have any authority to make such an application to cancel solely on the ground that any registered mark has become the common descriptive name of an oral or substance."

And against that I find the Lanham Act, which has been in effect as I understand it since 1945-46——

Mr. MAGUIRE. 1946.

Mr. DANIELSON [continuing]. That the Federal Trade Commission shall have the authority to petition for cancellation at any time, "if the registered mark becomes the common descriptive name of an article or substance." Now, from that it is not hard for me—maybe I don't agree, maybe I don't think it is good policy, but I cannot see how they have departed from the authority which the Lanham Act has vested in the Federal Trade Commission.

Mr. MAGUIRE. They have not departed from it. They are doing exactly what the act——

Mr. DANIELSON. I respectfully submit that it is not within our proper exercise of the legislative power to make the factual determination that this product, in article or substance, is generic or not generic, the name of it. I think that is something for a finder of fact to arrive at, after a trial on the merits.

We should not invade the province of the courts, the administrative body, as much as we may be tempted to do so. What is wrong

with having the petition filed, the answer filed to the petition, or whatever they call this responsive pleading, take your testimony, your depositions, what have you, hear the evidence, and then let the finder of fact make his determination? What is wrong with that?

Mr. MAGUIRE. I have no problem with that at all, but that is not what is at stake here. What is at stake here are the provisions which the Congress is going to place in the law or not place in the law respecting the grounds under which the Federal Trade Commission is or should act.

Mr. DANIELSON. That has been the law since 1945, which is 34 years. It is nothing novel, and the testimony yesterday was that in those 34 years the Federal Trade Commission has brought six such proceedings, including this one.

Mr. MAGUIRE. I believe only three.

Mr. DANIELSON. There was dispute, but I am taking the top number, which was six. Somebody said three, somebody said four, but FTC or someone anyway said six.

Mr. MAGUIRE. I guess three were successful.

Mr. DANIELSON. Let's call it 60. That would only be two a year, but six is all we have a record of. However, my point is this. In your testimony you do make this comment: "The corporation has been accused of no wrongdoing." I don't think that is relevant to the issue of genericicity at all. "No competitors challenged the trade mark." That has nothing to do with it. "No one has complained of unfair exploitation," and I think that has nothing to do with it.

No monopolistic practice has been alleged. I don't know what that has to do with genericicity. "No customer has complained of any confusion in the marketplace."

I don't think that has anything to do with genericicity. If I were to register the trademark "milk" to reflect the thing we usually put on our cereal in the morning, I would say I would have a generic term, and it would not require confusion in the marketplace, monopolism, unfair expectation or wrongdoing. It just wouldn't be generic.

Mr. MAGUIRE. If you will permit, I don't think we really have a disagreement here about the way the courts ought to proceed or indeed even about the way the Congress ought to proceed. I am sure that we would both agree that the courts adjudicate, and that the Congress sets policy with respect to what a regulatory agency will do on its behalf.

My proposed legislation would simply say that you should not—that is the FTC—proceed against a company solely—and that is the operative word in the bill—solely on the basis of genericness.

Mr. DANIELSON. Yet the law says they may do so.

Mr. MAGUIRE. Well, I am proposing a change in the law.

Mr. DANIELSON. That is right.

Mr. MAGUIRE. And that is the policy question before this subcommittee.

Mr. DANIELSON. Which is fine, because we have narrowed it down. I think we can forget about unfair competition now, monopolies and the like, because they are not relevant to this issue at all.

The question is, should they be able to use this as a ground for cancellation.

Mr. MAGUIRE. That is right, you and I may disagree on that policy.

Mr. DANIELSON. I don't think we disagree at all on this. The question is, should or should not the FTC have the authority to apply for the cancellation of a trademark on the ground that the word or symbol has now become generic?

Mr. MAGUIRE. Yes, should they solely be.

Mr. DANIELSON. The ground, I didn't say any other. The ground.

Mr. MAGUIRE. Right.

Mr. DANIELSON. I feel that that is the only issue here, and I can say this from the testimony so far. It appears that the FTC is the only governmental agency which has that authority. The Attorney General may not do so; at least that is the testimony we have before us.

Mr. MAGUIRE. That is my understanding.

Mr. DANIELSON. Yes; and so if FTC no longer has it, then who has it? No one, no one acting for the public generally.

Mr. MAGUIRE. If I could just say again any competitor would have the right to go to court on the basis of genericness alone. The FTC would continue to preserve the right to move against a trademark on these other grounds that we have been discussing, and genericness could be a part of that action, but it could not be the sole basis for the action.

Mr. DANIELSON. But they are acting under a law that the Congress passed in 1945?

Mr. MAGUIRE. That is right.

Mr. DANIELSON. And I think we agree on this, that they are not exceeding their jurisdiction and their power?

Mr. MAGUIRE. I agree with you on that.

Mr. DANIELSON. Do you have any reason whatever to believe—this is, to me, a difficult name to remember—that the Trademark Trial and Appeals Board—that is the agency which hears these—do you have any reason to believe that they have not discharged their obligations in cancellation cases fairly and competently?

Mr. MAGUIRE. No; I do not have any reason to believe that.

Mr. DANIELSON. I did inquire yesterday of one witnesss whether these decisions were ever appealed. They are occasionally. They have been reversed occasionally, but generally speaking it appears that they do a pretty good job. I have heard of district courts being reversed. I have heard of courts of appeals being reversed, so I don't imagine that an occasional reversal is in wide disparity with what we find in any branch of our adjudication system, but you don't know of any outrageous behavior on the part of the Board of Trademark Trial and Appeals?

Mr. MAGUIRE. No, I don't; and it is not for the presence or absence of any action by the Board that I bring the proposal. I bring the proposal simply because I think we need to be more precise about who it is that can bring an action on what grounds.

Mr. DANIELSON. Do you feel that the competitors should be denied the right to bring this action?

Mr. MAGUIRE. Absolutely not.

Mr. DANIELSON. So you feel that lack of uniqueness or presence of the genericicity, if I can—I like that word better than some of these others—is a valid reason for canceling a registration, if the action is brought by the proper party?

Mr. MAGUIRE. I do agree that it is. I think the fact that a party is bringing it, that a competitor is bringing it, is itself a demonstration that there may be, in fact, some anticompetitive aspects.

Mr. DANIELSON. The nucleus of your argument, then, is you recognize that genericness should be a valid ground for canceling a trademark. You recognize that somebody should be able to bring that, a competitor should be able to bring that, but you don't want the Federal Trade Commission bringing it?

Mr. MAGUIRE. That isn't quite it, if I may restate it the way I would state it. I think that the genericness alone is a proper basis for a private party to proceed against another private party, because it would seem to me that if that were the situation, inherently you would be witnessing a demonstration of an alleged or at least an alleged anticompetive situation.

Somebody is being harmed in the marketplace, and then the courts would make that judgment as to whether in fact that was the case or not.

I am simply saying that the Federal Government, in my judgment, should not be able to proceed solely on the basis of genericness, because they are not involved in the martketplace in the same way, and if they wish to proceed against a trademark, that they ought, on behalf of the public, and in the public interest, to sustain the case that there is in fact an anticompetitive situation.

Mr. DANIELSON. If the chairman will indulge me just one moment more, I apologize for taking so much time here.

I am trying to find out really what is the thrust. You feel that genericness, loss of uniqueness, is a proper basis for action in cancellation by a competitor?

Mr. MAGUIRE. Right.

Mr. DANIELSON. Because you feel that their interest is being harmed because of the lack of genericness?

Mr. MAGUIRE. I would think that they would be an appropriate party to at least make the case in court.

Mr. DANIELSON. To contend that?

Mr. MAGUIRE. Exactly.

Mr. DANIELSON. Is that good enough, to contend that?

Mr. MAGUIRE. Precisely.

Mr. DANIELSON. Now if harm to a competitor would legitimate that competitor's contention that we have lost uniqueness, genericness has attached to the term, the action would be justified because that person has been harmed. The economic interests of that competitor is being harmed, or allegedly being harmed?

Mr. MAGUIRE. Allegedly. The court would have to finally decide that.

Mr. DANIELSON. We have to assume it to carry the syllogism out. In that event, suppose the public's interest has been harmed. The public is not a competitor. It is not making the plastic laminate, but suppose the public's interest is being harmed. Who, I ask, can bring the action to represent the public interest other than an arm of the public's Government?

Mr. MAGUIRE. If the public's interest is being harmed, I would think the government ought to be able to sustain the burden of proof with respect to what that harm consists of, and show that it has a price aspect to it, show that there is a lack of competition in the marketplace for this particular product, so that there has been fraudulence exercised on behalf of someone, in other words, on the grounds that already are present in the law.

Mr. DANIELSON. But you don't think genericness should be the ground?

Mr. MAGUIRE. I don't think that it is a sufficient ground for the government to take——

Mr. DANIELSON. Standing alone I mean.

Mr. MAGUIRE. Yes, standing alone—for the Government to take an action on behalf of the public.

Mr. DANIELSON. Your position is a competitor can bring the cancellation action on genericness standing alone. You always have to assume they can prove their case. Otherwise it is pointless, but that the public should not have that right?

Mr. MAGUIRE. That is correct.

Mr. DANIELSON. I understand your position. I respect it. I may not agree with it, but we have got it pretty well narrowed down. Thank you.

Mr. MAGUIRE. Thank you very much.

Mr. KASTENMEIER. The gentleman from North Carolina.

Mr. GUDGER. Thank you, Mr. Chairman.

I want to congratulate the congressman on his presentation. I think it has been excellent, and I am particularly gratified at this recent dialog between him and Congressman Danielson that I think has brought the point down to where it is quite clear as to what is the purpose of his bill. It has been very narrowed in definition.

I have only one or two very, very brief questions. As I understand the law, of course, that is that a trademark cannot qualify if it is merely a generic term, and late on, if the term which does qualify for mark becomes generic in nature, you and all of us concede that under the law that genericicity, or whatever the proper term may be, may invalidate the mark, and render it no longer enforceable.

Now, one aspect that is not developed I don't believe either in your comments or in any of the questions which have been represented is that one of the places where the testing of the validity of the mark becomes applicable is when the holder of the mark is trying to enforce his rights against someone who is usurping or using the mark, and I don't believe that was ever developed as one of the classic ways in which a mark is to be determined as to its continuing vitality. You would concede that when genericicity has applied, even if your bill becomes the law, there would still be that testing in the courts?

Mr. MAGUIRE. Yes. You could have a case on infringement, which is I think what you are referring to.

Mr. GUDGER. That is what I am talking of.

Mr. MAGUIRE. Yes.

Mr. GUDGER. So we would have the continuing ligitation present itself when there are claims being made by those who would assert

that genericicity has voided the mark, and therefore they can move into the field, and infringe. It would also be available perhaps on declaratory judgment in some circumstances, so there would be an avenue available in the courts on the sole issue of whether or not there had been a lapse into genericicity?

Mr. MAGUIRE. That is correct, if a private party brought the action; yes.

Mr. GUDGER. Right. What you are saying is that the FTC should not move until some public interest beyond genericicity has evolved, where the public has been hurt because of monopoly developments, and other developments, or fraud and abuse, as suggested by your dialog with the chairman?

Mr. MAGUIRE. That is correct.

Mr. GUDGER. And whenever there was a complication of issues which showed that the public was being prejudiced by this shift to genericicity——

Mr. MAGUIRE. Yes.

Mr. GUDGER [continuing]. Then the FTC could act?

Mr. MAGUIRE. That is correct.

Mr. GUDGER. But absent something showing that a public interest is involved, that the mere fact of genericicity should not justify FTC action?

Mr. MAGUIRE. The gentleman has stated my position very accurately.

Mr. GUDGER. Thank you very much.

Mr. MAGUIRE. If I might just make one more comment, I think in the final analysis we are always dealing with limited amounts of time, energy, money, staff, and I think my record in support of antitrust, and specifically of the FTC and of this chairman, is pretty clearly present. I think what this amounts to ultimately, apart from being a discussion of what is a proper basis in law for various parties to act, it is also a question of where the FTC might most usefully and effectively be spending its time under the mandate that we give it.

I want more antitrust activity, I want more competition in the marketplace, I want the powers of funding and ability of the FTC to act to be enhanced, and I have consistently voted that way. But I frankly think this is a bit of a departure, because what we have here is a situation in which it is pretty clear that the remedies available privately, deal pretty effectively with any dangers that might be inherent in this genericness matter, and that, on the other hand, there is ample terrain for the FTC to traverse with respect to genuine problems of a lack of competition, concentration in the market, deceptive or fraudulent practices which harm the consumers, and I frankly would like to see them concentrate in those areas, and make that case whenever it is appropriate to make it with respect to a trademark, but not spend a lot of time, energy and attention on short circuiting what I think would be an appropriate way to proceed, and perhaps skewing the priorities that most of us who believe in the powers that the FTC uses. That is essentially what underlies my concern here, why I believe this is an important matter.

Mr. GUDGER. I thank the gentleman.

I thank you, Mr. Chairman.

Mr. KASTENMEIER. I have just one further question of Congressman Maguire.

Do you intend for the bill, if enacted, to apply to the pending proceeding, the application of the *Federal Trade Commission* v. *Formica,* in terms of cancellation of registration? In other words, do you intend that this bill, if enacted, have the effect of a private claim that would wipe out the statutory base for the pending litigation?

Mr. MAGUIRE. I frankly have not specifically addressed that question in the proposal in my own mind. I would think that I would rely on the good judgment of the committee with respect to when or how the provision ought to become applicable. It may be moot with respect to the *Formica* case, in that the appropriations legislation which has been passed has foreclosed pursuit of that particular case, but I would certainly put myself in the hands of those who are much more able to make judgments about what is good law than I on the question of what it should apply to.

What I am concerned about essentially is that we have a policy judgment made in the law that stands on its merits, and that we eliminate any continuing lack of precision or good judgment that may presently be present in the law.

Mr. KASTENMEIER. You understand the committee would like to know the intention of the author in terms of the effect of the bill. Does it or does it not apply to the *Formica* case?

Mr. MAGUIRE. I can only say to you that I do not know the answer to that question. We had better get some lawyers to look at it.

Mr. KASTENMEIER. Thank you very much for your presentation this morning. We appreciate it.

Mr. MAGUIRE. Thank you.

Mr. DANIELSON. May I say, Mr. Chairman, that I think that the gentleman is an excellent advocate, and I wish he would come back sometime.

Mr. MAGUIRE. I appreciate the gentleman's coments and the hospitality of the committee. I do indeed appreciate it. Who knows, I may be back again.

Mr. DANIELSON. Maybe we can proselyte you into joining our committee. We may have a vacancy.

Mr. MAGUIRE. I don't think I qualify, I am not a lawyer, unless we can change the informal rules of the Democratic Caucus on that matter. Thank you very much.

Mr. KASTENMEIER. Thank you.

I regret that our next witness, the gentleman from Ohio, Mr. Luken, did have to leave. He had another commitment which prevented him from being here at this moment. In any event, I am pleased to note that we have the statement of the Honorable Tom C. Luken on the bill before us and also relating to his amendment in connection with H.R. 2513. His statement will be received and made part of the record. He may later wish to appear before this committee and answer questions or elaborate further.

[The information follows:]

STATEMENT OF HON. THOMAS A. LUKEN

Mr. Chairman and members of the subcommittee, thank you for the opportunity to testify today in support of H.R. 3685, a bill to amend the Lanham Act and to protect trademarks from cancellation solely on the grounds that the mark has become generic in usage. As the author of the "Luken Amendment" to the Federal Trade Commission Authorization, H.R. 2313 which has the same thrust as H.R. 3685, I believe this bill provides a balance between the rights of the private sector and the Federal Trade Commission's (FTC) responsibilities to insure competition.

The purpose of H.R. 3685 and the Luken Amendment is to eliminate the FTC's role and the vast resources of the federal government from filing a petition for the cancellation of a trademark on generic grounds. It is my feeling that petitions for cancellation of a trademark on generic grounds should be filed by those who are injured by the generic trademark, the competition of that company.

This issue has come to the fore because the FTC, for the first time, has attempted to strip a company of its trademark on the grounds it has fallen into common or generic use. This action by the FTC gives us the ability to see if Section 14 of the Lanham Act is in need of revision as stated in the text of H.R. 3685.

There is little doubt that the case made by the FTC is weak and generally unsubstantiated. This action penalizes a company, in a competitive field, because it has been successful in popularizing its name. This is the most onerous of regulatory actions and one that forces every company to ask whether success is a desirable goal in the American economy.

Mr. Chairman, let me state at the outset that no one has a greater respect for the operations of a free market economy. The basic tenant of that economy is that competition should always be encouraged for it provides lower prices to the consumer and allows the economy to operate at peak efficiency, Yet, we must keep in mind that the FTC's action to seek a cancellation of Formica's trademark will have little effect on our economy, will not promote competition in the decorative laminate industry, will do little to protect consumer prices and will invite a number of actions which may mean a loss of jobs and an increase in the number of imported products into this country.

Obviously it is the wish of the FTC to inject "competition" into the decorative laminate field. At one point, when Formica was the only producer of decorative laminates, they had 100 percent of the market. Other decorative laminate products, made by companies such as Westinghouse, Dart Industries, and Consolidated Papers, Inc. are competitors of Formica's that account for 62 percent of the decorative laminate market. It would seem clear to me that there is competition in the decorative laminate field.

However, consider for a moment if there was an unfair advantage that Formica possessed by virture of its trademark. It is clear that the private sector, that is Formica's competitors would have been first to claim an unfair advantage; yet no claim has ever been made. Quite to the contrary, I have received a letter from Westinghouse Electric Corp. dated May 11, 1979 which stated quite clearly that it does not support the FTC action. During mark-up of the FTC authorization bills, other members of the Interstate and Foreign Commerce Committee states that they have had communications with Formica's competitors that express opposition to the FTC's action.

Furthermore you should be aware that no consumer nor consumer organization has claimed any injury due to the Formica trademark. There is a simple reason for this, 90 percent of Formica's business is at the wholesale level. Furniture and cabinet manufacturers and others familiar with decorative laminates are Formica's biggest customers; they are familiar with Formica's product as well as that of its competitors. Their selection of a given product is based on a variety of criteria—pattern, style, availability, price and reputation.

Let me also add that at no time has the FTC ever found that Formica or its parent corporation, American Cyanamid has in any way done anything illegal or unethical. While this has no direct bearing on the question of a generic trademark, it is important to point out that the law does not require any further evidence of the need to cancel a trademark other than genericness. As we have seen with the FTC's case against Formica the overwhelming evidence is that the decorative laminate field is competitive and offers the consumer several quality products.

Any changes in the Lanham Act will not prevent the FTC from pursuing cases on trademarks that require the agency's attention. Restraint of trade and other illegal market practices, brought on by use of a trademark would still allow the FTC to take action to insure or inject competition into the market.

It is interesting to note that the FTC feels that Formica enjoys a "price premium". That is because of the popularity of the trademark Formica, the company can

seduce customers into buying the product even at an uncompetitive high price. The National Association of Plastics Fabricators, heavy users of decorative plastic laminates claim that Formica is competitively priced.

The real question, is why is the FTC taking this action and using Formica as a test case? I am not sure that I can answer the question, but it seems clear that the FTC is studying a number of ways to circumvent little used anti-trust statutes. I might be able to support these actions if it was brought by a competitor, without the bringing the full weight of the federal government to bear on one company and if there was a need to infuse a given industry with competition.

We have seen that in examining the FTC's case against Formica, that genericness, by itself, is not an adequate reason to cancel a trademark. furthermore, there is no reason why the FTC, with the weight of government resources, should act to cancel a trademark on generic grounds. I hope that the subcommittee agrees with me and takes action to reports H.R. 3685 to the full Judiciary Committee and to the floor of the House.

Mr. KASTENMEIER. Now I am very pleased to greet as a witness one of two private practitioners of the law in the field of trademark law. The person I would like to greet is Mr. Kleinman, who is a professor who teaches trademark law, edits a treatise on the subject and will speak on the subject and the bill. I am very pleased to greet the distinguished witness, Professor Kleinman.

TESTIMONY OF PROF. SEYMOUR KLEINMAN, COLUMBIA UNIVERSITY, EDITOR, CALLMANN-KLEINMAN'S "UNFAIR COMPETITION, TRADEMARKS, AND MONOPOLIES"

Mr. KLEINMAN. Thank you, Mr. Chairman, members of the subcommittee. First let me unmask myself. I am not a teacher of trademark law. I have written extensively in the field, but I teach at Columbia University Law School and I teach in other areas. I have cowritten what is perhaps known as the bible in the trademark field. It is a five-volume treatise initially written with Dr. Rudolph Callmann, deceased, titled, "Unfair Competition, Trademarks, and Monopolies."

Mr. KASTENMEIER. We are pleased to have that clarification.

Mr. KLEINMAN. Dr. Callmann was a distinguished author in Germany. After he came to this country, he and I worked together for 40 years, oddly enough, prior to his death, and I worked on each of the three editions. The volumes are now in the third edition. On Dr. Callmann's death, I succeeded to the authorship. Instead of being coauthor, I am sole author and I am presently preparing the fourth edition, which I hope will be out in five volumes over the next years.

My interest, therefore, in trademark law has been long existent. May I depart from my prepared statement, by attempting to answer a few questions that obviously concern the committee.

No. 1, Congressman Maguire's hesitance to answer the very pertinent question the Chairman asked I think is answerable legally, in the sense that no law, including this proposed law, unless expressly stated to the contrary, could be retroactive. Therefore, Congressman Maguire's bill, if enacted, must be prospective. The *Formica* case must continue to its resolution in the courts. It is highly unfortunate that this bill came up in connection with the *Formica* case or that the *Formica* case actuated it.

Gentlemen, it has been 34 years since the Lanham Act was ever applied, whatever the FTC says to the contrary historically, direct-

ly to an attempt by the FTC to cancel a mark solely on the ground of genericism or genericicity.

Mr. DANIELSON. If I may interrupt, I invented that word yesterday and I just love it. I am thinking of taking out a trademark on it.

Mr. KLEINMAN. I concur. It is unique.

Mr. DANIELSON. Since I love it and it may die aborning, I am going to waive that trademark, so genericicity, thou art here.

Mr. KLEINMAN. The gentleman from California has coined a word, and that is a very significant point. Coining words, especially arbitrary words, is the essence of trademark protection, the best trademark in the world is the arbitrary unknown word—coined in the first instance. The best example, Kodak. The worst example, and it usually happens when someone comes to me as a practitioner of trademark law and says, "I would like to register a mark."

He initially wants to describe his product, and the problem with most clients is they refuse to recognize that the most arbitrary word is the most protectable. They hesitate to pick one, because they must then spend the money to create a significance for that newly minted word that came out of the blue. Therefore, they inevitably tend toward using a descriptive mark.

Now let me see if I can perhaps talk a little trademark law. Congressman Danielson, if I can answer some of the questions which you posed, which I thought were extremely important. The issue in trademark law is that a trademark exists. It exists only because someone picks it and uses it. Registration is something wholly separate and distinct. I can use any trademark I like as a common law mark. If I think it identifies my product, I can use it, and if I were to pick milk, for example, as you have, and use it as a trademark, it is not exclusively mine "Milk" as a trademark for the product that comes from the cow is to genesic. I would like to take "an udder"consideration——

Mr. DANIELSON. I am a farmer, I understand you.

Mr. KLEINMAN. The other consideration is that the word "milk" may well be nongeneric in another context, in another frame of reference. If I were to use milk, for example, in the cosmetic field or for a camera, it may well be unique, but milk for the white product that we drink—skim, unskimmed, fat, unfat—is purely obviously descriptive .

Mr. KASTENMEIER. There is a milk of magnesia case.

Mr. KLEINMAN. Yes, of course there is.

Mr. DANIELSON. And there is that pretty girl with Rose Milk.

Mr. KLEINMAN. Rose Milk for cosmetics of course. The point I am trying to make is this, and it was made in a very significant case in this area, that the word "generic" oddly enough does not appear in the Lanham Act, nor in any antecedent of the Lanham Act. Every trademark law that has ever been passed has ignored the word "generic." What appears? In the Lanham Act different words and phrases are used in lieu of the word "generic" and as a matter of fact it is so amorphous that unfortunately over a period of time there have been attempts to correct the amorphousity, if I may coin another word, the amorphous nature.

Gentlemen, three concepts appear in the Lanham Act that seem to bear on the so-called generic mark. They do not use the word

"generic" which, it is significant, is conspicuous by its absence. The words that do appear in the Lanham Act are "merely descriptive," "common descriptive name," and "common descriptive word." The only thing that links those three usages—and they are different in different contexts, used in different sections, in different temporal settings, as indicated by the tense in which used, and in different frames of reference—is the one common word "descriptive." That is Ariadne's thread for those, so it is generally said that a generic mark is probably a descriptive one. As a matter of fact, the Commissioner of Patents himself said that the word "generic" is singularly meaningless.

In the article attached to my statement, there is a quotation of some 30 years ago from the Commissioner of Patents, in which he says that the word "generic" or the phrase "generically descriptive," which he doesn't understand came into usage as an administrative rubric solely. At the administrative level when an application is made to register a mark they could say, well, this is generically descriptive, because the word "descriptive" is the only word of prohibition in the Lanham Act. Generic does not appear.

I hope I have said that correctly. Congressman Danielson, I too coined a word, and the word I coined is "genericide." There appears to be, both judicially and administratively, a campaign that for trademark purposes may eventuate in a holocaust—a campaign against trademarks, on the theory that, they represent a monopoly. Well, of course they do. Constitutionally they are recognized. Congress may pass laws to encourage the arts and sciences, and that is the essence of patent law, and trademark law, and copyright law, so there is a constitutional base whatever the feeling of antimonopoly or monopolophobia.

Now I am just as opposed to monopoly as anyone else, but let's recognize that there are limited monopolies granted by statute by constitutional fiat, and with constitutional authority.

The trademark is intended solely as a source-identifying talisman. If I want to indicate the source of my product, not the product, but the source of my product, or the origin of my product, the trademark uniquely performs that function. The trademark serves many functions, is also a function of quality control, is a function of warranty. It serves many functions and is even a form of property right, so that if we take it away from someone, we are depriving him of property. But let me go back to a premise.

I said there is a distinction in law between the right to use a trademark and the right to register a trademark. I could use a trademark that is nonregistrable, and I can use it so long as no one disturbs me. It is a common law unregistered mark without any presumptions in its favor, without the benefits of all the presumptions afforded by the Federal Lanham Act, and there are many. I have the option to use it, even though I do not register it.

If I do register, I have to meet certain standards, if I do apply for registration, There is an Index Expurgatorius in the Lanham Act, section 2, which list a series of marks which are nonregistrable—scandal marks, marks which shall we say duplicate the insignia of a government, marks that are "merely descripitive," not generic, merely descriptive, and so forth, an Index Expurgatorius. I get over

that hurdle. The Patent Office at an administrative level approves my application. I now have a registered mark.

Note a very important statutory distinction. In some cases I cannot register because at the time of my application my mark is descriptive. In other cases—and that is what I meant in referring to the temporal nature—I can register because my mark is not descriptive presumptively. The Patent Office has approved it, no one has opposed it, and there have been no attempts to interfere with my usage for a period of consecutive years, and I then get an incontestable right under the Federal Trademark Act. However, I can lose my rights because of my failure to police and supervise its uniqueness, or because I like the idea that people are saying "Hey, let's scrabble," and I lose the uniqueness of Scrabble as a term of origin. If I allow my mark to be used by everyone as a verb, as a noun, as a term of general usage, it then has become generic and can be used by anyone. That is how aspirin, that is how cellophane, that is how frigidaire lost uniqueness.

They were once coined words. Kodak never allowed that to happen. Coca-Cola allowed it to happen. They lost cola, they lost that part of their mark, and cola is now usable by all, but there is a difference. It may have been unique when the application was filed, processed, and granted and the registration issued, but then says the law, if thereafter it becomes a common descriptive name, not merely descriptive—notice the difference—congressionally there must be a reason, a different terminology was used, therefore we must presume Congress intended something different, in the temporal context that something happened.

This arbitrary coined mark, the Kilimanjaro or, the best mark you can have, the most protectable mark you can have, became fair game for all because the owner allowed it to be used generically. He did not supervise it. He didn't enforce it, or perhaps he even encouraged it, because he wanted people to refer to refrigerators generally as Frigidaires, or he used Frigidaire for other electrical appliances.

Mr. DANIELSON. May I interrupt? Was Frigidaire finally, I am going to say, canceled as a registration?

Mr. KLEINMAN. No, it just became generic.

Mr. DANIELSON. And they started to emphasize the use—it did become generic?

Mr. KLEINMAN. It did become generic.

Mr. DANIELSON. So therefore the registration would be——

Mr. KLEINMAN. Cancelable.

Mr. DANIELSON. Cancelable, but nobody has ever done it?

Mr. KLEINMAN. What happened was they allowed it to become generic because it couldn't have been registered at that time.

Mr. DANIELSON. In other words——

Mr. KLEINMAN. You have to renew——

Mr. DANIELSON. It is no longer renewable?

Mr. KLEINMAN. Right.

Mr. DANIELSON. I see. But they started promoting the use of the term refrigerator?

Mr. KLEINMAN. Refrigerator as such was a generic term.

Mr. DANIELSON. But that is commonly accepted?

Mr. KLEINMAN. Today.

Mr. DANIELSON. When I was a kid and when you were a kid.

Mr. KLEINMAN. Icebox.

Mr. DANIELSON. Icebox, and then when they put on electricity it became a frigidaire?

Mr. KLEINMAN. Right, that is what happened. Exactly. The Congressman is quite correct and the nostalgia reflects a common origin for a common descriptive name, except that we used to empty the pot beneath that icebox for a long period of time. Let me proceed if I may, because although it may sound presumptuous to be trying to give fundamentals of trademark law, yet I think it is essential that you have them.

I think it is essential in the nature of this contest here. I think Congressman Maguire's bill is an excellent one, for reasons set forth in my prepared statement, and for reasons that are set forth in my article on genericide attached to my statement. Now I trace genericide judicially to a case that was decided, I think wrongly, some period ago. You gentlemen can do nothing about that case or any pending case. Those cases must go to resolution.

Formica must meet its fate under the terms of the present statutory mandate. The Federal Trade Commission has authority, and exercised it and brought the action. Whether they win or lose will turn on the facts. Yes, that is correct, Congressman Danielson, and I quite agree, and, in fact, insist that it be done that way if I would have anything to do with it, because no law should be ex post facto, but I do say this.

This issue had not arisen during 32 years of existence of the Lanham Act, which went into effect, passed in 1946, Congressman Danielson, but effective June 1, 1947. It has had a nice long run, but there have been amendments. I think there is nothing wrong in Congress reacting to judicial developments, and I am somewhat shocked to read in the statement by some commentator that Congress is being pressured to do something because of the pending Formica lawsuit and you are intervening in the resolution of that lawsuit. You are not clearly, but then the question, is it fair to react?

Well, of course it is fair to react. I think Congress should react and even reenact. Amendments are entirely proper to clarify, to give further direction, to give guidance administratively, or indeed to override a judicial aberration. It is done constantly with the Internal Revenue Code. Every amendment picks up oversights, plugs loopholes, or changes for the future a decision of the Tax Court with which Congress for policy reasons does not agree. There is nothing wrong in Congress so reacting by reenacting.

Gentlemen, immediately after the Lanham Act was passed—and there was a long period of conception and labor pains which consumed much more than 9 months—it was almost as if an elephant was in labor until the Lanham Act came into being. Immediately after it came into being a new administrative machinery was set up, and that machinery required oiling and administrative handling. Certain difficulties developed, and during the course of the next several years amendments were introduced in the House and in the Senate to correct deficiencies and little technicalities which had come to light.

The legislative history is highly significant, and in this regard I would like to refer you to my statement. On page 3 of my statement I refer to the fact that the 84th Congress was met with a proposal not to overhaul but to straighten out certain deficiencies and technicalities that had surfaced in the course of administering the Lanham Act. The Wiley bill which was introduced in the Senate, S. 215, on page 3 of my memorandum statement, was introduced, and it proposed an overall combination of housekeeping amendments.

You gentlemen are familiar with housekeeping amendments. It is done quite regularly. However, they had a series of provisions, and perhaps too many.

Now I think it is highly significant that Congressman Maguire's proposal was anticipated back in 1952. The Commission had never acted under section 14(c). When I talk of the Commission, I mean the Federal Trade Commission, which had not acted under its section 14(c) authority as of that time.

However, the Wiley bill proposed, gentlemen, not to amend section 14(c), but to delete the last proviso of section 14(c) in its entirety, and that is the provision with which we are here concerned in H.R. 3685. That is the sole provision to which Congressman Maguire has addressed his proposal.

May I point out that it was proposed by Senator Wiley that the FTC have no authority to act in this field. You might then say, "Well, what happened? Didn't Congress express its intent by not passing that little provision?" There was a conference, and a series of controversial provisions were dropped, controversial because they were impeding the passage and enactment of what was needed, a housekeeping amendment.

Consequently, this one fell between the stools, the legislative stools, I take it, on the theory, I guess, that the FTC said, "Well, why are you hurting us? We haven't used any authority. We haven't acted, but we may want to."

The then constituency of the FTC said, "Let it stay," and that proposed was dropped in its entirety. May I point out that Congressman Maguire's bill does not propose to drop that last proviso the way the Wiley bill did. Congressman Maguire's bill proposes to amend it in only one particular, and that particular is "I don't want the FTC," he says, "to be moving into this arena, into this particular arena of trademark law, on the sole and exclusive premise of genericism. Yes, they can still move into this area for other valid antitrust reasons."

Gentlemen, they have that right under their own direct enabling law, under section 5 of the Federal Trade Commission Act. They have the widest mandate ever conceived in that most general phrase "unfair methods of competition." Anything can be deemed an unfair method of competition, whether it is the misuse of a patent right, a trademark right, or a copyright, and if a mark, generic or not, is being misused, the FTC has unreserved direct authority to move in that regard, and I say it best serves the interests and dignity of law, that what should be done should be done by direction and not indirection.

I do not espouse an anti-FTC view. My five-volume treatise attests to that. One of my classmates at law school was a commission-

er of the FTC, and he revived the FTC. I refer to Commissioner Philip Elman, who actually revitalized the FTC as an agency that once had exclusive antitrust powers, but refused to exercise them, and having refused to exercise them back in 1914, they were vested in the Department of Justice. That is why today we have concurrent jurisdiction under a set of guidelines where the FTC moves in certain areas, and the Department of Justice moves in other areas. "You take the little ones, I will take the big ones."

Well, is that a happy circumstance? I would like to address that problem by asking you to read with me the comments of the conference report on Senator Wiley's proposal to delete the entire provision that Colngressman Maguire only wants to amend. Congressman Maguire doesn't want to strip the FTC, whether he knows his intent or not, and he said only that he had not addressed the problem as a nonlawyer, but I tell you that he has not stripped the Commission nor emasculated its authority. He has merely limited it to its proper sphere, its raison d'être, its reason for being, the public interest, and let's not have a tail whip a dog. Let's not use a slingshot to effect the cancellation of a trademark, for the heavy firepower of antitrust enforcement which is always available, and by God, I say should be used, and let's do directly that which should be done directly, and let law be respected in that area by not going indirectly.

Now, what did Senator Wiley's bill precipitate? I ask you to look at the end of page 3 for the following comments of the coordinating committee's report, and this is addressed only to the proposed deletion of 14(c) in its entirety. "The proviso at the end of section 14, which permits the Federal Trade Commission to apply to cancel marks under subsections (c) and (d) of the Act, was inserted by the Conference Committee of the House and Senate immediately prior to the passage of the act. No public hearings on the proviso were held. The proposed amendment would eliminate the proviso."

It was a last-minute insertion. There were no hearings on it. There were no requests for it. It just was thrown in. And now they are urging its total deletion continuing with the quote:

"Two fundamental reasons are urged for the amendment. In the first place, the provision results in an unnecessary and undesirable situation whereby one governmental agency having nothing to do with the registration of marks is given the power to police another agency which is directly charged with the registration of marks in accordance with the statute."

That is only one area. Let's have integrity of administrative channels. And here is a most important one:

"In the second place, the Federal Trade Commission statutes are adequate to protect the public from unfair methods of competition and unfair and deceptive acts and practices which may result from misuse of marks. Under the Federal Trade Commission Act, the Commission has the power to prohibit the use"—and please note the underscoring is not mine, that is in the report, and I will get to that in a moment—"the Federal Trade Commission has the power to prohibit the use of a mark which is misleading or results in misrepresentation or deception of the public. Its power to prohibit use is of greater importance than mere cancellation of registration which does not carry with it cessation of use. If use is prohibited in

any given case, the Patent Office will, in due course," as in the *Frigidaire* case, "correct its records accordingly."

Now those two highly salient comments, although not directly applicable here, because Congressman Maguire is not proposing to delete in its entirety that proviso, but only to amend, modify, and limit it to a proper frame of reference, those two items, those two arguments, are as persuasive now as they were then, and in fact I believe more so, for these reasons.

As I said before, canceling the trademark only cancels its Federal registration. The trademark user, the ex-registrant can continue to use it. So what has been accomplished? Canceling the trademark is administrative, mechanical, menial, if you will, but if the FTC moves under its proper enabling authority, it does a hell of a lot more. It prohibits further use. Cancellation of registration does not do that, so the end here must justify the means. Let's use the proper tool.

Congressman Maguire was good enough to quote something that I said in an address I made before the Bar Association of New York, and it was not an address. It was a confrontation with the FTC staff, in which we took up this issue, and another significant one, because it was being applied in tandem. I said it is neither good sportsmanship nor good government to use indirection to accomplish what should be accomplished directly and more effectively. Antitrust firepower is much more significant than trademark cancellation, which only removes a mark from the Federal Register, and that is all.

I hope that point is a telling one on the question of continuing use.

Gentlemen, I have departed from my prepared statement, because it was apparent to me from the questions, and they were very perceptive and sharp questions asked by the committee, that some misconceptions may have been created by prior testimony. I was not privileged to hear the prior testimony.

I would love to read the entire record, and perhaps comment on it later, but as a student of its legislative history, as a proponent of the passage of the Lanham Act, I should tell you that I was writing the treatise while I was in the service in 1942 through 1946. The Lanham Act was then being considered and finally enacted in 1946 and became law in 1947, obsoleting my treatise momentarily on publication.

However, the publisher, Callaghan & Co., recognizing that they wanted another edition, required one. As a matter of fact, we did have the proposed Lanham Act, in the supplement but as enacted it was entirely different, and the major comments were of course directed to the old Trademark Act of 1920, which was obsolete by the time the treatise came out.

In any event, my point is that a trademark is either congenitally defective for registration purposes, by being descriptive—not generic because, we don't know what that means. In my article attached to my statement, I quote from Judge Friendly's decision in the famous *Safari* case, Abercombie & Fitch Hunting World, in which he says on page 2 of the article entitled "Genericide," Judge Friendly says, "The word 'generic' is amorphous, because it means different things in different contexts."

In fact, in that very case he held that the word "Safari" was generic for pith helmets and certain types of jungle jackets, but not generic for stoves that are used for barbecues, for guns of all nature, and for other things, so that the same word can be generic here and nongeneric there, And because public perceptions shift from time to time, words can become generic by usage, custom or in the failure of the owner to police or supervise or the other way around.

I say we cannot have an absolute, and by talking genericism, we are talking absolutes. Gentlemen, I said that the word genericide is a coined word. I foresee genericide in trademark law, because I foresee the use administratively of this tool, in patents and copyrights, as well, despite their constitutional base. The use of this tool would whipsaw antitrust law enforcement, and I say that for this reason.

We must view, in its entirety, and in the entire complex, what the FTC's program is, and I do not demean it. I say it is an excellent program, but under its own authority, so please bear in mind that as I make these comments, I am not opposed to the FTC acting, but I don't want them invading trademark law, disturbing the integrity of a distinct and discrete legal constellation, with a constitutional premise and a constitutional base, for no reason, other than to do something else.

In addition to the program, which was announced as an antigeneric program, the Chairman of the FTC said, "We are starting this program," and it began with Formica. That was the initial onslaught. I think it was sparked by the *Miller* case which judicially decided that the word "lite" for low-calorie beer was generic. I said that was wrong to start with because the word "lite" is only generic for illumination. To me it is not generic if you call the First National Light Bank, I don't think the Light Bank is generic in that context. I think "lite" means a lot of things. The word lite could be nongenercially used, and I am not here to reargue that case. That case was lost by the people who sought to protect the word lite as a distinctive mark for low-calorie beer.

There was a precedent. There was a mark lite for cigarettes with low-nicotine context. It was held generic if the word lite is generic, I ask you, does it mean beer, has less nicotine, or that cigarettes have less calories? I don't know. The word generic to me is so amorphous I cannot define or use it, as an absolute and the fact is Congress did not. So let's try to get away from it, and let's get to the issue before us.

Said the FTC in its report, the Carwell report, which you may have before you: We have two major programs for FTC action. We are not going to be accused now of sleeping on our statutory mandates the way we did in antitrust law back in 1914. It depends on who the Administrator is at any particular time, and Chairman Pertschuk is a good Administrator, and he is using his powers, and using them properly, so he says let's activate a campaign, and he began with Formica.

Whatever they say about three cases, four cases, or six cases before Formica, the fact is that no case was brought directly by the FTC on the authority and mandate of section 14(c) to cancel a registration on the premise that the mark had become generic.

They brought five cases which were in other areas, and while the FTC did effect cancellation in three of those cases, those cancellations were for other reasons. The courts did not say the marks were canceled for genericism.

Mr. DANIELSON. I wish the witness would yield for a comment.

Mr. KLEINMAN. Surely.

Mr. DANIELSON. My question to the extent it constitutes a statement was only that FTC had brought six cases.

Mr. KLEINMAN. Yes.

Mr. DANIELSON. Not that they had brought them under 14(c).

Mr. KLEINMAN. I see. May I point out, Congressman Danielson, that private litigants in that 30-year period have brought thousands of cases, thousands upon thousands, and my 5-volume treatise contains references and citations to many. I read every one of them, and there is a very important thing that has been missed here. It is not just the private individual in the private sector. As the Chairman pointed out, perhaps one who is economically unable to finance a lawsuit against a big conglomerate, and wants to sue and can't, and his lawyer says, "What are you starting up? There is only one instance where a David killed a Goliath. You are going to try to reprove it? Let it alone. Take another mark. It isn't so important. For $250 we will register something else."

But I am denied the right to use a word that is in the common lexicon, because these people have exclusivity by reason of registration. Why can't I move against it? Let me get that great vicarious avenger of the public interest.

Gentlemen, I am also in private practice. That great vicarious avenger, the FTC, is often a sleeping and slumbering giant, and he has wide statutory powers, but to move him is to move Gulliver. It almost takes forever.

And while they will listen very considerately and sympathetically to a position, I can tell you from practical experience, that it is virtually impossible to get them to take the immediate action that a private party can take. Today, he can play the role of David or proceed by class action. Federal rule 23(c) now allows a group of people to assert a class action, and that is a much more powerful weapon. But it isn't just that, and it isn't only, Congressman Danielson, the private sector that can take action.

The Patent Commissioner, under section 18 of the Lanham Act, has residuary blanket authority to move against any mark that he believes disturbs the integrity of the register. I refer you to section 18, again a slumbering authority. The Patent Office is horribly busy, unfunded, or not adequately funded, and they claim, "How can we move?" But they still have that authority, and here is still another one. Please bear in mind that section 33 of the Lanham Act does something very significant. There we find the third usage of common description, the common descriptive term, phrase or word. Section 33(b)(4) of the Lanham Act says the following: "Whenever a term, a phrase, a word, a registered trademark has become a common descriptive" (generic—if you will), whether en ventre, initially or en route after registration, whenever it has become generic, and bear in mind even after it may have acquired incontestable status, which is granted after 5 years of consecutive use following registration, a major value of the Lanham Act, a

major contribution of the Lanham Act to the whole theory of trademark law, even when it has incontestable status, it is still fair game for any user, because if it has become the common descriptive, despite its registration, and despite its incontestability, it is now a common word in the lexicon.

I can use it, and once I use it, you may say, well, he can sue me for infringement. Yes, he can. Now we have the reverse, Mr. Chairman. Now we have the giant suing the David instead of the David trying to hit the giant, Goliath.

Here the action is coming the other way, and the Lanham Act says that David has an excellent defense. We call it the fair-use doctrine, never said as such. It appears in copyright law, but it doesn't appear as such in trademark law, except as implicitly sanctioned by section 33(b)(4). If a term indeed has become generic, whether unique initially and generic thereafter or generic en ventre, in birth, congenitally defective, even though registered perhaps wrongly, whatever you may think, but if a term is new, has become a common descriptive word, I may use it, and I have the complete defense to an infringement action. All I have to prove is that it is a common descriptive, and that I should not be denied the right to use it or be deprived of the right to use it. There are so many safeguards that you need not worry about the FTC's authority in this area, the loss of which may have perhaps been concerning you, with respect to Congressman Maguire's bill.

Does the bill remove the FTC from the arena? No. They are still there, because he does not ask, as Senator Wiley did, to delete section 14(c) completely. His bill merely says, "Yes, of course, let the FTC stay. Let them still be the vicarious avenger. Let them be the slumbering giant that can be activated, but only if there is something more than pure genericism for the purposes of a trademark registration, the wart on the body, not the corpus of the crime.

Gentlemen, I submit respectfully to you that trademark genericism can occur as I have indicated by mere usage, and if it occurs, the owner then loses his right to exclusivity. He may continue to use the mark on an unregistered basis, but he will have lost all of registration rights and the presumptions available under the Lanham Act.

Is it necessary now to kill the mark again? Is it necessary now to hit the owner with another action to cancel his registration? Under 33(b)(4), all users can properly claim the right to use that "trademark," because it has become a common descriptive. Therefore he is deprived of exclusivity. Now you want to take away my exclusivity? Fine, take it away. What is done? Is this perhaps double jeopardy? Is it perhaps cruel and unusual punishment in excess of the gravity of the crime?

I say it is not really a great crime. Nobody honestly conceives a trademark and says, "This word is going to give me a tremendous competitive advantage in the market." I live with this every day. People come into my office to register a trademark. Nobody says, "I will get a monopoly over this word." They ask what sells? What is attractive? What is right? What will attract the public perception? They don't even want to copy somebody else's mark. As a matter of fact, if they do they cannot register it, and I will tell them by a

trademark search you can't register Kodak. You want Kodar? It looks too much like Kodak, you won't get through. You want Rodak? It still looks like too much like Kodak. Don't copy logos. Don't get into deception. Don't start that way or I won't represent you anyway.

No one comes into a law office and says they want to get a monopoly over a word or phrase. Maybe they have got it in the back of their mind, I don't know, but it certainly doesn't happen by conceiving a trademark.

Once they have achieved, perhaps as Kodak has acheived a very tremendous advantage by a new catchword like the word Kodak, Brownie, and if it has, by God, it is subject to antitrust action, and this is really one of the little weapons it is using in the competitive struggle, perhaps misusing.

No one should be entitled to misuse patents, trademarks, or copyrights to achieve a purpose banned by antitrust law, and I am, with the FTC and the Department of Justice, for vigorous enforcement of the antitrust laws. But I do say that what Congressman Maguire is attempting to do is proper, and I hope, and sincerely hope, that the committee, in reporting on this bill, will recognize the validity of Senator Wiley's proposal, even though it was much more drastic. Congressman Maguire doesn't even propose that kind of drastic action. He says the FTC should continue to act, but in its own sphere. Oddly enough, it is still coming into the bailiwick of the expertise of the Patent Office, but we are allowing that, says Congressman Maguire, or "my proposed bill would allow it," and I say I am with him and for it.

I want to make one further reference before closing. In addition to the antigeneric word campaign, which the Commission has launched with the *Formica* case, Chairman Pertschuk also announced the institution of a program for compulsory trademark licensing; that is to say, he believes in certain areas that if someone is abusing a trademark right, he should be obligated to license all competitors who want to use that mark. The first such attempt in the *Real Lemon* case did not result in such a decree. This idea of compulsory licensing comes from patent law.

I don't want to get into the differences between patents and trademarks and why compulsory licensing would be wrong in the trademark area. The trademark fraternity feels that way, but the FTC is inserting itself into this area and has said "As a penalty for violating your trademark rights, just as we can with patents if you violate and abuse patent rights, we are going to demand that you license all comers."

Now when you license all comers in the trademark field, then every rival can use your mark. What does that mean, gentlemen? That means the mark will inevitably become generic, because every purchaser will then identify that product by that one trademark, ReaLemon lost its case, at the trial level, when the hearing examiner decreed compulsory trademark licensing to all users who want it. At the Commission level he was reversed. There is still pending at the Commission a similar approach in the cereal industry against Kellogg and General Mills and so on. The outcome I don't know, but again, as I say, the FTC should not be in this

trademark area for that purpose. Yes, let them stay in for section 5 purposes, by all means, but not by using the trademark as a lever.

Just to focus on the double harness program. If the FTC really insists on compulsory trademark licensing, they will genericize every trademark that is so licensed. Then they will petition to cancel its registration under section 14(c). There we go eviscerating trademark law in net effect. I know that is not their intention. I know that will not happen, but practically and theoretically I must recognize that this is a Damoclean threat to which Congress should react.

Can you react? Should you react? Of course, you can and should. How do you react? I say by reenacting. There have been many reenactments of the Lanham Act. It is not sacred. No statute is sacred. Even our Constitution has been amended, so we need not get paranoid over a crippling fear of change. By reporting favorably on Congressman Maguire's bill, you are not paralyzing the administrative process. You are not paralyzing antitrust, law and no one can accuse you of it. If anything, you are doing something else.

The Commission has been slumbering on its antitrust powers of enforcement. For 30 years it did nothing. I think if Congress now says you can't move solely on genericism, you must move on something anticompetitive, I think you will be highlighting their duty to operate and function under their mandate, and force them to consider section 5 as an overall powerful weaponry, Do not pass this law based solely on the fact that there is an inequity in pitting the powerful weaponry of Government against the individual, whereas in the private sector the battle is a little more evenly waged. Although, as the chairman points out, we do have economic disparities, it is a little more evenly waged than it is when the Government with its panoply of power comes in and directs all that firepower at an individual.

Presumptively, action will only be taken against the giants, because normally the small businessman is no threat to competition. He would be a target for FTC action only if he abused the process. He would then have to be anticompetitive, so he would have to be a major. He would have to be a proper target.

I would like to say in conclusion that I hope my article attached to the prepared statement—and I have not read my entire statement to you—contains some other insights into legislative history, which I think are relevant for your consideration. But I would hope that my article is not too academic for your purposes, At the end of the article I turn to this very issue of H.R. 3685, which had just been introduced when the article was written.

I sincerely feel that Congressman Maguire is properly motivated in the approach, even though it is unfortunate, as I said at the beginning, that his bill seems to have been actuated by the *Formica* case, and that in some way it is going to head off the *Formica* case. It isn't and it shouldn't, and the *Formica* case should go to judicial resolution.

I appreciate the time and courtesy you have extended to me, and I do hope I have not patronized you by lecturing you as I do my classes. I don't get an opportunity to lecture in trademark law, so

that this was a nice opportunity, rather than before the bench, and I appreciate it.

Mr. KASTENMEIER. Thank you, Mr. Kleinman, for this very splendid presentation. Without objection, your statement and the other piece will be received and made a part of the record.

[The statement and article follow:]

STATEMENT ON H.R. 3685, SEYMOUR KLEINMAN, ESQ., CO-AUTHOR—CALLMANN, "UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES" (CALLAGHAN)

A smoldering anti-trademark development, which may well have been sparked by *Miller Brewing Co.* v. *G. Heilman Brewing Co.*[1] is now being fanned by the Federal Trade Commission's petition to cancel a trademark registration on the sole premise that the mark had become a common descriptive name, i.e. generic in the public's perception as a consequence of its established fame and continuing use. It is significant that the FTC attack on "Formica" is the first such action instituted under § 14(c) of the Lanham Act. Is it possible that no other registered mark became generic during the past three decades? Or was the Commission negligent in failing to assert its statutory mandate during that period? Whatever the answers, it is clear that the Commission is committing the powerful weapons in its arsenal to an assault on trademarks which may well be labeled "Genericide". My views on that issue, which are more fully set forth in my attached article, lead me to support the underlying premise of H.R. 3685.

At the outset, it is appropriate to note the following:

1. H.R. 3685 will neither revoke nor emasculate the Commission's authority to petition for cancellation of a trademark registration when the public interest so dictates. By limiting the Commission's rights to take such action to the case in which trademark genericism is *not* the only issue, H.R. 3685 highlights the Commission's duty to act in the context of its reason for being—the protection of the public interest. It should, therefore, not be characterized as an improper intervention in pending litigation by "passing a bill designed to paralyze an administrative agency's powers to pursue the litigation to a resolution in the courts." [2] H.R. 3685 will not be retroactively effective and the Commission's action against Formica can proceed to judicial resolution in due course.

2. Resort to the legislative process, to clarify legislative intent and thus direct future action, or to supersede a judicial aberration or plug a suddenly revealed loophole, does not conflict with "separation of powers" principles.[3] More frequently than not, amendments to the Internal Revenue Code are triggered by those very same considerations. It is highly appropriate for the legislative branch to react (or re-enact) when it appears that a statutory mandate is being improperly invoked, disingenously directed or administratively abused. An amendment which more clearly expresses Congressional intent will chart the course for, and not paralyze, future action.

3. The legislative history of § 14(c) is singularly unrevealing with respect to the only portion thereof which H.R. 3685 proposes to amend.

With respect to legislative history, the Wiley Bill, (S:215, introduced in the 84th Congress) proposed substantial revisions of § 14 and failed of enactment because of certain controversial provisions. One such disabling provision, omitted from the so-called "House-Keeping Amendments" (5.2429, 86th Congress) which was introduced in 1959 and enacted on October 9, 1962, was the proposal to delete in its entirety the last proviso of § 14(c) which H.R. 3685 only proposes to amend in part. The report of the "Coordinating Committee" to the Senate's Judiciary Subcommittee on Patents, Trademarks and Copyrights contains the following highly pertinent comments.

"(f) The proviso at the end of section 14, which permits the Federal Trade Commission to apply to cancel marks under subsections (c) and (d) of the Act, was inserted by the Conference Committee of the House and Senate immediately prior to the passage of the Act. No public hearings on the proviso were held. The proposed amendment would eliminate the proviso.

"Two fundametal reasons are urged for the amendment. In the first place, the provision results in an unnecessary and undesirable situation whereby one governmental agency having nothing to do with the registration of marks is given the

[1] 561 F.2d 75 (CA 7th 1977) cert. den. 434 U.S. 1025 (1978), rev'd. 427 F. Supp. 1192 (WD Wisc. 1977) and 427 F. Supp. 1204 (WD Wisc. 1977).

[2] Statement of Prof. J. Thomas McCarthy or HR 3685, p. 1.

[3] Id. p. 2.

power to police another agency which is directly charged with the registration of marks in accordance with the statue.

"In the second place, the Federal Trade Commission statutes are adequate to protect the public from unfair methods of competition and unfair and deceptive acts and practices which may result from misuse of marks. Under the Federal Trade Commission Act, the Commission has the power to prohibit the use of a mark which is misleading or results in misrepresentation or deception of the public. Its power to prohibit use is of greater importance than mere cancellation of registration which does not carry with it cessation of use. If use is prohibited in any given case, the Patent Office will, in due course, correct its records accordingly."

The lack of Congressional material with respect to that proposed amendment leads one to conclude that it fell between legislative stools. Its "Crater-like" disappearance from the enacted Amendments notwithstanding,[4] the above-quoted rationale is as persuasive now as it was then. Indeed, it is more compelling because H.R. 3685 is not "dead-set" against FTC action under the Lanham Act.

Authorizing one governmental agency to police, invade or otherwise move into another agency's specialized area of expertise is obviously fraught with legal and practical dangers. More to the point, however, is the fact that the FTC has independent and non-derivative enabling authority to act in the public interest whenever a mark (registered or no) is used to deceive the public. A "belt and suspender" approach to trademark law enforcement is hardly justified under the circumstances. Why invoke the slingslot of trademark cancellation under § 44(c) of the Lanham Act when the heavier artillary of § 5 of the Federal Trade Commission Act is available and, moreover, can be deployed much more effectively?

If a mark is, at its conception, purely generic (e.g., a common descriptive name which is totally devoid of *any* trademark significance), it is congenitally defective and therefore does not qualify for registration en ventre. If, on the other hand, a registered mark thereafter becomes a common descriptive name, whether such transition is attributable to the registrant's fault or not, its registration is exposed to cancellation at the behest of anyone who believes that he is or will be damaged thereby. The cancellation proceeding, whether pursued administratively or judicially, is adversary in nature and classically involved two or more private sector contestants for the rights of exclusivity to the use of a mark.

It is important to note that in the ex parte opposition proceeding, at the administrative level only, no rights have yet become fixed. There is not yet ". . . an established business which is largely dependent upon a trademark for success. In a cancellation proceeding, the situation is quite different. The defendant in such proceeding is one who has obtained substantial rights from the Government upon or about which he may have built a large, and of course, legitimate business. The cancellation of one's trademark may prove destructive to the business built about it. Surely, no registration should be cancelled hastily and without a most careful study of all the facts." [5] Although a registration can only be cancelled by a direct frontal attack, as expressly authorized by the Lanham Act, the validity of the registration may be challenged in any suit in which that issue of validity is relevant. But even the successful cancellation proceeding will not end with or result in the divestiture or termination of the ex-registrant's trademark rights. It is concerned exclusively with the cancellation of an existing registration. The mark itself survives the cancellation of its registration and the ex-registrant's right to continue to use it as an unregistered mark is not adjudicated in such proceeding.

Recognizing the seminal premise that the registration of a mark, by itself, confers no new or additional property right upon the registrant and, therefore, that its cancellation does not extinguish any such right, "the parties affected are free to seek such relief as courts of law or equity may award," whatever the result of the Patent Office proceeding. It is also worthy of note that under § 18 of the Lanham Act, the Commissioner of Patents is vested with inherent pervasive authority to cancel or "restrict" an existing registration, even absent a request therefor from an interested party. This safeguard, by itself, disputes the necessity for granting similar concurrently exercisable authority unless there is a clear and present indication that the public interest is or may be adversely affected by the continuance of the registration.

Under § 14, it is beyond cavil that a registration may be cancelled at any time if, inter alia, (a) the mark has ceased to be a mark; (b) its use has been abandoned; (c) the registration was obtained either fraudulently or contrary to specified provisions of § 2 of the Act; (d) the mark is being deceptively used. A mark loses its nature as

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[4] For some of that history, see n. 25 to § 97.1, Callmann, Unfair Competition, Trademarks and Monopolies (3rd Ed.) 574.

[5] In re Meyers, 201 F2d 379 (CCPA 1953).

such when it becomes the common descriptive name of an article, whether the article is unpatented or one for which an underlying patent has expired. It also is deprived of its quintessential trademark status when it becomes a descriptive or generic term, whether that unhappy development is attributable to acts of omission or commission on the par of the registrant ("constructive abandonment" under § 45(b)) or even if that metamorphosis was caused by conditions concededly beyond the registrant's control. (The fate of Coca-Cola as a registered mark is illustrative; "Cola" became generic merely because the courts denied it protection, thus frustrating its owner's well-intentioned and well-financed efforts to preserve it as a trademark.)

It is not inapposite, in this context, to note that § 15(4) is not a mirror image of § 14(c). Although it may be tenably argued that those sections are fundamentally in pari materia and therefore should be read together, the two sections address different rights. Section 14 is concerned only with the registration of the mark while § 15 deals with the right to use the mark and its incontestable legal status (subject to certain provisos) after five consecutive years of continuing use from its date of registration. Accordingly, the two sections are complementary only in the sense and to the extent that registration affects the registrant's right to that mark, Indeed, § 15(4) would have been a more compatible complement to § 14(c) had it provided that incontestable status would not be acquired (or if acquired would be forfeit) if the registered mark becomes the common descriptive name of any article or substance. But § 15(4) reads as follows: "No incontestable right shall be acquired in a makr which is the common descriptive name of any ariticle or substance, patented or otherwise." Read literally and as drafted, § 15 is focused on the generic image of the mark only as it exists at the expiration of the five-year period. If at that time the mark has become the common descriptive name of any article, incontestability will be denied. Section 15(4) is not expressly addressed to te consequence of generic development after the five-year period. Indeed, there is no explanatory reference to that inconsistency in the Conference Report or in any of the extensive Congressional hearings on the Lanham Act or its amendments to date. Therefore, if § 15(4) is not applicable to a mark which loses its distinctivenes after the expiration of the critical five-year period from its registration, resort can properly be made to the abandonment sections of the law.

Whatever the reasons for that bit of "inartistic" draftsmanship, if a registered mark loses all other meaning and becomes truly generic in the public's perception at any time, it is freely available for use by all. It is then deemed fair game under the "fair use" doctrine implicitly sanctioned by § 33(b)(4).[6] But only the private interests of the contestants are directly involved and any public interest that may exist is peripheral and properly protectible by the Commissioner of Patents who may take action under the residuary authority vested in him by § 18 of the Act and by the FTC which may act concurrently pursuant to its public interest mandate under § 5 of its own enabling act. And, as above indicated, the FTC's independent authorization under its own enabling law to prohibit the continued use of a deceptive mark has greater impact and firepower than the cancellation of a registration which, by hypothesis, cannot mandate the cessation of use.

If a marks descent into the "common descriptiveness" of Generica is the exclusive question at issue, only the interests of competitors claiming a right to use the registered mark are involved. The FTC, as a governmental agency, should not be cast in the paternalistic role of a vicarious avenger to effect the cancellation of a registration for the sole purpose of benefitting competitors in the private sector. A clear and evident public interest should, of course, galvanize the Commission into action. H.R. 3685 recognizes that right and duty by preserving the FTC's continuing authority to act under § 14(c) when genericism is not the sole and exclusive question at issue. Indeed, the very limitation proposed by H.R. 3685 on FTC action highlights its statutory obligation to institute such action under that state of facts. Its approach is therefore entirely consistent with the primary purpose of that ultimate proviso of § 14 which authorizes FTC action when "something more" than the purely private interests of adversary parties is threatened.

H.R. 3685 does not, as some have suggested, demean or imperil the integrity of the federal trademark registers. Sufficient protection therefor is available elsewhere and that integrity is, and should continue to be, the proper charge of the Patent-Office, and not the FTC. Would it not be just as logical (or illogical) to amend the FTC Act by authorizing the Commissioner of Patents to seek a cease and desist order against an alleged trademark misuse by challenging it as an unfair method of competition?

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[6] This right (or, more appropriately, defense) is available, even if the registration or the right to use the trademark at issue has already acquired incontestable status under § 15.

In assessing the merits of H.R. 3685, it would be myopic to ignore the FTC's emerging program for compulsory trademark licensing. However questionable its theoretical and practical premises, as set forth in the attached article, some adverse trademark consequences would ensure by a tandem FTC assault against generic marks and its compulsory trademark licensing program, both of which would, by hypothesis, be pointedly aimed at well-established and famous registered marks. I support the passage of H.R. 3685 if only to head-off that possibility.

My own opposition to devious or disingenous use of generic names or terms which purport to "masquerade as trademarks" on any Register matches that of the most ardent antagonist of H.R. 3685. However, as I believe that "genericide" is an extreme sanction and "cruel and unusual punishment" which far exceeds the gravity of the "crime", I am not persuaded that the FTC bludgeon is warranted unless an anti-competitive consequence is in the making. It would make just as much sense to enforce the Internal Revenue Code (of such laws as Customs, OSHA, FLSA and all others which affect business operations) by authorizing the FTC to take action against a noncomplying rival on the not unlikely premise that by his default he achieved an anti-competitive advantage constituting an "unfair method of competition."

Permit me to say in conclusion, that nothing herein is to be construed as an anti-Federal Trade Commission comment, and that my comments herein are not intended to blunt or demean that agency's authority or the vigorous pursuit of its statutory mandates and functions. But our legal system is best served when that which should be done is done by direction and not by indirection. Generic names or terms which are passed off as trademarks in defiance of the public interest can still be properly addressed and redressed by the FTC under H.R. 3685. In my opinion, however, it does undue violence to many basic principles of trademark law, without any overriding and supervening benefit to the public interest, to empower another administrative agency, deploying the full panoply and powerful weaponry at its disposal, to make such trademark challenges unless warranted by a threat to the public interest. H.R. 3685, as I view it, only proposes to do that and no more, prospectively and not retroactively, with due regard for the public interest and without undue violence to established principles of trademark law and the integrity of that separate and distinct legal constellation. For all of the reasons set forth herein and in the attached article, I therefore endorse passage of H.R. 3685.

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TRADEMARK GENERICIDE: Of Miller's Brew and "Let There Be Light"

By: Seymour Kleinman, Esq.

PROLOGUE

An ominous augury of "genericide" appears to be threatening a broad category of once protectible trademarks. The onslaught officially began with the identification of a "new" trademark substratum for the generic or "common descriptive" term - a dormant fault under the common law of trademarks and the legislative structure of the Lanham Act. Thus, in Miller Brewing Co. v. G. Heileman Brewing Co., Inc., one of several trademark infringement actions against rival brewers, the Seventh Circuit held that Miller's registered trademark for "Lite" - a phonetic version of "Light" - was the generic equivalent of "less filling, low calorie beer" and therefore not available for exclusive appropriation, registration or protection.[1] Relying heavily on the Second Circuit's opinion in Abercrombie & Fitch Co. v. Hunting World, Inc., the Miller court calibrated the range of protectible trademarks as follows:

> "A term for which trademark protection is claimed will fit somewhere in the spectrum which ranges through (1) generic or common descriptive and (2) merely descriptive to (3) suggestive and (4) arbitrary or fanciful. As the ease with which hues in the solar spectrum may be classified on the basis of perception will depend upon where they fall in that spectrum, so it is with a term on the trademark spectrum."[2]

By the Miller court's perception the most diffuse, and least discernible, hue in the trademark spectrum is that cast by the "merely descriptive" term which alludes to a characteristic or ingredient of the article. Such a term acquires secondary meaning when it identifies the origin of the article or service

and, thus, qualifies for trademark viability at common law and registration under 2(f) of the Lanham Act. With respect to the first category, the court defined the "generic or common descriptive term," as "one commonly used as the name or description of a kind of goods." Its hue is apparently so indistinct in the spectrum that, even with judicial X-ray vision, it casts no perceivable glow in the marketplace and therefore "cannot become a trademark under any circumstances." In "light" (no pun intended) of the forbidding portents of the Miller decision, its premises (particularly its conceptual recognition of the "generically descriptive" mark and its substitution of the judicial perception for the public reaction to the mark at issue) demand careful analysis and its result ("Light for All and Trademark for None") calls for limited application.

BACKGROUND: IS GENERICISM A MARK OF CAIN?

The pioneering expedition which unearthed the generic substratum began, appropriately enough, with Hunting World and the mark "Safari." There, Judge Friendly started the trek with the following exposition:

> "The cases, and in some instances the Lanham Act, identify four different categories of terms with respect to trademark protection. Arrayed in an ascending order which roughly reflects their eligibility to trademark status and the degree of protection accorded, these classes are (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful. The lines of demarcation, however, are not always bright. Moreover, the difficulties are compounded because a term that is in one category for a particular product may be in quite a different one for another, because a term may shift from one category to another, in light of differences in usage through time, because a term may have one meaning to one group of users and a different one to others, and because the same term may be put to different uses with respect to a single product. In various ways, all of these complications are involved in the instant case. (Emphasis added.)

> "A generic term is one that refers, or has come to be understood as referring, to the genus of which the particular product is a species. At common law neither those terms which were generic nor those which were merely descriptive could become valid trademarks ... The same was true under the Trademark Act of 1905 ... except for marks which had been the subject of exclusive use for ten years prior to its enactment.... While ... the Lanham Act makes an important exception with respect to those merely descriptive terms which have acquired secondary meaning ... it offers no such exception for generic marks. The Act provides for the cancellation of a registered mark if at any time it 'becomes the common descriptive name of an article or substance,' §14(c). This means that even proof of secondary meaning, by virtue of which some 'merely descriptive' marks may be registered, cannot transform a generic term into a subject for trademark."[3]

Despite the absolutism of the last sentence quoted above, it is highly significant (as well as its saving grace) that the Hunting World court went on to hold the term "Safari" to be generic for products and services normally associated, in the buying public's perception, with an African jungle journey. "Safari" was not, however, irredeemably generic and was protectible and registrable as a trademark for other products or services which were not so identified. Hunting World thus recognized that the label of genericness was not an ineradicable mark of Cain for all trademark purposes.

Attracted perhaps by its scholarly disquisition, other courts tracked the Hunting World footpath, and, in rather compulsive succession, many variations on the Hunting World theme were orchestrated.

1. In Scientific Applications Inc. v. Energy Conservation Group of America, in passing upon the descriptiveness or suggestiveness (not, mind you, the genericness) of the mark "Homefoamers" for an insulation service, the court inverted the order and changed the metaphor as follows:

> "The hierarchy of marks, reflecting the availability of protection accorded by the Lanham Act, can be set out as follows: (1) fanciful (e.g., 'Kodak') or arbitrary (e.g., 'Ivory' for soap) marks are registrable, 15 USC §1502; (2) suggestive (e.g., 'Stronghold' for nails) marks are registrable; (3) descriptive (identifies characteristics or qualities such as, color, odor, function, dimensions, ingredients) marks are registrable only upon proof of an acquired secondary meaning, 15 USC §1052(e), (f); and (4) generic (identifies nature or class of articles or services) marks are not registrable, 15 USC §1064(c)."4

2. In Anti-Monopoly, Inc. v. General Mills Fun Group, Inc., the court, in holding that the mark "Monopoly" for the popular parlour game was not and had never been a common descriptive term, described trademarks as follows:

> "In ascending order of the protective status accorded each, they are 1) generic 2) descriptive 3) suggestive and 4) arbitrary or fanciful.... Generic terms, those which are the common descriptive name of an article or substance, can never be registered or entitled to trademark protection. Merely descriptive terms are not accorded protection either unless they have become distinctive or have acquired secondary meaning."5

3. In Golden Door, Inc. v. Odisho, the court's synthesis (stressing name only) appears as follows:

> "(i) Generic names are not entitled to trademark protection. (ii) Descriptive names receive protection only if they have acquired secondary meaning as denoting goods or services provided only by a particular producer ... (iii) 'Suggestive' names are closely related to descriptive terms, and are protected without proof of secondary meaning if they '[require] imagination, thought and perception to reach a conclusion as to the nature of goods [or services]' ... (iv) Names which are fanciful or arbitrary are strong trademarks, and are entitled to the greatest protection." (Emphasis added.)6

4. In Nature's Bounty, Inc. v. Basic Organics, the court, in finding "B-100" for a vitamin product to be merely descriptive of its milligram content, and without any secondary meaning, put it thusly:

> "In an ascending array of protection, marks are classified as (1) generic, that is, the common descriptive name, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful.... A mark which is suggestive is entitled to protection against infringement whereas a mark which is 'merely descriptive' of the product is denied that protection unless it has become distinctive, through the development of secondary meaning."7

It is of interest that none of the marks at issue in the cases cited above was found to be generic. Accordingly, the above quotations only illustrate, by way of dicta, some of the bush beating inspired by Hunting World's trademark safari. Although not wholly consistent in verbiage, they confirm the condemnation of the so-called generic or common descriptive term (in spectrum or hierarchy) to a non-trademark substratum. Judicial hostility to the generic mark derives from its analog, the "common descriptive name", which appears in §14(c) of the Lanham Act. If by statute, the argument seems to run, a registered mark is fair game for cancellation when and if it becomes the "common descriptive name of an article or substance" (the precise language of §14(c)), why should the Register be cluttered in the first instance with common descriptive names (i.e., generic marks) which are congenitally defective as starters. If a newly born mark is deemed generic at inception, it should get no better treatment than a once arbitrary, fanciful or suggestive mark which (though registered and perhaps even entitled to incontestability) falls from grace and becomes generic thereafter. As fair game in open season, the mark that is, as well as the mark that becomes, generic should both be consigned to the purgatory of nonprotectibility.

THE MILLER DECISION: FROM "LITE" TO DARK

At the request of the Patent Office, Miller's predecessor in interest had apparently amended its original applications

for "Lite" to expedite processing by describing the product as "beer with no available carbohydrates." The registrations which subsequently issued were accordingly limited to beer of that description and, on the strength of its finding that both the "Light" beer marketed by Heileman and Miller's "Lite" beer in fact contained "available carbohydrates," the court held that the Miller registrations were not prima facie evidence, under §15(a), of an exclusive right to the "Lite" mark on such beer. Having thus deprived Miller of the statutory benefits of its existing Lanham Act registrations for "Lite," the court evaluated Miller's trademark rights under common law rather than the Lanham Act. With startling indifference to the acid test - the public's perception of Miller's "Lite" for beer - the court took judicial notice of the fact that "alcoholic content and caloric content go hand in hand." In reliance on its major premise that "light" was a widely used term in the beer industry to describe a brew's "color, flavor, body or alcoholic content" (which might have qualified it as "merely descriptive" of some function or ingredient under the definitions quoted above), the court proceeded to its conclusion: "Light" (or "Lite") being a "generic or common descriptive term as applied to beer" (in the court's perception), it could "not be exclusively appropriated by Miller as a trademark." It was therefore nonprotectible, irrespective of the extent and success of Miller's promotional efforts to give that term a secondary meaning!

Logically, the court's syllogism lacks the required second premise: i.e., "Light" is a generic or common descriptive term for beer because the public perception accords it that meaning. True or false, it is that missing link which reveals that the court's conclusory finding of "genericness" was one of law (which was error) rather than one of fact (which it should

have been). Whatever its intuitive rationale (especially surprising after the court below had determined otherwise), the Miller court christened the new substratum "Generica" and doomed both "Lite" and "Light" to its dark and dismal depths. Hunting World's dictum thus became Miller's gospel and the decision, if carried to its drily logical extreme, impairs some fundamentals of trademark law and puts the "merely descriptive" mark high on the list of endangered species.

It should be noted first that the Lanham Act and its antecedents identify nothing defined or classified as a generic mark. Indeed, the word "generic" is conspicuous by its absence and Miller's glib assumption that it is synonymous with or a euphemism for the common descriptive term or name has even less statutory warrant than semantic merit. There are, of course, three variant categories for the "descriptive" mark in the Lanham Act. These appear in mercurially differing contexts and for inferentially disparate purposes as follows:

(A) The mark that is "merely descriptive" appears in §2(e) which is concerned solely with trademark registrability;[8]

(B) The mark that becomes the "common descriptive name of an article or substance" features in §14(c) which deals with cancellation and, in slightly modified form, in §15(4) which relates to incontestability; and

(C) The mark that is a "descriptive term or device" appears in §33(b)(4) which sanctions the right of others to its fair use.

The common thread in those three categories is the word "descriptive." Bypassing (i) the verbal differences (only some of which are underscored above), (ii) the differing temporal settings in which they are cast, as evidenced by the different tenses used in the cited sections, and (iii) their disparate

purposes, had Congress intended to bar the registration of all "descriptive" marks within any or all of those three categories, the simple expedient of inclusion in the Index Expurgatorius contained in §§2(a) through (d) was available. Assuming as we must, absent some legislative history to the contrary, that different terms were intended to have different meanings, it is the judiciary's obligation to interpret such "discrete" categories in a consistent manner so as to effectuate such intent. No such attempt has yet been made and, as we shall see, the courts have either rationalized their failure to do so by convenient elision or philological flights of fancy.

The Miller opinion suggests that the "descriptive" tag is an all-embracive term and that it is susceptible of subclassification as follows:

(1) "Descriptive" in the §33(b)(4) context obviously is concerned with a mark that has already been duly registered. That section is premised on the commonplace that no registrant can claim exclusivity to the use of a term which has become descriptive because everyone has co-equal right to its fair use;

(2) "Common descriptive," despite its §14(c) and §15(4) roots (both of which presume registration) now refers to a mark which must be so stigmatized en ventre and forever after, with no hope of redemption or rehabilitation even by acquiring secondary meaning en route. Ergo, it should not have been registered in the first instance.

(3) "Merely descriptive" in the §2(e) context only identifies a mark which is initially nonregistrable until catalyzed by the additive of secondary meaning.

By deduction, therefore, it seems that "merely descriptive" registers below "descriptive" but above "common descriptive"

(generic) on any trademark equivalent of the Richter scale of distinctiveness.

With the subcategorization posited above, why did the Miller court sentence "Lite" to the trademark purgatory reserved for denizens of "Generica"? Miller's "Lite" was obviously trying to convey something more to the public than the clearly generic term "Beer," i.e., to describe or refer to some ingredient, component, flavor, or quality of the product. Thus, it could have been tenably classified within the "merely descriptive" subcategory and above the wholly non-informative generic low of the "common descriptive." But the Miller court, intrigued by the "hues" in the mythic trademark spectrum, ranging from the high-beamed ray cast by the protectible "arbitrary" mark down to the sunless low of the non-protectible "generic" mark, saw fit to consign "Lite" to the latter.

Statutory definitions are, of course prospectively conceived for application in futuro. When they do not turn out to be as prescient or as elastic as subsequent developments require, we may get judicial definitions, in lieu of judicial interpretation, in rationalization of the court's value judgment. Such definitions are often as tyrannical as the labels they generate and a good deal of the semantic prior art on trademark registrability puts one in mind of a dog chasing its own tail.

Thus, for example, the truism that every generic word is common and descriptive does not mandate the conclusion that every common or descriptive word is perforce generic. To characterize a term as "generically descriptive" or to say that a word is a "generic term descriptive of a product" is circularly unrevealing.[9] It would be equally as informative to say: "A definition is something that defines something." But why beat a dead dog - especially one that died chasing its own tail?

The prime mischief maker in this context may well be the "generically descriptive" label, a Patent Office conception which was intended solely for administrative convenience in processing trademark applications. Some twenty-three years before Miller, the Commissioner of Patents cogently characterized that redundant phrase as "meaningless":

> "What does the term 'generically descriptive' mean? Generic is a word meaning pertaining to, or having the rank of, a genus. A 'genus' is a class; order; kind; sort. '-ally' is an adverbial suffix used with adjectives ending in 'ic'. 'Descriptive' means expressive of the quality, kind or condition of that named by the term to which it attaches as adjunct, without particularization. So far as has been found, the term is reserved for use in trademark legal parlance; but analysis of the term, even there, shows that it is meaningless. If it is used to mean that a given word identifies and is commonly used and recognized as describing a class, or order, or kind, such word might be termed 'generic', but, it seems preferable to say, in such a case, that the word is commonly used and commonly recognized as identifying or describing a class of goods in which the applicant's product falls." (Emphasis added).[10]

Notwithstanding that candid admission, several courts endorsed the "meaningless" term and, without benefit of supporting analysis, injected it into the mainstream of trademark law.[11] It seems clear, on analysis, that the Miller opinion was affected by that toxin.

If a "generically descriptive" term is disqualified as a trademark, it seems fair to assume that its converse--a "non-generically descriptive" term--would be registrable under the judicial formulations quoted above. (The other possible permutations--"non-generically non-descriptive" and "generically non-descriptive--seem to suggest registrability.) On that assumption, the obvious spoiler is the word "generic" and not the word "descriptive." But if we are then obliged to quantify "descriptiveness," we are launched on another excursion into semantics.

Before we proceed, Darwin-like, to an analysis of the "origin of the species", another variation on the Miller theme is deserving of mention. In Waples Platter Co. v. General Foods Corp., the court's formulation emphasized the "strength" of the mark in the buying public's perception, rather than the glow of its hue in the so-called spectrum.

> "Trademarks are characterized as running from strong to weak. The relative strength of a trademark is but a legal shorthand for the breadth of protection to be afforded the mark and is based ultimately on the consumer's recognition of the trademark as the hallmark for a particular source of a product or a type of products . . . . The traditional analysis of the relative strength of a trademark is twofold. The first stage is to characterize the mark as 'weak' or 'strong' based solely on an investigation of the mark itself. If a mark is 'generic' (by virtue of including the proper name of the product or of an essential ingredient), it is clearly weak. Conversely, if a mark is 'arbitrary or inventive' (by virtue of being completely nondescriptive or by use of a fanciful name), it is clearly strong. Other marks fall into a nebulous middle ground, ranging from suggestive (strong) to descriptive (weak). . . . A trademark is descriptive if it conveys to potential customers the characteristics, functions, qualities, ingredients, properties, or uses of the product."[12]

Whether we start with a diffused "hue" or weak "muscles," under the above formulation Miller's "Lite" might well have qualified as a *non*-generic, if descriptive, trademark because it was attempting to convey to "potential customers some characteristic, function, quality, ingredient, property or use of the product." Although the muscular impact of a wholly generic mark is presumptively "weak," a "descriptive" or "merely descriptive" mark would be somewhat stronger, if only by virtue of being a smidgin more informative or imaginative, than a "common descriptive" name or generic term. "Ale" or "Malt" would, of course, be as generic as "Beer," but any term that is not a mere synonym for "Beer" should be assessed with less judicial jaundice and more gusto.

The Miller court defined a generic mark as ". . . one which is commonly used as the name or description of a kind of goods." (Emphasis added). Note again the circularity in defining a term with some of the very words at issue - "common" and "descriptive." As semanticists attest, it is unproductive to define an imprecise word with other imprecise words and equating all common words with genericism is not the solution.

The fault is neither in the stars nor in the spectrum. In an earlier landmark case, the Seventh Circuit recognized that the "line between descriptive and suggestive marks is scarcely pikestaff plain."[13] If the line of demarcation between those statutorily discrete categories is so indistinct, the lines of demarcation between the "common descriptive" name, the "merely descriptive" mark, and the "descriptive" term must surely be gossamer stuff. Indeed, as that very same opinion goes on to say, "pikestaff plain" or no, the distinction is "difficult to draw and is, undoubtedly, often made on an intuitive basis rather than as the result of a logical analysis susceptible of articulation." The critical question remains: How should a court determine where the mark sub judice falls within the spectrum of its own formulation?

In making this determination, the courts admonish against resort to dictionary definitions and "hypertechnical philological analysis" and suggest, in lieu thereof, a determination of "whether a certain mark is a singularly appropriate word for conveying information with respect to the nature" of the product in question.[14] Regrettably, the admonition is more honored in the breach than in the observance and, following precedent, let us do likewise here with respect to some of the possible and many-splendored meanings of "light," which also applies to its phonetic equivalent "lite."

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"Light," denoting a form of radiant energy, is used as a general term for any luminous effect discernible by the eye, from the faintest phosphorescence to the blaze of the sun. As a noun, it may be associated with bulbs, neon tubes, fire and all other forms of natural or man-made illumination. As a verb, one can light up, on, in, into and even out. As an adjective, it may mean pale, weightless, airy or short of funds. In the building trade, light is a window and in our sexually liberated society, it is even a synonym for "gay." And one can be lightfingered or lighthearted and trip the light fantastic from light opera to light quantum.

The foregoing list, less extensive than it is illuminating, only "highlights" a basic issue. The meaning of "light" in any context ultimately turns upon the "light" (context) in which it is used and by whose "lights" (perceptions) it is being interpreted. For candles, "light" may well be generic; for the name of a bank or insurance company, it may well be arbitrary. Context is all-important. What impression does it make on those to whom it is addressed? "Light" for a brew could just as readily have been a term which the buying public understood as an ale, light in color as contrasted with a dark malt. A survey would have disclosed any such perception. However, the Miller court, intuitively or otherwise, glibly equated "lite" and "light" with "less filling, low calorie beer," and it did so on its own perceptions and without any reference to the public's perception of that usage.

The court cited dictionary and chemical reference works to support its premise that "light" had been widely used in the beer industry for many years to describe a beer's color, flavor, body, or alcoholic content, and concluded therefore that "light" as an adjective "is clearly a common descriptive term when used

with beer." With Humpty-Dumpty's logic, the Miller court, in effect, says: "A word means exactly what we say it means, neither more nor less; i.e., 'Light' is generic because we say that it is a common descriptive term in the trade." But what may be, arguendo, generic in the trade is not necessarily generic to the consuming public whose perceptions of a trademark should be the only true measure of its viability as such. As Judge Friendly observed in Hunting World, a term that is generic in one context may not be generic in another context because of differences of usage in time or product, differences in meaning to different users, and even different usages with respect to the same product. "A term may thus be generic in one market and descriptive or suggestive or fanciful in another." The mere fact that a lexicographer or a semanticist may deem a word to be generic, because of its scientific or etymological roots, does not make it generic for the consuming public.[15] As Judge Learned Hand cogently said, in holding "Aspirin" to be generic: "The single question, as I view it, in all of these cases, is merely one of fact: What do buyers understand by the word for whose use the parties are contending?"[16] In short, the single question is what image does the mark convey to the buying public? Does the public believe that the primary, principal or only significance of the word is the generic name of a product, or does it regard that usage as a source-indicator of the product? Survey evidence is now deemed highly persuasive precisely because it is the public's perception of the mark as a matter of fact (and not the court's perception as a matter of law) which is the true measure of trademark tenability.[17]

As the courts have recognized, many terms are commercially ambidextrous in the sense that they can concurrently function in several capacities. They can, for example, be used

in a generic sense for one class of purchaser or one class of goods and, at the same time, as a non-generic source-identifying trademark for other classes of customers or products.[18] As Hunting World clearly recognized, the buying public may assume a word to be a trademark, even though the expert or professional deems it to be generic, and vice versa. If a term has such dual import, a court may properly fashion injunctive relief designed to protect its trademark value, however minimal, for some uses, without impairing its public domain status for use by others. This is often accomplished by mandating the disclosure of information identifying the source or origin of the product on the premise that the word has acquired a surface veneer of what has been erroneously called de facto secondary significance.[19] Such disclosure, it is blandly assumed, will either dissipate or minimize the likelihood of confusion arising out of the concurrent use of similar competitive marks.

Although rules of thumb are invitingly seductive, a label (like "generically descriptive") is often transformed, by repetition, into an automatic stamp of rejection. Such an absolutist approach to the law of unfair competition is inconsistent with the underlying concept that equitable considerations always require a balancing of conflicting interests. (As we have recently come to appreciate, the ad hoc approach to the administration of justice is pragmatically more rewarding than the absolutism of the per se rule.20) Every trademark contest, whether it concerns registrability, the likelihood of confusion, infringement or dilution, should be resolved in its specific frame of reference and by the "lights" of those who are principally affected -- the consuming public.

In a decision handed down, oddly enough, the very same day as Miller (but later amended on rehearing), the Seventh

Circuit held that the trademark "Arm & Hammer" had not become "generic" for baking soda.[21] Adopting the ad hoc approach, the court quoted the following language from Feathercombs Inc. v. Solo Products, Corp.[22] "A mark is not generic merely because it has some significance to the public as an indication of the nature or class of an article. . . . In order to become [or be] generic, the principal significance of the word must be its indication of the nature of class of an article rather than as an indication of its origin." (Emphasis in original). It seems clear that Miller's "Lite" would have fared far better had the case had been heard (or its "hue" perceived) by that panel of the Seventh Circuit.

THE MARK IN A CHANGING MARKETPLACE: "BECOMING" GENERIC

The cancellation proceeding authorized by § 14(c) is, of course, directed at a mark which becomes (as contrasted with was, when registered) generic.[23] In every formulation, the fanciful, arbitrary or newly coined trademark always gets star billing. Their hue, said Miller and the progeny it spawned, is the most distinct and, muscularly, they are the strongest marks possible; ergo, they get top priority for trademark registration and protection. But, anomalously enough, it is always those veritable Kilimanjaros among trademarks which lose their tenability as such. Despite their stellar rank for distinctiveness on every trademark scale, it is those marks which most frequently fall from grace into the ignoble depths of Generica. Witness the sad fate of such once proud and arbitrary marks as "Aspirin," "Thermos," "Cellophane," "Escalator," and "Frigidaire."

Understandably, it is the coined or fanciful mark which is the most likely to be subjected to § 14(c) cancellation proceedings. Coveting its advertising image and strong promotional

appeal, jealous competitors will be quick to claim that a minted term with wide popular acceptance has become the common descriptive name (the generic) for the product they all sell. The "genericization" of other registered marks, especially those with secondary meaning, is usually challenged by way of defense to an infringement action. By distorting § 14(c), which is concerned only with the mark that "becomes" (as contrasted with the mark that "was," when registered) generic, into performing a service for which it was not conceived, the Miller court has exposed all secondary meaning marks (those which were "merely descriptive" in limine - whether registered or not) to retrospective invalidity. If that was the intent of the Miller court, the "merely descriptive" mark is not just a "merely" endangered species but a "highly" endangered species!

As the Seventh Circuit said in Union Carbide v. Ever-Ready: "The chief inquiry [in determining secondary meaning] is directed toward the purchasers' attitudes toward a mark".[24] But the burden of proof imposed upon the claimant in this regard may well be insuperable once the generic tag has been affixed to its mark. It is easier, and certainly more dispositive, for a court to tar the mark at issue with the generic brush than to classify it as "merely descriptive." To quote from Ever-Ready again: "It is easier to establish secondary meaning where the term used, while descriptive, is not generic."[25] (Emphasis added.) Although that statement seems to suggest that even a mark which has been labelled generic can qualify, albeit with much more difficulty, for registration under § 2(f), the exegesis which accompanies many of the judicial formulations quoted above clearly indicates the contrary, i.e., that the common descriptive or generic term is genetically doomed at birth and is, therefore, beyond redemption for trademark viability.

If, on the other hand, the above-quoted statement means that the generic tag is not the death knell it seems to be, further inquiry must then be made to determine whether the mark qualifies for protection or registration within any of the acceptable formulations. The Miller decision, of course, allegedly deferred that ultimate inquiry to the trial on the merits, but it did so under a dark and threatening cloud which the hue of "Lite" - even based on the public's perception thereof - may never successfully penetrate.[26]

DEFUSING THE GENERIC BOOBY TRAP - ALTERNATIVE TECHNIQUES

Post-Miller attempts to reconcile the "generically descriptive" tautology with one of its statutory siblings - the category of "merely descriptive" - have generated a cluster of inconsistent explanations. The Court of Customs and Patent Appeals, for example, reminded itself that it had once equated the adverb "merely" in § 2(e)(1) with "only" or "exclusively."[27] So read, the lowly "merely descriptive" category would be reserved exclusively for descriptive trademarks which are totally devoid of all other meaning. If, in addition to conveying some descriptive information respecting the product, the court finds that the trademark conveys the hint of an idea or that it requires a smidgin of imaginative thought by the public to relate it to the source of the product, the mark would not then be "only descriptive." It's glow could then pierce the next hue in the mythic spectrum as a "suggestive" mark, registrable even without proof of secondary meaning. As the court restated its own formulation:

> "Although a mark may be generally descriptive, if it also functions as an indication of origin, it is not 'merely descriptive' . . . . However, implicit in this test is the requirement that the descriptiveness of a mark when applied to the goods or services involved is to be determined from the standpoint of the average prospective purchaser." (Emphasis added).[28]

Other attempts to save the mark sub judice from categorial consignment to Generica have been equally inventive. By way of illustration, consider these "lillies" and how they may grow:

1. A mark is not "merely descriptive" if it is "not directly descriptive."[29] (Here, reasoning by exclusion, the court assumed that the negative somehow reveals the positive; so read, "merely" is less damning than it might otherwise seem to be.)
2. A "merely descriptive" mark is one which is "highly descriptive."[30] (Here, reverse English supports the court's assumption that its adverbial change is all-clarifying. In short, by grammatically quantifying the descriptiveness of the mark at issue, "merely" can have a less pejorative ring.)
3. The "merely descriptive" mark and the "common descriptive" name are independent and discrete statutory categories and, accordingly, are not conceptual equivalents either for registrability or otherwise.[31] (This often-ignored threshold distinction requires a preliminary judicial determination which can have ultimate significance.) A court which combines or equates the two ignores the premise that "a generic or common descriptive term is commonly used as a name or as a description of a kind of goods and, therefore, is barred from registrable trademark status under all circumstances. A merely descriptive term, on the other hand, specifically describes a characteristic or ingredient of an article and will qualify as a valid and registrable trademark by acquiring a secondary meaning."[32] Thus, in directing the cancellation

of the registration for "Primal Therapy," it was noted that:

> "There has been, over the years, an unforunate confusion between the terms 'merely descriptive' in § 2(e)(1) of the Trademark Act and 'common descriptive name' in § 14(c) of the Act and a further confusion caused by the use of the phrases 'generic name' or 'generic term' as synonyms for 'common descriptive name.' A 'common descriptive name,' in the sense meant by § 14(c), is a common noun for a product or service. A 'merely descriptive' term, in the sense of § 2(e)(1), is an adjective which describes some attribute of a product or service. There is, in reality, no continuum of shades of meaning from a 'merely descriptive' term to a 'common descriptive name' for a particular product or service at a given time. They are different parts of speech. This is not to say that an adjective cannot become a noun or vice versa; such linguistic changes have happened throughout the ages. But this should not obscure the concept that, at any given time, a word may be defined for a tangible item or for an intangible idea either as a noun or as an adjective."[34]

4. "Generic marks" are those composed exclusively of a word or combination of words which only identifies the essential nature of the particular product, e.g., "bread." However much money is poured into its successful promotion, such a mark is initially, and forever after, in the public domain and freely available for use by all. Ergo, the mark can not be exclusively appropriated by anyone and is incapable of ever attaining registrable trademark status. On the critical issue of relief, however, as one court at least inferentially suggested, even such a generic mark may qualify for a modicum of injunctive protection.

> "To the extent that the word is generic, an injunction can be tailored to protect defendants' right to use the word generically. To the extent that the word is descriptive, distinctions must be drawn as to the use to

> which defendants have put the word. If a competitor uses a descriptive word in its trademark sense as a 'symbol to attract public attention' and accomplishes its purpose by adopting the trademark holder's distinctive typestyle or emphasis upon the descriptive word, such use can be enjoined as trademark infringement or unfair competition."[33]

There is, of course, something peculiarly antithetical (perhaps it is only visceral) to the use of the term "trademark" in proximity with the qualifying word "generic." Ex hypothesi, the two should be mutually exclusive, if only because the generic name of a product or service does not truly function as an origin-indicator on the market - the raison d'etre of the trademark. But, to paraphrase an unknown playwright of antiquity: "What's in a name? Would not a product called by any other name still be the same?" The answer, of course, is yes, but the latter name (although generic for a different product) might still qualify as a registrable trademark when used in its non-generic sense. To continue the paraphrase, that which we call a rose by any other name would smell as sweet; thus, the name "skunk" for rose might well be registrable as a trademark. The fact that "skunk" is generic for another genus does not disqualify it as a protection-worthy trademark for the wholly unrelated genus of roses.[35]

It is relevant in this context to consider, in passing, the judicial approach to the mark which is composed of commonly used words only. Is such a composite mark deemed "merely descriptive" and automatically consigned to Generica? Although a common word may suggest a number of things, it may still fall short (whether used alone or with other words of common import) of describing the product or service in any one degree of particularity. Accordingly, a sympathetic court could seize that straw to save the mark from exile to Generica. For example, for purposes of registrability, "The Money

Services" (for a financial service involving the computerized transfer of funds from a debtor's savings account to retail stores) was not deemed "merely descriptive" because it did not either "directly or indirectly convey any vital purpose, characteristic or quality of applicant's service." The same three common words could be used, with equal accuracy, for other monetary services (check cashing, foreign currency exchange, etc.). "To effect a readily understood connection between applicant's mark and its services requires the actual or prospective customer to use thought, imagination and perhaps an exercise in extrapolation." On that rationale, the mark, composed of three words of clearly common import, was held registrable as suggestive and not "merely descriptive."[36]

Tracking the Hunting World footpath for the term "Safari," some courts have confined the adverse impact of the generic designation to its use in <u>that context only</u>. Thus, for example, although the mark "Rugger" was held to be generic for bold-striped sport shirts and other items commonly associated with the English sport of rugby, it was deemed nongeneric for concurrent trademark usage on non-rugby related merchandise. Although a generic term, even one blessed with secondary meaning, is allegedly non-registrable inherently, no matter how successful its promotion and public acceptance, the disability attaches only to its use in <u>that</u> generic context and its trademark use in other non-generic contexts is not contaminated thereby. As the court properly concluded: "However, application of a generic term in a suggestive, arbitrary or fanciful manner may permit registration of the term for it no longer interferes with describing a product by its correct name."[37]

Although the common word is "incapable of attaining trademark status . . . [d]escriptive words stand on a better footing in that they can become trademarks if they gain a secondary

meaning. . . . As a final observation, a trademark may shift categories, depending upon the product to which it is affixed. Applying these elementary principles, . . . it is clear that 'polo' is generic to polo shirts and coats, descriptive as to other shirts and coats and fanciful as it is applied to other articles of wearing apparel."[38]

It appears, therefore, that alternatives are available if the court is desirous of defusing the "generically descriptive" boobytrap. By parsing the elements of a composite mark consisting of common words, a "merely descriptive" trademark can be qualified for registration without even stretching for that legally redeeming virtue of secondary meaning. This approach features in a well-reasoned opinion involving the "Better Business Bureau" trade name. The court rejected the charge of genericism on the following analysis:

> "The distinction between a mark which is the 'common descriptive name' of the goods and/or services in question and one which is 'merely descriptive' of them is well established.
>
> Generic terms, those which are the common descriptive name of an article or substance, can never be registered or entitled to trademark protection. Merely descriptive terms are not accorded protection either unless they have become distinctive or have acquired secondary meaning.
>
> "It is significant that the Patent and Trademark Office never took the position that the Better Business Bureau Mark was 'the common descriptive name,' i.e., the generic name, of the services. Rather, the Patent and Trademark Office took the position that the mark was 'merely descriptive,' a position which was overcome by an appropriate showing of secondary meaning and distinctiveness resulting in registration of the Mark, a registration which had now become incontestable. Defendant has offered no proof either on the law or facts which establish that the collective and service Mark Better Business Bureau is generic.

> "It is manifest that Better Business Bureau cannot be the common descriptive name for the services which the Council provides. There are many common and well known ways to describe organizations offering these types of services, e.g. 'Consumer Protection Agency,' 'Business Ethics Council,' 'Association for Honest Advertising.' The name, Better Business Bureau, is certainly not the genus which describes all of these, but clearly described only Council and its member Bureaus.
>
> "Defendant has offered no evidence or authority under which the court can find the Better Business Bureau Mark generic. On the contrary, defendant's evidence and admissions are dramatic proof of the Mark's distinctiveness, rather than its being 'the common descriptive name.'
>
> "Defendant's argument that the Mark is generic and, therefore barred from incontestability under 15 USC § 1065(4) is without basis. It follows that the Mark must be treated as incontestable and be accorded all the benefits flowing therefrom.
>
> "In view of all the foregoing, the only conclusion that can be reasonably drawn is that the Mark, Better Business Bureau, is in fact highly distinctive and has obtained a great and valuable secondary meaning which is entitled, in equity, to protection against defendant's misappropriation. Thus, even if Defendant had standing to raise its merely descriptive defense, which it does not because of the incontestability of Council's registration, that defense must fail since the Mark is not merely descriptive but is a clear indicator of origin." (Emphasis in original)[39]

The Miller mystique fades when it is recognized that "descriptive" and "generic" are not truly synonymous. On a post-Miller appeal of a pre-Miller decision, the appellate court cogently observed: "A descriptive trademark, while not generic, conveys to the consumer an immediate idea of one or more of the ingredients, qualities or characteristics of the product to which it applies."[40] That case involved the registrability of two established trademarks for deodorizers - one was a design in the shape of a pine tree and the other was the word mark "Car-Freshner." To avoid the disabling impact of Miller, the appellate court opted for the negative approach in holding that the pine

tree design was "not directly descriptive." In other words, as the design was not merely descriptive of any ingredient, property or function of the deodorizer itself, the court classified it as "merely suggestive," "requiring the operation of imagination or perception for a consumer to connect the shape of a pine tree with the functioning of an air deodorizer."[41]

The word mark "Car-Freshner," however, was ranked somewhat less favorably on the following rationale:

> "While the matter is not without doubt, this Court is of the opinion that the term 'Car-Freshner' is merely descriptive, as applied to the competing products in issue, rather than generic or commonly descriptive. Despite defendants' assertions to the contrary, . . .a car freshener does not freshen cars; rather, it deodorizes the air contained within automobiles (as well as homes, offices, and like places). The plaintiffs' 'Car-Freshner' trademark, which is accorded presumptive validity because of its registration,. . . is therefore valid absent a showing of lack of secondary meaning. Because this Court considers the determination of secondary meaning vel non to be an issue of fact, upon which proof should be taken,. . . the validity of the 'Car-Freshner' trademark will not be determined upon a motion for Summary Judgment."[42] (Emphasis added)

Denying preliminary injunctive relief against the defendants' use of the identical term in a catalogue (which, as the court pointed out, was distributed to wholesalers only, and not to the public), the court went on to say:

> "Fair use of a descriptive trademark, such as when the mark is utilized solely to describe the products of another, is an available defense to a trademark infringement action. . . . The Court cannot say with any degree of certainty that the defendants' use of such a highly descriptive term as 'car freshener' [sic] does not fall within the fair use defense."[43] (Emphasis added)

In similar vein, the trademark validity of "20th Century" was challenged on the claim that "Century Saddles" was a generic term descriptive of a class of saddles. The court, however, held that:

> ". . . the term '20th CENTURY' is neither 'generic [n]or common descriptive' because there is no proof that it is 'commonly used as

> the name or description of a kind of goods . . . which cannot become a trademark under any circumstances.' (Citing Miller) Nor does it '[describe] a characteristic or ingredient' of saddles in general, or saddle nails in particular. (Citing Miller) Neither the word 'Twentieth' nor the numeral '20TH' describe any ingredient, attribute or size of the saddle. This Court finds that the term '20TH CENTURY' is 'a[n] arbitrary or fanciful' term, used in an arbitrary sense, and 'enjoy[ing] all the rights . . . [of] marks - without the need of debating whether the term is 'merely descriptive' and with ease of establishing infringement.' (Citing Hunting World)"[44]

Even pre-Miller, a slogan composed entirely of commonly used descriptive words could nonetheless qualify as a registrable trademark. When the long-term user of the registered slogan "Underneath It All" (for ladies' undergarments) sued a major rival for its use of the very same slogan for commercially related goods, the latter countered with the charge that the slogan contained common words only and was "merely descriptive." Rejecting that defense, the court held that the slogan, was an "imaginative and suggestive arrangement of words not previously joined together in common usage," reasoning as follows:

> "The phrase is, of course, descriptive in that it accurately states that undergarments are worn underneath outer garments. But I have no difficulty in concluding that Munsingwear's use of the phrase reflects those additional creative and imaginative elements which render it 'suggestive' within case law definition of that word. The phrase suggests, at least to the Court's lay ears, that Vassarette products are the very foundation of beauty; that the art of hairdresser, cosmetician, and dressmaker alike come to nothing if a Vassarette is lacking underneath; that, as a Francophile would say, au fond beauty begins with Vassarette; or, as an accountant would say, Vassarette is the 'bottom line.'"[45]

A trade name, adopted and used as a service mark, must run the same semantic gamut. In holding that the defendant's "Sun Federal Savings" so resembles the plaintiff's "Sun Banks of Florida, Inc.," (for competitive financial institutions) that

confusion over sponsorship was likely, the court capsulized Miller as follows:

> "A generic term is one that refers to or has come to be commonly used as the name or description of a particular kind of goods. (citing Miller) Such a term cannot become a trademark no matter how much money is spent on its promotion. A descriptive term identifies certain characteristics or ingredients of a product and it can become a valid mark by acquiring secondary meaning (citing Miller). A suggestive term is one which suggests the nature or characteristics of the goods and 'requires the observer or listener to use imagination or perception to determine the nature of the goods' (citing Miller). A suggestive term can become a valid and protectible mark without a showing of secondary meaning. Finally, terms that are either fanciful or arbitrary are those which do not describe or suggest the nature of the goods or services and such terms enjoy the same protection as suggestive terms" (again citing Miller).[46]

Despite its citation-deference to Miller, the court rejected the defendant's claim that "both sun and bank are free features . . . only entitled to limited protection" and that the slightest modification thereof will effectively preclude infringement. Equally short shrift was accorded the defendant's attempt to ride the jus tertii rails by citing an "impressive array" of similar names (culled from official records, federal registrations, telephone directories, and data supplied by trade name search services) to establish widespread third party usage. "Except for what could be gleaned from the name itself, many of the uses presented by defendant gave no indication of the nature of the business involved. Moreover, defendant presented no evidence of the extent of the use of these names in advertising and promotional activities." "Bank," of course, is indisputably a word of generic import and "may be said to generally describe a type of institution." However, the name "Sun Bank", by the mere addition of "Sun" - an equally common word - was held to be not descriptive of the banking and bank-related services offered by plaintiff. Neatly sidestepping Miller, "Sun Bank" was then accorded

the lofty status of an arbitrary term entitled to protection, even without a showing of secondary meaning.

Summing up, to avoid the stigma of "generic descriptiveness," many courts have found justification, however minimal, for the conclusion that the mark sub judice casts one of the more readily discernable "hues" in the so-called spectrum of registrable or protectible (even if non-registered) trademarks or trade names - i.e., from merely descriptive to suggestive to arbitrary. As the foregoing cases demonstrate, this can be accomplished, if judicial intuition or inventiveness is so inclined, by:

(1) the semantic device of creating new subphylla for the "merely descriptive" category under such quantifying terms as "generally," "principally" "exclusively" "highly," "clearly," "not directly," etc.;

(2) a factual finding supported by some proof, however slight, that the mark at issue is "not wholly descriptive" or "not directly descriptive"; or

(3) reference to some other product or service to which the public might reasonably or even conceivably relate the mark at issue and thereby remove it from a purely generic context.

But all such techniques, it is clear, are only means to an end and really do little, except ad hoc, to clarify the law for future guidance. Whatever the merit or justification for the individual result, the progeny spawned by Miller is a mixed breed which detracts from the structural integrity of trademark law and, in some instances, is at variance with both legislative intent and judicial precedent.

Any "stigma to beat a dogma" is still a permissible strategem, and if there is judicial animus either against the mark sub judice or the manner of its use, the court can, with equal

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logic, apply any of the same techniques described above to invalidate the mark. Thus, for example, in an opposition proceeding it was somewhat glibly said:

> ". . . neither priority of use nor ownership of a registration is involved. This question concerns an equal right of a party to use a designation. That is, it has been consistently held that damage to an opposer may be presumed or inferred when the mark sought to be registered is descriptive of the goods and the opposer is one who has a substantial interest in, or is using, the descriptive term in its business. . . . The rationale behind this is that all persons in a particular industry or field have a right to use a merely descriptive term to describe their particular products and that, if a registration should issue for said term, the presumptions afforded the registration under § 7(b) of the Statute would bestow upon the owner thereof a prima facie right to the exclusive use of the registered mark in commerce. From this right obviously flows the prima facie right to exclude others from use thereof in commerce, which is inconsistent with a right to use a merely descriptive term freely."[47]

As the foregoing discussion demonstrates, some courts, mystified or mesmerized by the Miller opinion, appear to be straining to distinguish it and thereby save the mark sub judice from generic doom.[48] Others have merely compounded the confusion by attempting to reconcile Miller, legally or etymologically, with accepted trademark learning. Regrettably, the use of additional adverbs or adjectives in an attempt to "clarify" another one often turns out to be an exercise in philological futility. Combining adjectives or adverbs, or qualifying an adjective with an adverb, is realistically no more edifying than the proverbial treadmill to semantic obscurantism. Such verbal legerdemain does little to establish distinctive lines of clarity, pikestaff plain or otherwise. Indeed, precedent in this context is much too limited in ad hoc value to enable an attorney to function effectively either as a counsellor (in passing on the client's selection of a mark) or as an advocate (in litigating the client's trademark rights against others). It

is singulary unrewarding to "hit the books" for the purpose of opining where a client's descriptive mark is likely to fall within that vast, uncharted and adverbially disparate range between not "totally," "directly" or "wholly" descriptive and "highly," "clearly" or "principally" descriptive. The post-Miller contours of trademark law are too amorphous to limn the hue of each band in the spectrum which allegedly distinguishes the registrable from the non-protectible mark. As recently noted by the Second Circuit: "In an effort to liberate trademark law from the 'welter of adjectives' which had tended to obscure its contours, we recently reviewed the four categories into which terms are classified for trademark purposes. [citing Hunting World's "ascending order of strength"]... Thus, while these categories can be useful for analytical purposes, the strength of a mark depends ultimately on its distinctiveness, or its 'origin-indicating' quality, in the eyes of the purchasing public" (Emphasis added).[49]

To set the scenario in proper perspective, a threshold distinction must be respected. A generic product name on the marketplace only purports to answer one of the following questions: "What kind of thing are you?"; "Who goes there?"; "Do you have identification?" (A typical but disabling answer is: "I am bread.") A properly conceived mark which truly functions as a trademark, should attempt to answer one or more of the following questions: "From whence did you come?"; "Who brought you to market?"; "What is your origin?" (A typical but qualifying answer would be "I am X brand bread.")

Most of the post-Miller litany ignores this critical distinction and, by piling adverb or adjective on other adverbs or adjectives, suggests that such quantifying comparatives as "highly", "principally" or "generally" or such negative concepts as "not directly" or "not wholly" can distinguish the generic "mark of

Cain" from the genuine trademark. But, as experience has demonstrated, words of degree are almost always rationalizations of value judgments already made, rather than firm principles of law. Then, too, there is the omnipresent risk that such new words, which may have been invoked only to resolve the case at bar, will eventually seep into industry jargon and become sanctified legally by repetition.

Semantic quantification is not made more perceivable by additions to statutory phrases. We are familiar, of course, with similar quantifying distinctions in the law of torts. Such words as "gross", "slight" and "ordinary", to describe both the duty of care and the inverse degree of negligence for which one is legally answerable, are now virtually etched in stone. But, are they not rationalizations for the ultimate finding? Whether a term is to be doomed to non-registrable purgatory by the positive label "highly descriptive" or is redeemed by being classified negatively as "not directly descriptive", the fact remains that the court is only expressing its intuitive reaction to that term and its use in the marketplace, either by its own perceptions as a matter of law, or by its appraisal of the public's perception as a matter of fact.

As already indicated, one hopeful ray of "light" may be emerging from the post-Miller learning. Judicial reliance upon a less grammatical approach to trademark classification, at least for the purpose of registrability and protection, is becoming increasingly evident and in lieu of biological classification under genus and sub-specie phylla, many courts are now analyzing the "muscular" impact of the mark at issue. Is it "weak" or "strong"? The weaker the mark, the more descriptive; ergo, the less qualified for registration and the more constricted the scope of its protection. The stronger the mark, the more arbitrary or secondarily significant; ergo, the more qualified for registration and the broader the scope of its protection. This approach to trademark classification is

neither new nor novel. In determining the likelihood of confusion, infringement and other cognate issues, the commercial impact of the mark has long been an accepted standard.[50] With respect to registrability, the newly directed emphasis on the mark's muscle may prove fruitful, but it remains to be seen whether that approach will dispel the potentially crippling miasma of Miller. If it doesn't, and the "merely descriptive" mark remains on the endangered species list, legislative action may be required to protect it against further attrition and extinction by continuing judicial or administrative hostility.

PERIPHERAL IMPACT: "AS IN A BEER GLASS DARKLY"

The Miller syndrome has not been contained and its fallout has now infected the Supplemental Register - once regarded as a residuary repository for all non-proscribed marks which are otherwise deemed non-registrable, at least initially, on the Principal Register.[51] In affirming the denial of the Supplemental Register to "Multipoint Data Service," damned by the Examiner as "generally descriptive of or the apt name for applicant's service," the Trademark Trial and Appeal Board said:

> "It is also apparent from the language of the statute that the prohibition of §2(e)(1) against the registration of merely descriptive marks on the Principal Register is not applicable to an application to register a mark on the Supplemental Register. That is, a mark which is descriptive or even merely descriptive of an applicant's goods or services, although unregistrable on the Principal Register, may constitute proper subject matter for the Supplemental Register.[52]

However, the Board's opinion continues, even the safe harbor of the Supplemental Register will be off limits to a mark which is

> "incapable of performing as an indicator of origin for particular goods or services and this contemplates generic terms, apt descriptive and common descriptive terminology for the goods

> or services in question and, if it can be differentiated from the foregoing, terms that are so highly descriptive of the goods or services in issue as to be devoid of the capacity of denoting origin in any one particular party in the trade." (Emphasis added).53

Even more significant is the radial effect the Miller decision may have on the incontestability of a trademark which is challenged as "generically descriptive."54 Under Miller, a challenge to the validity of a registered trademark can be based on its alleged genericism, either when registered or thereafter. But if the trademark at issue has attained the vaunted status of incontestability under §15, is it thereby insulated against attack for genericness? Although the judicial debate continues over the right to assert one's metaphysical right to trademark incontestability, either defensively as a shield or offensively as a sword, some courts, obviously spurred by Miller, have subordinated incontestability to the terminal penalty of genericness.[55]

Although incontestable status warrants a presumption of secondary meaning, if the mark has become a "common descriptive name," the presumption withers and the registration is expressly cancellable under §14(c).[56] Similarly, a mark's incontestable status was held to be no sanctuary for a subsequent user who, by trade dress simulation, inter alia, misrepresented the origin of his own goods in flagrant exploitation of the prior user's reputation. Although such abusive conduct, violative of §43(a), is not one of the stated predicates for the cancellation of registration under §14(c), injunctive relief was properly granted.[57]

A tenable distinction may be drawn between (1) the mark which is initially descriptive ("merely," "nearly," "not directly" or "clearly"), but registered because of its acquired secondary significance and which thereafter became incontestable, and (2) the mark which is initially suggestive or arbitrary and, although

likewise entitled to the statutory benefits of incontestability, thereafter becomes the common descriptive or generic name of the product. With respect to the latter, §14(c) of the Lanham Act expressly directs that, incontestable status notwithstanding, a registration is cancellable for any reason therein specified. Accordingly, one can proceed on the premise that incontestable status, once achieved, presumes the non-occurrence of certain conditions subsequent. However one reads §14(c), the Act has no counterpart authorizing the cancellation of a registration other than one for a mark which fell from the lofty heights of distinctiveness into the abyss of Generica. If, therefore, we regard the §14(c) cancellation provision as a penalty to be visited on the trademark owner who fails to prevent that transition, the absence of a parallel provision for trademarks which do not "become" common descriptive names, but which were registered despite an initially descriptive "handicap," may support the suggested distinction. (It is worthy of note that §15(4) mandates that no incontestable rights shall be acquired in any mark which "is" [as contrasted with "becomes"] "the common descriptive name of any article or substance, patented or otherwise" while §14(c) authorizes the cancellation of a registered mark which "becomes" (as contrasted with "is") "the common descriptive name of an article or substance." The two sections are clearly not mirror-images and, under classical rules of statutory interpretation, were not so intended. It is to be hoped that the concept of trademark incontestability, however metaphysical it may be, will not be further eroded by the overhanging Miller miasma.

Like mushrooms which flourish in the dark, the rapidly fading "light" of the Miller opinion may only encourage further

judicial and administrative sniping at all marks of descriptive import. Such a development, however, would be contrary to the learning of Hunting World on which the Miller court so heavily relied (and erroneously applied). It will be remembered (see the italicized portions of the quotations from Hunting World at page 2 above) that Judge Friendly emphasized the volatile and shifting nature of trademarks by reason of modern marketing techniques and that, as he also noted, even a generic term can become descriptive (Is this the reverse side of the §14(c) coin?)[58] if, by public acceptance and specific use, it acquires some descriptive or "merely descriptive" import. Literally read, however, the Miller opinion allows of no such possibility and it may therefore be interpreted so as to deprive all marks of any descriptive import (from "merely," "clearly", or "nearly" to "primarily", "principally" or "generically") of the right to promotional incubation, expressly sanctioned by §2(f), for the acquisition of secondary meaning. Without any realistic possibility of such redemption, the generic label will be fatal per se.

THE FEDERAL TRADE COMMISSION "RIDES SHOTGUN"

The real antagonism to the registration of "descriptive" or "merely descriptive" terms stems from the festering fear, which most courts candidly acknowledge, that a registrant may thereby acquire exclusive rights to the use of words which should be freely and equally available for use by all. The short and simple therapy for such monopolophobia is, of course, contained in §33(b)(4). That section provides that any good faith use of truly descriptive words (even if contained in a mark with vested incontestable rights) is a complete defense to a charge of infringement. With such shelter, one wonders why the Miller court found

it necessary to deploy the heavy artillery of genericism. Hunting small game with elephant guns has never been good sportsmanship.

The sound of those distant guns, however, became more insistent on June 1, 1978, when, marching to more militant music, the Federal Trade Commission authorized its very first petition in the Patent and Trademark Office to "cancel or restrict a trademark registration" under §14(c) for genericness. The petition charges that the long-established "Formica" trademark has become the common descriptive name for all plastic laminates and although it does not appear to have been triggered by the Miller decision, the challenge to the generic mark (nee common descriptive name) is now fortified with the full armament of the administrative process. Justifying the FTC's role as the vicarious avenger of, or surrogate for, the public interest, Commissioner Dixon pointed out that one enterpreneur might be reluctant to challenge his rival's trademark use of a generic term because of the expense involved and also because all competitors would then get the benefit of a "free ride". The Commission's public release, explaining its "Formica" petition, reads as follows:

> "A trademark is considered to be generic when the general public uses it to describe a class of products rather than identify a particular brand or manufacturer. Because only the holder of the trademark may use it, when a trademark becomes generic, competitors are prevented from using the term that appropriately describes their product to consumers. Thus, generic trademarks potentially create customer confusion about the true nature and comparative value of competing products." (Emphasis added).

In the initial skirmishes over jurisdiction, the Federal Trade Commission prevailed. Challenging the Commission's

authority to act, the registrant cited FTC v. Elder Mfg. Co.,[59] which held that a pre-Lanham Act registration, republished under the new law, was not exposed to a cancellation petition instituted by the FTC because no such proceeding was authorized by any prior trademark law. Emphasizing the administrative advantages of one Principal Register for all subsisting registrations, the Board expressly overruled Elder (which, surprisingly, had not been cited once during its 29-year life span) and held that registrations which, like "Formica", had been republished under the Lanham Act are vested with all of the rights and subject to all of the infirmities set forth in the new law.[60] Registrant's subsequent attempt to obtain appellate review through the extra-ordinary relief of a writ of mandamus and prohibition from the Court of Customs and Patent Appeals, predicated on the same challenge to the Commission's authority, proved equally unavailing.[61]

The direction and extent of the Federal Trade Commission's program with respect to Generica awaits definition.[62] Whatever the outcome of the "Formica" action, it is significant that the opening salvo has the force of administrative expertise behind it as well as the benefits of the powerful weaponry in the governmental arsenal. In an earlier opposition proceeding, "Formica" successfully repelled a similar charge of genericness but it should be noted that all of the presumptions, which normally favor the administrative protagonist, were not available in the private sector and, accordingly, that the battle between business rivals is more evenly waged.

It is, of course, beyond cavil that since 1946 the Commission has been authorized by statute to institute cancellation proceedings for any of the six conditions specified in §14(c). However, one may question the reasons which prompted the Commission's first action (in over 30 years) to cancel the registration of a mark for alleged genericness. Although it has been indicated

that the Commission conducted some sort of survey to determine whether the public believes "Formica" to be generic for all plastic laminates, the results of that study have not been revealed. It would, for example, be of interest to know what percentile of the sample group believed the mark to be the "generically descriptive" term for the product and thus galvanized the Commission into action.

The Commission has not yet taken the position that, in instituting the "Formica" proceeding, it was merely carrying out its statutory mandate. Contrariwise, the Commission has justified that action (as well as its position in respect of compulsory trademark licensing) on economic assumptions, admittedly unproven and questionable, distilled from antritrust law and tangentially related to market entry barriers and the pervasive public interest in lower prices for consumers.[64] How the continuing registration of a once arbitrary but now genericized trademark exposes potential rivals to greater financial burdens in effecting market entry, or otherwise prejudices their right to compete fairly in a free and open market (and even make use of the generic name under the "fair use" shelter provided by §33(b)(4)) is difficult to fathom. But even assuming arguendo the validity of the FTC's debatable economic assumptions, which appear to have been ransacked from someone's antitrust nightmare, it is even more mind-boggling to speculate on the cumulative impact (eventual if not immediate) of the Commission's two-barrelled assault on trademark law.

Ex hypothesi, the Commission's compulsory trademark licensing program[65] will likewise zero in on the well-established and highly successful mark which, Colossus-like, presumably "controls" or otherwise adversely affects the normal forces of competition in a relevant market. By mandating the licensing of that valuable mark to all comers, (ignoring for the moment problems

related to the royalty, terms, duration and procedures for quality control and the like), ex necessitate, the mark will soon become generic in the perception of the purchasing public. Having thus destroyed the quintessential value of a trademark as an origin-indicator, will the Commission then demand cancellation of the related registration (to unclutter the Register?) under §14(c)? Was such a double-barrelled frontal assault on trademarks, which is more confiscatory and penal in effect than remedial in purpose, Congressionally intended under the cover of either antitrust or trademark law?

One also wonders how much further the Commission will press its invasion. If, for example, after effecting the cancellation of the "genericized" trademark registration, the ex-registrant asserts his common law right to continue the use of the very same mark in competition with other users, will his persistence be civilly contumacious or criminally punishable under antitrust law? As indicated, §33(b)(4) clearly evidences the legislative intent to validate the free use of a mark which has been genericized, even without a prior judicial or administrative declaration. Having effectively deprived the trademark owner of the right to exclusivity of use, is it really necessary to "kill" the mark again by a cancellation proceeding? Does such "double jeopardy" exposure to the extreme sanction constitute "cruel and unusual punishment"? Should trademark law be used, administratively or prosecutorially, as a device for the indirect enforcement of antitrust law? And, conversely, should antitrust law be invoked as an indirect means of enforcing trademark law? Are we dealing here with remedial action or punitive sanction? There are, as yet, no clear answers to the foregoing questions, primarily because the Commission's program with respect to generic marks (as well as compulsory trademark licensing) is avowedly exploratory in nature.[66]

EPILOGUE

The contamination of trademark ecology, attributable to the Miller court's endorsement of the "generically descriptive" concept, has been further aggravated by judicial and administrative efforts to ferret out its meaning or avoid its threat. Like the bird that fouls its own nest, that tautological and "confusingly similar" phrase might itself qualify as an infringement of trademark law because of the actual confusion it has already generated. Hopefully, Miller will remain more of an aberration to be logically pondered than a precedent to be woodenly appled.

No one should be able to withdraw from the lexicon, for his own exclusive use as a trademark, generic or common words of descriptive import which theoretically are available for use by all. But, that truism does not, by itself, condemn the descriptive or merely descriptive mark which does in fact perform some trademark function.

If all such marks are fatally infected by the generic syndrome at conception, they would be doomed to stillborn death en ventre or premature death en route to the acquisition of secondary meaning. Genericide, by any standard, is "cruel and unusual punishment" and such an extreme sanction, which terminates trademark rights even after long use, promotion and policing, should not be invoked in deference to semantics only. Whatever the outcome of the FTC program, which presently, at least, appears to be addressed only to registered marks that have become generic because of the owners' failure to police trademark usage by others, the Miller opinion has broader implications. It is to be hoped that the apocryphal valley, where the skeletons of once proud and fanciful marks repose after they have become generic, will not, by virtue of Miller, become an open graveyard for descriptive and merely descriptive marks which are still capable of true trademark service.

FOOTNOTES

1. 561 F.2d 75, 79 (CA 7th, 1977), cert. den., 434 U.S. 1025 (1978), reversing the issuance of a preliminary injunction by the court below, 427 F. Supp. 1192 (WD Wisc. 1977), on reh. 427 F. Supp 1204 (WD Wisc. 1977).

Pre-Miller, the generic word was not unknown to trademark law. It was understood to relate to words in such common use universally as to be inherently unfit (and therefore disqualified) for trademark service. For relevant discussions, see Callmann, Unfair Competition, Trademarks and Monopolies (3rd Ed.) (herein cited as "Callmann"), §§ 70.4; 74; 74.2 and 98.8(b)(3). On some distinctions between "descriptive," "inherently generic" and "commonly descriptive" words, see Zivin, Understanding Generic Words, 63 Trademark Reporter 73 (1973).

2. 537 F.2d 4, (CA 2d, 1976); Miller's reliance on this opinion was misdirected. It does not support, even in dictum, the basic premises of the Miller opinion. See Callmann, §§ 70.4; 77.1; 82.1(a), sub (8); 82.1(1); 85(c).

3. 537 F.2d 4, 9-11.

4. 436 F. Supp. 354, 360 (DCND Ga 1977). The only statutory peg for the so-called "generic mark" is § 14(c) dealing with the cancellation of a mark that has become the "common descriptive name of an article."

5. 195 USPQ 634, 637 (DCND Cal 1977).

6. 437 F. Supp. 956, 963 (DCND Cal 1977). On the characterization of the fanciful or arbitrary mark as "strong," see n. 12 and n. 50, infra.

7. 432 F. Supp. 546, 551 (EDNY 1977).

8. The statutory label "merely descriptive", as it appears in § 2(e), is not qualified by the word "primarily" which precedes "merely geographical" in the very same section. As stated in World Carpets, Inc. v. Dick Littrells New World Carpets, 438 F.2d 482 (CA 5th 1971): "The word 'primarily' should not be overlooked, for it is not the intent of the federal statute to refuse registration of a mark where the geographic meaning is minor, obscure, remote or unconnected with the goods." Thus, if a mark has any connotation, no matter how minimal, beyond the purely geographical, it is not "primarily" geographical. See, e.g., In re Amerise, 160 USPQ 687 (TTAB 1969).

Reasoning in reverse, if the omission of "primarily" from "merely descriptive" was not a legislative slip, a mark which is descriptive in any degree, no matter how slight, would be doomed at inception as generic and, accordingly, beyond redemption for trademark service, even with an after-required patina of secondary significance. That conclusion would be at odds with accepted learning with respect to the redeeming value of secondary significance for the "merely descriptive" mark.

9. The Ductile Iron Society Inc. v. Gray Iron Founders Soc., Inc., 201 NE 2d 309 (Ohio Com Pl 1964). See generally Callmann, §§ 70.4 and 74.1.

10. The Alligator Co. v. Colonial Togs, 107 USPQ 326 (Commr, 1955), held that the mark "Galecoat" could stimulate a mental association of outerwear for windy or gale-like weather. However, as the prefix "gale" is descriptive only of "wind", and not apparel, the combined word was held to be non-descriptive and therefore not generically descriptive or generic.

11. The judiciary's unquestioning adoption of that tautological phrase is as mystifying as it is unrevealing. In Schulmerich Electronics, Inc. v. J.C. Deagan, Inc., 202 F 2d 772 (CCPA 1953), affirming the Examiner's refusal to register "Carrillonic Bells" as a trademark for electronically operated chimes, the court said: "And it has always been the rule that any such generically descriptive term may not be exclusively appropriated as a trade-mark, regardless of how long a claimant fortuitously may have enjoyed the exclusive use thereof in trade." (Emphasis in original) Other usages of "generically descriptive" appear in Kellogg Switchboard & Supply Co. v. Talk-A-Phone Co., 219 F.2d 446 (CCPA, 1955) ("Phone"); Application of True Temper Corp., 219 F.2d 957 (CCPA 1955) ("Crippled Shad" for artificial fish lures); In re International Staple & Machine Co., 223 F.2d 506 (CCPA 1955) ("Retractable Anvil" for stapling machine); Minnesota Mining & Mfg. Co. v. Minnesota Linseed Oil Paint, Co., 229 F.2d 448 (CCPA 1956); Henry Heide, Inc. v. George Ziegler, Co., 354 F.2d 574 (CA 7th, 1965).

12. 439 F. Supp. 551, 525, 526 (DCND Tex 1977).

13. Union Carbide Corp. v. Ever-Ready, Inc., 531 F.2d 366 (CA 7th, 1976). There, the court also conceded that the registration of a mark, without proof of its distinctiveness, indicates that the Patent Office "must have concluded that the mark was not merely descriptive." The benefit of that presumption was denied the plaintiff by the Miller court's restrictive reading of the "limited" registrations.) As the court noted, the difficulty in drawing any clean lines of distinction "emphasizes the need to give due respect to the determinations of the patent office if the distinction is to be drawn in a consistent manner."

14. American Heritage Life Ins. Co. v. Heritage Life Ins. Co., 494 F.2d 3, 11 (CA 5th, 1974).

The Miller court's citation of, and reliance upon, dictionary definitions, technological reference works and state statutes is all the more puzzling. Knowledge of that which lies buried in professionally sophisticated expertise and academe is obviously not what the purchasing public knows or bases its perceptions on. Cf. In re Maximedia Corp., 196 USPQ 335 (TTAB 1977) (contrary administrative interpretations do not bar trademark registration).

Equally inapposite is the Miller court's citation of Philip Morris, Inc. v. R.J. Reynolds Tobacco Co., 188 USPQ 289 (SDNY 1975), which ordered the cancellation of "Lights" as a trademark for Marlboro cigarettes. Although a cigarette could more readily be connected to a "light," is one to assume, from

the court's reference to that case, that "light" cigarettes were, like light beer, "less filling" or "low caloried," with or without "available carbohydrates," or that the public so understood it? Or should it be assumed, conversely, that "light" for beer, like "light" for tobacco, is descriptive of a brew with low tar and nicotine content? Obviously, as Judge Friendly noted in Hunting World, the same word can have different meanings in differing contexts, and is not "generic" for all purposes merely because it is a "common" word in "general" use. To be truly generic, a common word should have a common meaning in all its uses and in all sectors of such use.

15. See, e.g., Blisscraft of Hollywood v United Plastics Co., 294 F.2d 694 (CA 2d, 1961), holding that "Polly Pitcher" for plastic pitchers was neither descriptive nor generic and that it fell "somewhere in the middle ground between fanciful and descriptive" (p. 702). A term may still be "capable of trademark usage, even though to linguists or scientists that term might have a descriptive connotation ... It is with reference to the ultimate purchaser that the significance of 'Polly Pitcher' must be determined" (p. 699). The understanding of the trade or of intermediaries involved in the distribution of the product to the buying public is not determinative. See also Stix Products, Inc. v United Merchants & Manufacturers, Inc., 295 F. Supp 479, 488 (SDNY, 1968), where the court said: "In determining whether the word 'contact' (for self-adhering wallpaper) is descriptive, its meaning to a non-purchasing segment of the population is not of significance; rather, the critical question is what it means to the ultimate consumer."

16. Bayer Co., Inc. v. United Drug Co., 272 F. 506, 509 (SDNY, 1921).

17. On survey evidence generally, see Callmann, §§ 71.1 and 82.3. See also a Symposium on The Structure and Uses of Survey Evidence in Trademark Cases, 67 Trademark Rep. 97 (1973), particularly Lee, The Legal Aspects - A Trap for the Unwary, at p. 120.

18. See, generally, Q-Tips, Inc. v. Johnson & Johnson Company, 108 F Supp. 845 (DC NJ, 1952), aff'd 206 F. 2d 144 (CA 3rd 1953) ("Q-Tips"); Marks v. Polaroid Corp., 129 F. Supp. 243 (DC Mass, 1955), aff'd 237 F. 2d 428 (CA 1st, 1956) ("Polaroid"); Nissen Trampoline Co. v American Trampoline Co., 193 F. Supp. 745 (SD Ia, 1961) ("Trampoline"); But, Cf. King-Seeley Thermos Co. v. Aladdin Industries, Inc., 321 F. 2d 577 (CA 2nd, 1963), modifying 207 F Supp. 9 (DC Conn, 1962) ("Thermos"); Kellogg Co. v National Biscuit Co., 305 U.S. 111 (1938) ("Shredded Wheat").

19. For a discussion of this concept and its analogy to the "Emperor's new clothes," see Callmann, § 77.2, text following note 91.

20. See, e.g., the landmark decision in Continental TV, Inc. v. GTE Sylvania, Inc., 433 U.S. 36 (1977) aff'g 537 F.2d 980 (CA 9th, 1976), holding that the legality of a vertical restraint is to be determined on an ad hoc basis under the rule of reason and not by the absolutism of an antitrust violation per se, thus overthrowing United States v. Arnold Schwinn & Co., 388 U.S. 365 (1967). See, generally, Callmann, § 38.2(a)(1) et seq.

21. Helene Curtis Industries, Inc., v. Church & Dwight Co., Inc., 560 F.2d 1325 (CA 7th, 1977).

22. 306 F.2d 251, 256 (CA 2d, 1962), cert. den., 371 U.S. 910 (1962).

23. See Callmann, § 74.2; § 97.3(c)(2); and § 98.8(b)(3).

24. Cited supra n. 13, at 380.

25. Ibid.

26. The Circuit Court decision in Miller, of course, only denied plaintiff the preliminary injunctive relief granted by the District Court. Theoretically, the judicial door was still open for the trial on the merits. But, like the opprobrious mark of Cain, once the disabling "generic" stamp has been affixed, its stigma may be ineradicable. If only by virtue of the continuing competitive use of the mark pendente lite, time runs against the claimant. Thus, the resolution of the threshold legal issue on preliminary relief often translates itself into an ultimate disposition. The Circuit Court having ruled, as a matter of law, on the "genericness" of the mark at issue, a motion to dismiss may have more tactical success than merit and plaintiff may never even get a fair opportunity to establish secondary meaning in order to qualify his mark under § 2(f). Did the Circuit Court intend to undercut the Lanham Act so seriously?

27. In re Colonial Stores, Inc., 394 F.2d 549, 552 (CCPA 1968).

28. In re Abcor Development Corp., 588 F.2d 811, 813 (CCPA 1978). As the concurring opinion points out: "The ultimate in descriptiveness is the name of a thing." Too many opinions, regrettably, either ignore the distinction between names and terms by equating the two statutory classes or obscure the distinction by elliptical logic. See n. 31, 34 and 47 infra.

29. In re Distribution Codes Inc., 199 USPQ 508 (TTAB 1978). Holding the title "Code & Symbol" for journals dealing with the applied science of product identification to be registrable, the Board said: "Our perusal of the magazine indicates immediately what it is not - it is not a compilation of codes and symbols used to identify goods. To that extent, at least, the mark is not directly descriptive of the contents" (Emphasis added). On the book title as an inherently non-registrable generic name, see generally Application of Cooper, 254 F.2d 611 (CCPA 1958); cf. In re World Library Publications, Inc., 198 USPQ 442 (TTAB 1978).

30. In re Consolidated Foods Corp., 200 USPQ 477, 478 (TTAB 1978) ("Pre-Inked" for rubber printing stamps is "so highly descriptive as to be unregistrable on the Principal Register").

31. Council of Better Business Bureaus, Inc. v. Better Business Bureau of South Florida, - F.Supp. -, 200 USPQ 282 (SD Fla 1978). As the court points out, the opinion in Union Carbide v. Ever-Ready (cited n. 13, supra) expressly repudiated Flavor Corporation of America v. Kemin Industries, Inc., 493 F.2d 275 (CA 8th, 1974) which had espoused the view that the discrete

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statutory phrases "merely descriptive" and "common descriptive name" are legal and conceptual equivalents. The court quoted from Hunting World, cited supra n. 2 as follows: "Common descriptive names as used in Sections 14(c) and 15(c) refer to generic terms applied to products and not to terms that are 'merely descriptive.'" Cf. Telmed Corp. v. Tel-Med, Inc., 568 F.2d 213 (CA 7th, 1978).

32. Polo Fasions, Inc. v. Extra Special Products, Inc., 451 F.Supp. 555, 560, (SDNY 1978). Following Hunting World's lead on "safari," the term "polo" was held generic for some products, descriptive for other goods and even fanciful for other articles.

33. Ibid at 559.

34. Primal Feeling Center of New England, Inc. v. Janov, 201 USPQ 44, 56-57 (CCAP 1978). Having noted this critical distinction, the court then ignored it by equating the two with the following eliptical analysis: "The word 'generic,' in the sense of trademark law, does not refer to a genus in the scientific sense but means any word to which the public is entitled to unrestrained use because it is the common noun for a product or a service. Thus, in the lexicon of this branch of the law, a 'generic term' is the same thing as a 'common descriptive name,' the latter of which is the phrase employed in the statute. . . . The evidence is thoroughly convincing that 'primal therapy' is the common descriptive name, for which no alternative name exists, for a type of phychotherapy whether that psychotherapy is in the world of psychology and psychiatry, a separate genus or a species or a sub-species." The Board opinion footnotes the observation that some courts regard the expressions "generic term" and "generic word" as interchangeable synonyms for the "common descriptive name," citing CES Publishing Corp. v. St. Regis Publications, Inc., 531 F.2d 11 (CA 2d 1975) and Hunting World, n. 2 supra.

35. Consider, for example, the current fuss over the trademark "Opium" for perfume. The right to use that patently generic name as a trademark is not in dispute.

36. In re TMS Corproation of the Americas, 200 USPQ 57 (TTAB 1978); Cf. In re Giordano, 200 USPQ 52 (TTAB 1978) (applying the same principles to a pictorial mark, featuring a chef's head, for a restaurant).

Laudatory common words like "best," "finest," "favorite," "excellent" and others of that genre are grist for the mills of Madison Avenue. Such hyperbole descriptively touts the alleged merit of a product or its comparative status in the market. Absent compelling proof of secondary significance, such words can be applied, with equal plausibility, to a wide variety of competing goods or services and therefore do not truly function as origin-indicating trademarks which distinguish one offeror's goods or services from others. Such puffing terms, accurate or not, are in the public domain and "for policy reasons . . . must be left free for public use." In re Colonial Stores, Inc., 394 F.2d 549, 551 (CCPA, 1968); In re Wileswood, Inc., 201 USPQ 400 (TTAB 1978) ("America's Best Popcorn" versus "America's Favorite Popcorn").

37. Anvil Brands, Inc. v. Consolidated Foods Corp., 464 F.Supp. 474, 480 (SDNY, 1978).

38. Polo Fashions, Inc. v. Extra Special Products, Inc., supra n. 32, at 559.

39. Council of Better Business Bureaus, Inc. v. Better Business Bureau of Southern Florida, - F.Supp. -, 200 USPQ 282, 290 (SD Fla 1978). As the court's opinion points out, registration on the Principal Register by itself creates a presumption of the mark's validity. The court's analysis is based on that presumption as well as on the incontestable status of the mark. (See Callmann, § 97.3(c)(e) for that important aspect of the opinion.) In addition, the court also concluded that the Lanham Act rubric for the common descriptive name, as used in § 14(c) (15 USC Sec 1064(d) and § 15(4) (15 USC Sec 1065(4)), embraces a discrete class of generic names which identify particular products - a class separate and distinct from, and not to be equated with, words which perform a different function and are therefore classified as "merely descriptive" under § 2(e).

40. Car-Freshner Corp. v. Auto-Aid Mfg. Corp., 461 F.Supp. 1055 (NDNY, 1978). In two earlier cases, cited by the court, the very same marks were held to be "clearly descriptive" - apparently a more damning variant of "merely descriptive." In Car-Freshner Corp. v. Marlenn Products Co., 183 F.Supp. 20 (DC Md, 1960), the court denied the pine tree design mark protection but in Car-Freshner Corp. v. Turtle Wax, Inc., 268 F.Supp. 162 (SDNY, 1967), the court found a sufficient showing of secondary meaning and likelihood of confusion to support plaintiff's request for equitable relief for the "clearly descriptive" word mark "Car-Freshner." In the most recent case, decided post-Miller but not in reliance on Miller, the court did just the reverse, protecting the design mark but denying the word mark equal treatment.

41. Ibid at p. 1060. Query: By prefixing "merely" to the suggestive mark, did the court intend to create still another sub-category? The Miller-formulated spectrum classified trademarks "in one of four categories, viz., (1) generic or commonly descriptive; (2) merely descriptive; (3) suggestive; or (4) arbitrary or fanciful" Ibid at p. 1058. Does category 3 above include, by way of dictum, the "merely suggestive" mark? It seems safe to conclude that "merely" in that context was a slip of the judicial quill and that no new phyllum was intended. However, it does support the premise that the merest or slightest hint of suggestiveness should qualify the mark for registration.

42. Ibid at p. 1059.

43. Ibid at p. 1062. The double negatives in the underscored statement is, as the King of Siam might say, a "puzzlement." Descartes taught us that two negatives express a positive, and if that is so, is the court really saying (this time with some degree of certainty) that the use of such a "highly descriptive" word mark as "Car-Freshner" falls within the fair use defense?

Query: Do the two "newly-conceived" standards - negative for the design mark and positive for the word mark - also create new phylla under one genus, whatever that genus?

Were those quantifications ("not directly descriptive" and "highly descriptive") adopted to by-pass the imprecision of "generically descriptive"? It is significant also that § 33(b)(4) declares "fair use" to be a defense to a trademark infringement action when the mark, though identical, is used solely to describe another seller's products. It is also noteworthy that the "fair use" concept was borrowed whole cloth from the common law of copyright and that the phrase "fair use" appears nowhere in the Lanham Act.

44. Jimmy's Saddlery, Inc. v. Libertyville Riding & Saddle Shop, Inc., 201 USPQ 224, 227 (ND Ill. 1978) (the court noted, in dictum, that even if the term is descriptive, plaintiff's evidence of secondary meaning was uncontroverted); see also In re Hill-Behan Lumber Co., 201 USPQ 246, 249 (TTAB, 1978). In denying registration of an identical mark because of the likelihood of confusion, the Board said: ". . . while the term 'LUMBERJACK' may possess some suggestive significance as applied to registrant's lumber products and to applicant's lumber yard retail services, it is not descriptive thereof and in no way devoid of the ability to function as a source indicator for the respective goods and services. Any assertion to the contrary would be an affront to both the cited registration and the registration sought by applicant." (Emphasis added.) The dual functioning mark, which identifies both product and producer, is generic, if at all, only in the former sense and should therefore be registrable and protectible when used in the latter sense. See, e.g., Walgreen Drug Stores v. Obear Nester Glass Co., 113 F.2d 956, 959 (CA 8th 1940), where it was noted that the mark "Pyrex" had become "known throughout the country almost as a household word indicative of the products made of a particular kind of heat-resisting glass." Despite such generic use, the validity of the mark was sustained. Cf. Dictaphone Corp. v. Dictamatic Corp., 199 USPQ 437 (D. Ore 1978). ". . . although its fame and familiarity have led to some misuse of 'Dictaphone' by the general public, the descriptive terms 'dictating machine,' 'dictation equipment' and the like are well-known and used both by Dictaphone's competitors and by the buyers of dictation equipment. The availability and widespread use of these descriptive terms prove that it is not necessary for others to use 'Dictaphone' to make buyers understand what is being sold." In short, some generic use is not fatal to the mark's continuing viability as registrable and protectible.

45. Maidenform, Inc. v. Musingwear, Inc., - F.Supp. -, 195 USPQ 297, 300, n. 3 (SDNY 1976). The court distinguished the slogan "Come On Strong" as a slang expression, which was discredited for trademark registration in B & L Sales Associates v. H. Daroff & Sons, Inc., 421 F.2d 352, (CA 2nd 1970); cf. Anti-Monopoly, Inc. v. General Mills Fun Group, Inc. - F.Supp. -, 195 USPQ 634 (ND Cal 1977).

46. Sun Banks of Florida, Inc. v. Sun Federal Savings and Loan Assn., - F.Supp. -, 200 USPQ 758, 764 (ND Fla 1978).

47. Thistle Class Assn. v. Douglass & McLeod, Inc., 198 USPQ 504, 511 (TTAB 1978). This case passed on the trademark registrability of the word "Thistle" and a thistle design for boats. As its opinion reveals, the Board was influenced by the fact that the word and the design had already been phased into the jargon of the boating industry as "merely descriptive of, or

the common descriptive name of, a class of sailboats." By the simple, if erroneous, tactic of equating the "merely descriptive" term with the "common descriptive name," both were disqualified from the potentially saving grace of secondary meaning.

48. Under classical principles of statutory construction, of course, only the common descriptive name should be so disabled. Cf. National Fidelity Life Ins. v. National Ins. Trust, 199 USPQ 691 (TTAB 1978) ("insurance trust" is the common descriptive name of a particular type of trust; adding "national" to the designation "is merely descriptive as applied to applicant's services"). See also T.A.D. Avanti, Inc. v. Phone-Mate, Inc., - F.Supp.-, 199 USPQ 648, 654 (CD Calif, 1978). "A word that is descriptive of a characteristic or function of a product in the jargon of the trade may not be appropriated as the exclusive trademark of a manufacturer, to the exclusion of manufacturers of competitive products. . . . A word which is descriptive to a large class of those who had to do with the product to which the word is applied cannot be appropriated as a trademark, notwithstanding the fact that the mark is not merely descriptive to another class of persons having to do with the product." The court then revealed its own intuitive reaction by classifying the descriptive or suggestive mark as "weak" in contrast to those "strong" marks which are normally deemed entitled to classification within the fanciful or arbitrary rubric. See also Soweco, Inc. v. Shell Oil Co., - F.Supp. -, 199 USPQ 325 (ND Tex 1978) ("larvicide" having become the common descriptive name or term - the two underscored words are used indiscriminately - for a larva killing substance, its registration was cancelled).

49. McGregor, Inc., v. Drizzle, Inc., - F.2d - (CA 2nd 1979) aff'g 466 F.Supp. 160 (SDNY 1978) (holding "Drizzler" for outerwear to be a strong mark and "more than 'merely descriptive', although apparently only barely over the 'suggestive' line").

50. The "strength" of a trademark "may derive from the intrinsic quality of a mark or its public history." See Ibid. See generally Callmann §§ 76.3(a); 77.1; 82.1(1).

51. § 23 of the Lanham Act, describing the catch-all nature of the Supplemental Register provides in part: "All marks capable of distinguishing applicant's goods and services and not registrable on the Principal Register herein provided, except those declared to be unregistrable under paragraphs (a), (b), (c) and (d) of § 2 of this Act, which have been in lawful use in commerce by the proprietor thereof, upon or in connection with any goods or services for the year preceding the filing of the application may be registered on the Supplemental Register upon payment of the prescribed fee and compliance with its provisions of § 1 so far as they are applicable." For further discussion of the Supplemental Register, see Callmann § 98.1(b).

52. In re Western Union Telegraph Co., 199 USPQ 499, 501 (TTAB, 1978).

53. Ibid, p. 501.

54. On the metaphysical nature of the incontestability of a trademark registration and on the right of the trademark owner to assert such status defensively or offensively, see Callmann, §§ 97.3(c) (5) and 97.3(c)(6).

Mr. KASTENMEIER. I only have a question or two. The hour is late, and I think that long colloquies on this probably should be avoided. I know you have a plane to catch.

Mr. KLEINMAN. I have a plane to catch.

Mr. KASTENMEIER. We have another witness.

Is there a public interest in connection with any application for cancellation of registration due to genericness? Is there a public interest for which there ought to be some access?

Mr. KLEINMAN. There can be, but in most cases there is not. In most cases, in 99 percent of the cases—let me explain this. When I apply for registration, there is a so-called possibility of an opposition proceeding; that is to say anybody who opposes my application can appear and voice objection within 30 days after the publication of my proposed trademark in the Official Gazette.

This is an opposition proceeding. It is ex parte. It is heard by the Patent Office hearing examiner. It may go to the Trial and Appeal Board, and is subject to judicial appeal thereafter through the Court of Customs and Patent Appeals or through the circuit court. That is one proceeding. That has to do with an opposition to a registration application.

The second is the cancellation of an existing registration.

Mr. KASTENMEIER. That is the point.

Mr. KLEINMAN. That is an adversary proceeding, not ex parte. Someone comes in and says, "I want to upset the record. I want the mark taken off the record." The statute grants such standing to anyone who believes he is or can be damaged by the continuing registration. Who would it be? It would be someone who says, "I would like to use the mark, but I am afraid that if I use the mark, I will be sued for infringement, and I am a little pea in this pod. I don't want to take on the possibility of a major action and be sued by American Cyanimid for trademark infringement, and then be subject to all the depositions and discovery proceedings. I cannot afford it. I want to go before the Patent Office simply and ask them to have this canceled."

That is an adversary proceeding and it exists, so if there is a public interest, it is there. Normally, though, Mr. Chairman, in 99 percent of the cases, it is not.

Mr. KASTENMEIER. In the 1 percent of the cases in which there is a definable public interest in cancellation, it is your view that the Federal Trade Commission is not the right agency? If there is to be an agency, you are suggesting it is the Patent Office under specific authority?

Mr. KLEINMAN. The Patent Office has that power now. I am suggesting not only the Patent Office but the FTC has that power too, but in addition they have that power under the real reason for their being, the real reason for their creation, and that is the public interest.

I must tell you that in the cancellation cases that I have read, the public interest does not appear. Cancellation is merely an adversary proceeding, and to pit the FTC as the adversary on behalf of all rivals as a class against the registrant is really, as far as the registrant is concerned, a lost battle. He might just as well concede it and withdraw his mark.

Frankly, if a client of mine were to be subjected to an FTC cancellation proceeding, I would tell him to withdraw, and get a new mark, unless he has invested so much money that he qualifies as a major factor in the marketplace. If he is a major, I say, "My God, he is subject to other things." There has got to be another reason, an underlying reason, why the FTC is moving against Formica. They think Formica is dominating the plastic laminate market. Well, let them prove that contention in its proper perspective—in the antitrust province, and they can do it saying they have abused the trademark. By all means, I am for that too.

Mr. KASTENMEIER. I guess what I was asking you, to put it another way, is whether another agency without an antitrust enforcement bias, might be a better instrumentality to pursue the so-called public interest. We seem to be constantly mixing up the FTC's authority in terms of antitrust and other anticompetitive activity with this power that is exercised in this case.

Mr. KLEINMAN. That concurrent jurisdiction problem exists anyway, and I think you are quite right. What what has happened here is the Commission, when it moves, and reminds itself that it can move on an antitrust basis, uses section 5 of the act, of its own act, which enables it to move against unfair methods of competition in commerce, and that is a very broad description, and that is, in effect, what an antitrust combination is.

Mr. KASTENMEIER. My last question actually goes to another bill pending before the House of Representatives; H.R. 2303. It is the Federal Trade Commission authorization bill which attempts to prohibit the Federal Trade Commission from continuing specifically to prosecute the *Formica* case, by removing their authority to expend funds under the statute. From your earlier statement, I would assume you do not support that interference?

Mr. KLEINMAN. That is correct.

Mr. KASTENMEIER. By legislation with a pending case?

Mr. KLEINMAN. That is correct, Mr. Chairman, being consistent, and foolish consistency, said Ralph Waldo Emerson, is sometimes the hobgoblin of little minds, but people forget he said foolish consistency. I must say that I have to be opposed to any indirection, and this to me would be indirection, pulling the purse strings to prevent FTC action. I would not do that. I would allow the FTC all the money that the Government can, with whatever crunch, to do its proper job, and enforce its mandate.

Mr. KASTENMEIER. Thank you. I yield to the gentleman from California.

Mr. DANIELSON. Thank you, Mr. Chairman.

I want to move rather fast here. I have enjoyed your presentation and will read the rest of it. I have read a little bit, read it thoroughly, because it is a good seminar on this subject. I want to narrow the issue much as my chairman has been trying here. In legislation we try to remember that we have to stick to the issue presented by the bill. We must.

Mr. KLEINMAN. Sure.

Mr. DANIELSON. We are not planning to rewrite the trademark law, at least not in this Congress. If we are not talking about crime, we are not talking about double jeopardy, cruel and unusual punishment; we are in a civil context in the first place. I don't

want the witness to misapprehend, to feel that we are afraid to amend a law. I don't think that is impacting anybody on this committee. We amend them all the time. That is not an issue.

Mr. KASTENMEIER. If the gentleman will yield, obviously we were not afraid to amend the copyright law.

Mr. KLEINMAN. That is correct, entirely, as the Lanham Act was an entire amendment to the 1920 act.

Mr. DANIELSON. What I am getting at, I want to get right down to the narrow little issue which is presented by this bill. That is a matter relating to the cancellation of a registration on the ground that the term has become a common descriptive name, which for shorthand purposes I am going to call generic, but you know I am talking about the common descriptive name here.

Mr. KLEINMAN. Yes.

Mr. DANIELSON. I am almost drawing the inference that you feel that when a mark does become generic, it is not worth the effort and the power to have a cancellation proceeding. Am I correct?

Mr. KLEINMAN. No, no.

Mr. DANIELSON. You feel that a cancellation proceeding is proper, then?

Mr. KLEINMAN. Oh, I would say unclutter the record. Unclutter the register by all means.

Mr. DANIELSON. All right, you have answered that. You favor uncluttering the register.

Mr. KLEINMAN. Sure.

Mr. DANIELSON. Which I do.

Mr. KLEINMAN. Sure.

Mr. DANIELSON. But I was wondering if you thought that this was an unnecessary——

Mr. KLEINMAN. No.

Mr. DANIELSON. Now we are going to unclutter. Then we go to the next step. Somebody has to exercise the initiative or push the issue maybe to unclutter, which is cancellation. You agree with me on that?

Mr. KLEINMAN. Indeed I do.

Mr. DANIELSON. Now we get down to who is going to do it. I think we can both agree that an affected competitor should have a right to do so.

Mr. KLEINMAN. Indeed.

Mr. DANIELSON. But when you get down to the point where the affected competitor is of much less economic means as opposed to the person who is holding it, you are posing a real problem.

Mr. KLEINMAN. Congressman, not really, because it is very cheap to begin that process. It is inexpensive, and you begin the administrative machinery of the Patent Office. The cancellation proceeding—I would like to perhaps hurdle the entire objection by referring to something that I did in my presentation and skipped. The Commissioner of Patents himself, the Patent Office, has reserved residuary blanket power under section 18 to do exactly what you want.

Mr. DANIELSON. You say the Commissioner of Patents has the power under section 18 to cause the cancellation of a registration which has become a common descriptive name?

Mr. KLEINMAN. That is correct.

Mr. DANIELSON. With no other grounds necessary?

Mr. KLEINMAN. That is correct.

Mr. DANIELSON. And you have mentioned under section 33(b)(4)——

Mr. KLEINMAN. Under 33(b)(4) the individual rival competitor has the right to say it is fair game, I am going to use it.

Mr. DANIELSON. What he is doing is stepping out into the firing range?

Mr. KLEINMAN. Correct.

Mr. DANIELSON. And inviting somebody to shoot at him?

Mr. KLEINMAN. Correct, he is risking litigation but section 33(b)(4) gives him the defensive shield he needs.

Mr. DANIELSON. Because he can walk on water or feels that he can?

Mr. KLEINMAN. You are correct.

Mr. DANIELSON. Beyond that, in addition to unclutter the record, there are real tangible valuable incidences to registration?

Mr. KLEINMAN. That is correct.

Mr. Danielson. Some gentleman told us yesterday that one would be standing to sue in the Federal court, another would be the rebuttable presumption during the first 5 years of registration, and thereafter the incontestable presumption.

Mr. KLEINMAN. Those three are major advantages.

Mr. DANIELSON. That word incontestable to me is harder than granite, but you feel even though it is incontestable, the Commissioner of Patents would have the right to do so?

Mr. KLEINMAN. Absolutely no question about it.

Mr. DANIELSON. You have answered my questions. I thank you. I bid you good luck and good health.

Mr. KLEINMAN. Thank you very much.

Mr. KASTENMEIER. The gentleman from North Carolina.

Mr. GUDER. I merely want to state to Professor Klein my very sinere gratitude for this very, very stimulating presentation. I think you have given us an overview of the various responsibilities of the private interest involved, the availability of the courts to address those concerns, and what you perceive to be the responsibility of the Commissioner of Patents as distinguished from the Federal Trade Commission. I feel that this has been immensely enlightening and helpful to me. I am almost inspired to go over to the Library of Congress and get those four volumes.

Mr. KLEINMAN. Thank you. Indeed, I thank the entire——

Mr. KASTENMEIER. I have one other question which counsel suggests, and I certainly agree. There was some difference of opinion as to what the present law is with respect to section 14 as to a petition being filed by any person who believes that he is or will be damaged by the registration or mark. One version we had, any person being able to file a suit as it would appear that in fact any person is a competitor. But the second version practically speaking the limitation is to business competitors within the industry. I am wondering what your interpretation of that is.

Mr. KLEINMAN. Yes. My view is any person who might feel that he wanted to use the mark is being injured, even if not economically at the start. If he cannot use a mark, to which he believes he is entitled he can bring an action to have that mark's registration

canceled, even though he himself has not yet been, as I say, economically affected or disaffected.

Mr. KASTENMEIER. The reason this becomes important is because the Federal Trade Commission asserts quite apart from the competition questions, that in behalf of the public, the public would be saved 10 or 15 percent of the cost of the product if indeed the mark's registration were canceled, as the mark became truly generic. Now whether that is true or not, one cannot say. They said that this amounted to $15 million.

Now in that sense, they would be pursuing the case on behalf of persons who would be damaged, even if they be consumers in their theoretical case.

Mr. KLEINMAN. Mr. Chairman, you have opened a dialectical discussion that I would love to continue, because I personally am against standardization, sovietization of products, everything gray, everything one thing, everything standard. If we are ever to be in that kind of a society, whether it is the trademark law or not that brings us into it, our country and our economy would have a completely different complexion.

I do not quarrel with the right of the Federal Trade Commission to take the position they have taken. I say if they want to eliminate trademarks, because they are causing advertising costs to go up, and therefore products are going to be sold higher, that is an antitrust area. By all means bring it in the antitrust field. Patents, the same way. Research and development is even more highly expensive—let's go back to medicinal herbs and roots. If we are going to strike at constitutional premises, let's go at them and eliminate all features which tend to increase the price of products.

Mr. KASTENMEIER. Basically you believe in the integrity of the trademark?

Mr. KLEINMAN. I do.

Mr. KASTENMEIER. That is from whence you come?

Mr. KLEINMAN. And the way I go. I believe in trademark law as a discrete constellation.

Mr. MOONEY. If I may followup briefly. What the chairman was aiming at, I believe, was could a class of consumers walk in there and say we are being hurt because we are paid too much for a product?

Mr. KLEINMAN. Yes, indeed.

Mr. MOONEY. Then that class of consumers could bring an action under that provision?

Mr. KLEINMAN. Under analogies that I could cite in different areas, because it hasn't yet been done in this area, but certainly consumerism today under section 23(c) of the Federal Rules of Civil Procedure would justify such an action. I would take that case as a lawyer, yes.

Mr. KASTENMEIER. Thank you very much.

Mr. KLEINMAN. Thank you.

Mr. KASTENMEIR. Last, we would like to call another distinguished practitioner from Chicago, Mr. John Brezina of Brezina Buckingham.

We are very pleased to have you here. You have been very patient, Mr. Brezina, to wait so long. I note that your statement is

quite brief, relatively speaking. We are most pleased to hear from you.

TESTIMONY OF JOHN BREZINA, OF BREZINA & BUCKINGHAM, CHICAGO, ILL.

Mr. BREZINA. Yes, I will be as brief as I can.

I am glad Professor Kleinman more or less cleared the air with respect to the Formica litigation, because I perceive the inquiry here as being a general one as to what the trademark law is going to be, and not arguing the pros and cons of the Formica fact situation.

As I see it, it boils down to one question that is going to be at issue here, and that is who is going to be plaintiff's counsel in generic name cases with respect to registration. Is it going to be just counsel for competitors, or will it include the Federal Trade Commission.

I favor the status quo, because of a subject matter that I have not heard touched upon yet which is of very practical importance. I have been practicing in trademark law for 25 years. I have tried generic name cases on both sides of the fence, and indeed I represented a defendant approximately 18 years or so ago that was the target of a petition to cancel their mark on the ground of genericness. No one apparently ever heard of this case, but it was settled quickly. We collapsed very quickly, and we felt we were picked upon—it was a small company. The mark, by the way, was Bountiful Brand for seeds, and Bountiful happened to be a generic name for a bean seed, concededly.

We quietly folded our tent. It isn't the first time this has happened, and I am sure that the FTC attorney in charge had other cases.

Just to look at something about these types of trademarks that are involved in these genericness problems, Professor Kleinman talked about source identifiers, and yet these are not exactly merely source identifiers or even primarily source identifiers. If a company wants to identify the source of its product, it can use a name that identifies it as a company. These are called house marks, DuPont, A&P, Johnson & Johnson. That identifies the source of the goods perfectly adequately. But they want more.

They want in some instances a mark that is tied in with one product or one type of product, and this is where the problem area comes about.

Sure, the test is what the buying public perceives by the mark or name, and if the buying public treats that, or to the buying public it means the product, then it looses its trademark status. However, these cases where marks have been held generic, if one studies them you can see a couple of common threads going through them. One is that the user of the mark was careless, they allowed the public to use it as the product name, as for example in the *Thermos* case, and the court really nailed the company that had the registration to the wall for permitting all these uses, and encouraging them. There are ways of preventing that.

Mr. Diamond wrote a pamphlet for the U.S. Trademark Association that had wide distribution, and this is universally known in

this field. You can really protect your mark if you want to, and a lot of companies do this.

The courts look at this and they give it very great consideration. One case I can think of is the *Teflon* case where the Trademark Appeal Board, I believe it was—no, it was a court, but they gave great weight to the fact that DuPont had done a good job of trying to educate the public that it was a trademark and not a product name.

Why I am going into this is that one of the problems I see here is that there are substantial area where the private sector is not in a position to really go after these generic names. Either the companies are too small or it is an oligopoly, it is a country club. They do not want to sue the other member of the group, but at any rate there are reasons why the private sector cannot effectively act.

I see taking away the power of the Federal Trade Commission to act as removing a threat to these people with the borderline marks, and not encouraging them to make these proper uses.

For example, I was involved in some litigation in the early 1970's, and I was keeping track of things, noticing things, and I noticed all of a sudden Sanka brand decaffienated coffee, Band-Aid brand adhesive strips. Now this is proper use and this is the kind of thing that should be encouraged, and I think by taking this threat, which is what it is, a "slumbering giant" or something, I think this threat, if you don't protect your mark, is a very important thing.

It is important because of the mark is in this area where people are asking for it by name, Sanka, for example, you see a menu. You have got coffee, Sanka or tea. That is going to sell a lot of Sanka, and it is going to take business away from competitors, where you have that kind of thing, and you want to encourage substitution of a really generic name. How are you going to do it except by encouraging the people to do it. The advertising and marketing people hate having to do that, and the lawyers tell them you have got to do it or else you may lose your mark.

One case that illustrates some of these problems is the situation with respect to Mercurochrome. Mercurochrome is a registered trademark, and it has been registered since the 1920's. It is owned by one company, Registration 197189, and it has been used. The registration has been used for economic muscle in that business.

I believe this product was patented, but if it were patented, the patents would have expired decades ago, so here this product has been I believe universally known. To me it was. I always called it Mercurochrome. I never had any idea it was a registered trademark until some examiner cited it and said you can't use Mercurochrome in your list of goods. It is a registered trademark, which they do, by the way.

Mr. KASTENMEIER. Even as a child I remember iodine and Mercurochrome. Mercurochrome pained a little less when applied.

Mr. BREZINA. And Merthiolate is also a registered trademark.

Mr. DANIELSON. It didn't sting as much.

Mr. KASTENMEIER. That is right.

Mr. BREZINA. The registrant did not sell a consumer item. They sold crystals, and these were diluted for a finished product by about 100 licensees. I have got all of these licenses here, and it is

all documented, but they had 100 licensees that made the consumer product and sold it to the consumers. This went on for years, and they got about 25 percent more for these crystals than the same product available without the trademark tied in with it. If they bought the crystals, they could use the trademark. They policed it. They had a tracer element that if they saw Mercurochrome picked it up in the marketplace, they could tell whether it came from their company.

Last year or a year ago May they decided to change things, the registrant. They said no more licenses. They sent out notices to the licensees, "You are cut off. We are going to be the sole supplier of consumer Mercurochrome," and they sent notices to their customers, which are all of the retail purchasers. I have quoted in my statement that "From now on you buy it from us," and the price went up at that time too, the wholesale price.

There was a suit brought by five of the licensees. You say OK, there is a private remedy, but it really isn't a good one, for two reasons. First, 90 percent of the people are not affected by this, and these people are trying to get back their licenses. They are not going to spend the huge sums of money necessary to show it is generic. They just want to go back to using it. If they settle the case along those lines, if the registrant starts looking bad, he will offer them a license, and then they have succeeded in cutting out 90 percent of the producers of the product, and they are in good shape. That is one bad thing about private litigation. It can be settled.

Lots of cases are settled. They just don't go through. I have heard reports of how easy it is. Professor Kleinman, I don't know if he has ever had one of these cases, but the generic name case is not a lawsuit. It is a crusade. You are taking on a big company, and if you're going to do it at all, you have got to do it right, and that means a survey, a nationwide survey.

It is going to cost you $50,000, and the survey used in court has to follow strict practices to be admissible. It is specified in the Manual for Protracted Litigation, and if you follow that, that is what you are talking about. I know, because I have checked, and in the past I have paid less, because of inflation.

That is just the survey. Then you have got your experts. You are talking huge sums of money, and a heavy burden. You have to show that at least a majority of the people regard the term as the generic name.

Those are the two reasons why resort to the private sector for the plaintiff's lawyers is deficient. One is the cost, and the other thing is that there is too much pressure, because of the cost, to settle, take something less. And where does the public end up? That is basically it.

I am sorry Professor Kleinman isn't here, and I certainly hate to take issue with him, but on the question of injury, I don't have the statute in front of me, but I question what he said about injury. I know that, for example, there is one case brought by a trade association, where they said the trade association had standing because their dues were based on the dollar income from the members, and therefore they had standing, so this suggests to me that the rule is really you have to show pecuniary injury, not just

"I want to use the name." You have got to do something more than that.

As far as the Commissioner, I again feel I do not know the statute word for word, but section 18, as I understand it, says that in any proceeding before the board, or the Commissioner, they can do this, this, and this, but you have got to have the proceeding first, and I know of no way that the Patent and Trademark Office has of initiating such a proceeding. I don't know of its ever being done, and all I say is that section 18 should be looked over critically, with that point in view.

Mr. KASTENMEIER. If I may interrupt—Mr. Diamond was here yesterday and testified, very ably. But as the person designated to be the new Commissioner he failed to allude to any such authority. Presumably he is acknowledgeable about it, but he certainly did not contemplate employing it or that it was a factor even in our inquiry.

Mr. BREZINA. It has never been done, to my knowledge. All I ask is whoever should read section 18 carefully before they rely on that.

Mr. DANIELSON. How about 33(b)(4)? That was brought up.

Mr. BREZINA. That simply is a defense. That is your rifle-range analogy.

Mr. DANIELSON. If the chairman would yield, my memory may be playing somewhat of a trick on me, but I think I recall Mr. Diamond saying something to the effect that they do not have the power to commence the cancellation, and that that has been vested in litigants before the FTC.

Mr. LEHMAN. He did say that this was the only authority.

Mr. DANIELSON. That was my understanding. I think he did actually make such a reference.

Mr. BREZINA. That supports my view, then. That is basically it. I don't see any point in summarizing it.

[The statement follows:]

STATEMENT OF JOHN C. BREZINA

My name is John C. Brezina of Chicago, Illinois. I have practiced law in Chicago for twenty-five years and have spent most of my time dealing with trademarks and trademark litigation. My practice is pretty equally divided representing trademark owners and the defense and I have been involved on both sides of generic name cases.

I will assume that the proposed legislation and the discussion deal with questions of whether or not an actions may be brought to cancel the registrations other than "formica."

At the outset, I would like to point out that the subject of trademarks which may be generic names deals with only one special type of trademark.

One of the primary function of a trademark is to give the buying public a means to identify source of goods or services. Generally marks can be divided into two areas, product marks and house marks. House marks which identify source and which normally identify the source of all producer's products or services almost never have problems of becoming generic. Marks such a DuPont, A&P, Johnson & Johnson, etc. identify source and are good trademarks and don't have problems of genericness.

On the other hand, where a mark is used on a product or a type of product, the trademark user is going beyond the function of identify source and if the mark is or becomes the common name by which the buying public refers to the product, it can become the generic name and trademark rights be lost. As the Supreme Court pointed out in the Shredded Wheat case, to establish a term as a trademark it must be shown that "the primary significance of the terms in the minds of the consuming public is not the product but the producer."

The refusal to recognize trademark rights in generic or common, descriptive terms is as old as trademark law and an adjudication that such terms are not recognized as trademarks and in the public domain is a traditional, established remedy in our jurisprudence. Where the term directly and gramatically tells what the product is such as Shredded Wheat or Lite beer, there is little to be done other than observing the obvious meaning.

Where the term used in association with the product is a coined term, however, the trademark owner has well established techniques available to him to prevent the mark from becoming the common descriptive name of the product, if he wants to. These techniques including extending the usage of the term to multiple diverse products, such as Frigidaire was extended from refrigerators to other home appliances to dissipate the association with the single product. The identification of the term as a brand name such as putting the word "Brand" after the name and furnishing a suitable generic term which can be used by the public and competitors to identify the product is another known technique. Examples where this was used in recent years was Sanka brand decaffeinated coffee, Band-Aid brand adhesive strips, and Scotch brand cellophane tape.

There are uses of advertisements and brochures to teach people to properly use trademarks; clipping services and other methods of policing for possible misuse and associations such as the U.S. Trademark Association have publications to assist in this regard and have a dictionary committee which write "educational" letters to dictionary publishers when they include someone's registered trademark.

Whether the foregoing procedures succeed in preventing a product trademark from becoming the common name for the product often varies depending upon whether the advertising and marketing arm of the company, who want to have the term become a household word for the product because it sells more merchandise, prevail in their views or whether legal counsel who recommend procedures to maintain trademark status prevail. In some instances, use as a common name becomes so pervasive that to the majority of the buying public the name means the product.

When one company controls the name by which the bulk of the public identifies the product, there are significant effects on competition in the industry relating to that product and the public. The situation with respect to the product known as mercurochrome illustrates the problems involved and the need for maintaining the present statutory authority for action by the Federal Trade Commission.

Shortly after World War I, the product mercurochrome was developed. It is believed that it was patented. Originally, it was produced by the company that developed it, but it was decided in the 1920's to license the right to sell the product. U.S. Registration No. 197,189 dated April 14, 1925 issued for the mark Mercurochrome under the 1905 Act, the equivalent of the present Principal Register. This registration has been renewed and is presently in force. It should be noted that the Patent and Trademark Office does examine a new application for descriptiveness or generic character but once the registration issues, there is no review of any kind when the registration is renewed and it could be renewed for twenty year periods indefinitely as long as the registrant is "using" the mark. A copy of this registration is attached as Exhibit A.

Since the 1920's, numerous licenses were authorized to make the product and use the name.

In recent years the number of licensees totalled about 100. A copy of a typical license is attached as Exhibit B. This license permitted use of the "trademark" Mercurochrome on a finished product sold to the public which was about a 2 percent solution of crystals sold by the licensor to the Licensees as Mercurochrome Brand of merbromin. The product under the generic name merbromin has not been patented for many years since any patent would have expired over thirty years ago and the product was now available through other sources. The licensees paid about 25 percent more the Mercurochrome Brand from the Licensor than the unbranded merbromin available from other sources.

In early 1978, the licensor-registrant of Mercurochrome, decided they wanted to change things. They proceeded to terminate all of the licenses giving the right to use the term Mercurochrome to its numerous licensees and decided that the licensor itself would be the sole source of consumer packaged Mercurochrome. A copy of the termination letter is attached as Exhibit C. On or about March 1, 1978, the licensor registrant of Mercurochrome sent out notices to the trade, who therefore bought mercurochrome from the numerous licensees, that licensor would be the source of this "brand" of product. A copy of a letter and some copies of material showing the labeling and packaging to be used by the licensor is attached as Exhibit D. This notice, addressed to "Dear Customer:" stated: Effective March 1, 1978, Mercuro-

chrome First Aid Antiseptic will be sold by the Consumer Products Division of Becton, Dickinson and Company. Previously Mercurochrome was marketed by over one hundred companies beneath their own respective trade names, via a Licensing Agreement with Hyson, Westcott and Dunning, Inc. Hyson, Westcott and Dunning, Inc. has cancelled this Licensing Agreement and all rights to market Mercurochrome are now owned by Becton Dickinson's Consumer Products Division.

Information from one of the terminated licensees indicated that at that time the wholesale price went up from approximately $3.00 a dozen to $5.00 a dozen.

Five of the terminated licensees brought an action for declaratory relief as a result of the termination which action is pending.

I am not participating in this litigation, but I believe that certain rather firm general conclusions can be drawn as to the efficacy of this type of action compared with the alternative of having the Federal Trade Commission bring an action to cancel the registration for Mercurochrome. First, the sales of the individual licensees were small and there was a question of whether the litigation expenses would be justified in view of the relatively small profits made on the product. Generic name litigation brought by an individual business is very expensive. Since the test is what the members of the buying public understand the term to mean, the most effective way to determine this is by surveys to determine the state of mind of the buying public. Surveys used for litigation must adhere to the strictest standards of objectivity and accepted procedures and survey techniques. A nationwide probability sample survey of sufficient number of respondents to draw some valid conclusions in litigation, which cost at least $20,000 ten years ago, now costs double that much. Then there are counter-surveys, deposition testimony and all sorts of efforts to tear apart the other fellow's survey, in addition to all of the other litigation steps.

In the case of Mercurochrome, the owners of the registration of Mercurochrome virtually control the outcome. They can litigate vigorously, watching the expenses of both parties go up. If they analyze the situation and if things look like they are going badly for them, they can simply offer the plaintiffs a license for whatever consideration is necessary to cement the deal. The plaintiffs would be happy to take it to end the litigation expenses.

The present statute authorizing the Federal Trade Commission to bring petitions to cancel registrations which cover generic terms was included in the Lanham Act after lengthly hearings where representatives of governmental agencies and trademark practitioners presented their views.

There are many situations where members of an industry cannot act or are in a difficult position to bring action because of the expense involved or do not choose to do so for other reasons. The Federal Trade Commission is in the position to fulfill the need for someone to initiate the action to prevent the unfair advantage the registrant of a generic term has over others in the field.

Apart from taking action, the presence of the Federal Trade Commission with authority to bring such actions would have the effect of encouraging users of marks which may be developing a generic connotation to take steps to minimize the likelihood that the mark becomes the "household world."

Mr. KASTENMEIER. Thank you very much for your statement, Mr. Brezina. It represents the view of a long-time practitioner, and we are pleased to have it, since your own experience has been considerable in the field.

I am going to yield to my colleagues.

Mr. DANIELSON. I want to say thank you. As I understand it, do you favor letting the Federal Trade Commission or some other appropriate Government agency—I personally would favor the Department of Justice; I believe it should have one law on this—you wouldn't care who?

Mr. BREZINA. No.

Mr. DANIELSON. You feel we should have a public agency with the authority to initiate these cancellation proceedings?

Mr. BREZINA. Yes, I do.

Mr. DANIELSON. Your basic grounds are, one, that the proceeding is very complex and very costly. Because of that burden, there is a tendency on a private litigant to settle. I practiced law for a long

time, and I know we all had an axiom: a poor settlement is better than a good lawsuit, and it is true, generally.

Again, to qualify, to have standing, you must show a pecuniary injury; it is not enough to want to use the mark. And, lastly, that you do not believe that the Patent and Trademark Office does have the authority to initiate these proceedings; they could only respond when a proceeding—it could entertain a proceeding once it has been initiated under section 33(b)(4)?

Mr. BREZINA. Yes.

Mr. KASTENMEIER. The gentleman from North Carolina?

Mr. GUDGER. No questions. I thank the gentleman for his testimony.

Mr. KASTENMEIER. May I infer from your statement—let me put it this way. Insofar as the Federal Trade Commission has brought but one proceeding solely based on registrations made after 1947, solely based on genericness. In all of these 34 years, one might be entitled to believe they have used the authority less than perhaps they should have in all these intervening years.

Mr. BREZINA. They had impediments, they had the Elder case, and there was a line of cases that said they had no jurisdiction over the 1905 act registrations, for example.

Mr. KASTENMEIER. The old registration?

Mr. BREZINA. Yes, and in this litigation here, they had a jurisdictional attack on the 1905 act registration which was brought under the 1946 act.

I don't want to be an apologist for the FTC, but maybe someone lit a fire under them; I don't know. I don't see the great difference.

Mr. KASTENMEIER. Just the casual person, not very knowledgeable, reading the law, would assume with this authority especially vested in them in the 1946 law that they would have been able to exercise it on more than this one occasion effectively in all of these years.

If there was any question to be raised, it may be that one, it would seem to me, quite legitimately.

Mr. BREZINA. I have no suggestion.

Mr. DANIELSON. Would you yield?

Mr. KASTENMEIER. Yes, I yield to my colleague.

Mr. DANIELSON. Again, stipulating that my memory may not be on all fours, I believe that the gentleman who testified for the Federal Trade Commission said that it was held, I think on their first two cases that they had, that the Federal Trade Commission had no authority to act on registrations which took place prior to the Lanham Act, and therefore they couldn't go behind, in point of time; could not go older than the Lanham Act.

Mr. BREZINA. Exactly.

Mr. DANIELSON. And therefore the only registrations which they could bring under this power would be subsequent registrations, and it took quite a number of questions for those registrations to mature to the point where a trademark might become a common descriptive.

Mr. KASTENMEIER. That is my understanding as well.

Mr. DANIELSON. That is my understanding why they hadn't acted much in the past.

Mr. KASTENMEIER. The point I would make is a number of years have gone by, and I think there probably are analogous situations where they might have acted if someone had lit a fire under them. I know they have that disability; namely, it takes at least a period of time to establish genericness in a trademark or for it to degenerate into a generic term, but I think also there is evidence in the field. Is it not the case many marks become generic in less than 25 or 30 years?

Mr. BREZINA. It is possible, but it is a different type of mark. It is one that has an inherent defect when you look at it, like "Lite Beer," or "Shredded Wheat," that type of mark, and usually those get weeded out before they are registered even.

In other words, you have to run a gauntlet to get your mark on a register and if it is generic. Mr. Diamond's firm sued one of my clients that claimed our trademark was generic, and they succeeded. So we are talking about marks that get over that hurdle. They have to have some aura of distinctiveness about them and then they go down the hill. You can get all kinds of examples. They drive you crazy. I read Professor Kleinman's analysis, and he usually distinguishes the different semantic things, and you can really get yourself twisted around in even simple-fact situations. For example, the mark "Jeep," was clearly a generic term at one point in time.

Mr. DANIELSON. What word?

Mr. BREZINA. "Jeep." No one has done anything about that. I think American Motors needs all the help they can get, and no one should do anything about it. But no one has ever done anything about that one. I think they may have developed it into a mark over these years.

It is going up and down, backward and forward. Goodyear was a generic term at one time. So was Singer. It meant sewing machines—and Goodyear was identified as a rubber process back in the last century. This was in the 1800's.

Mr. DANIELSON. And it reversed itself.

Mr. BREZINA. Yes. Look at Jeep; that is a good example.

Mr. DANIELSON. I mentioned "Frigidaire," and I assume you gentlemen in this field talk about that once in a while. When electric refrigerators first became fairly popular, many of them were called Frigidaire because the housewife adopted the name to mean a nonice icebox. I think it could have been declared generic at one time.

Mr. BREZINA. You know what General Motors did.

Mr. DANIELSON. Then they popularized refrigerator.

Mr. BREZINA. But they also did another technique for avoiding distinctiveness, and it apparently wasn't successful. They extended it to other appliances. Kleenex did the same thing: instead of tissues, they have towels. And these techniques are all available, and I am all for them. I don't think we should beat over the heads with these famous trademarks, but to help the smaller competitors by at least making them give a real generic name to it.

I think, having a policeman, having the Federal Trade Commission like a policeman whose presence is there. Maybe he never wields his billyclub, but at least he is there looking over their shoulder.

Mr. KASTENMEIER. It was raised yesterday; I don't know whether Xerox has ever been tested. But the argument was raised that you may end up with a situation that was very anti-American for industrial interests if somehow you made Xerox a generic term. Then foreign competitors could immediately start exporting to this country Xerox trademarks.

Mr. BREZINA. It is very difficult to establish genericness. The Board knows what they are doing, the courts know what they are doing, and it is a very heavy burden. Some courts have said you have to show almost no trademark significance. All of them say you have to show its primary function is the product, and as far as that is concerned, I have tried to establish that, and it is very difficult.

Mr. KASTENMEIER. The subcommittee is very indebted to you, Mr. Brezina, for coming here from Chicago, and helping to enlighten us on the subject.

This concludes today's hearings. Whether or not we will have an additional day of hearings is still somewhat in doubt. So these are the last or the penultimate days of hearings on the subject. Subject to the call of the Chair and further notification, the committee is adjourned.

[Whereupon, at 1:12 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

ADDITIONAL STATEMENTS

1. Statement of the Honorable James T. Broyhill, Member of Congress from North Carolina, and the Honorable Matthew J. Rinaldo, Member of Congress from New Jersey.
2. Statement of the Honorable John Hinson, Member of Congress from Mississippi.
3. Statement of the Honorable Robert A. Roe, Member of Congress from New Jersey.
4. Statement of the International Union of Electrical Radio and Machine Workers, AFL–CIO, presented by George Collins, legislative representative.
5. Statement of J. Thomas McCarthy, Visiting Professor, University of California, Davis.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C. November 9, 1979.

Hon. ROBERT W. KASTENMEIER,
Chairman, Subcommittee on Courts, Civil Liberties, and the Administration of Justice, Committee on the Judiciary, U.S. House of Representatives, Washington, D.C.

DEAR CHAIRMAN KASTENMEIER: The purpose of this letter is to express our support for H.R. 3685, prohibiting the FTC from petitioning under the Lanham Trademark Act to cancel registrations of trademarks on the ground that the trademark has become generic. We request that this letter be made a part of your hearing record.

In our view, there is no demonstrated need for the FTC to bring an action to cancel a popular trademark simply because the public closely associates the trademark with the products on which it is used. If a trademark is being used for unlawful purposes, the Commission has ample authority under the antitrust laws to obtain appropriate remedial relief. However, for the FTC to attack trademarks without having to prove an antitrust violation is the kind of arbitrary government activity which has aroused so much criticism of the FTC. It is unfortunate that the Commission itself did not appreciate this aspect of its so-called generic trademark project before it instituted a test case against the Formica trademark. However, their action makes it necessary for Congress to provide more explicit guidelines, which is the purpose of the legislation before the Subcommittee.

A trademark identifies the particular producer of a product, distinguishing it from the products of other producers. It could be said that trademarks are symbols of individual initiative. The economy of our states of New Jersey and North Carolina, as indeed the economy of the entire nation, depends in large measure upon the production of famous trademarked quality products. It is significant that among the strongest supporters of this legislation are labor unions such as the International Union of Electrical Radio and Machine Workers. The IUE statement submitted to the Subcommittee expressed concern with the grave danger to American labor posed by the FTC effort "to strip well-known trademarks" away from companies that hold them and apply these trademarks to similar products, regardless of who manufactures them."

We strongly, believe that trademarks should be allowed to compete in the dynamics of the marketplace without the kind of interference proposed by the FTC in its test case against Formica. The Subcommittee will recall that years ago everyone considered the trademark Frigidaire to be synonomous with refrigerator. But the popularity of Frigidaire did not preclude competition from all the other brands which have come upon the market. Similarly, Formica was once the only brand of decorative plastic laminate for use on countertops, cabinets and furniture, but now Formica represents less than 40 percent of the market, and other brands of laminates make up the larger share of the market. Similar histories exist for many other trademarks.

There is nothing inherent in a trademark that prevents a competitor from making the same product and selling it under his own name or trademark. As Assistant Commissioner of Trademarks Sidney A. Diamond pointed out in his testi-

mony on this bill, "a trademark is not a monopoly granted by the government like a patent or a copyright. Anyone may market the same product under a different trademark . . . It does not keep anyone else out of the business." If purchasers, for whatever reason, prefer one brand of product over another (even if they unreasonably prefer the product of the originator), it is not for a government agency to attempt to dictate their choice by destroying one of the trademarks.

It is especially troubling that, under the Lanham Act procedure followed by the FTC, a trademark owner would never get an opportunity to challenge the FTC's basic assumptions about competition which motivated the Commission to initiate the proceedings. Even if we were to assume that modification or destruction of trademarks is an appropriate way of regulating competition, we would not want to see such matters decided without a fair and independent hearing and determination on all the relevant issues. The body which hears Lanham Act cancellation petitions, the Trademark Trial and Appeal Board of the Department of Commerce, has indicated that it has neither the authority nor the expertise to entertain issues addressed to the regulation of competition. The FTC is arguing that the alleged generic nature of the trademark is anticompetitive and unfair to consumers, but the FTC has picked a forum which guarantees that the agency will never be put to the proof. If the FTC does believe that a famous trademark is causing harm to competitors or consumers, it has ample authority to act under section 5 of the FTC Act. Enactment of H.R. 3685 would not affect the Commission's authorities under the FTC Act.

There is a similar provision in section 304 of H.R. 2313, the FTC Authorization bill. That section would prohibit the expenditure of funds by the FTC for cancellation petitions under the Lanham Act based upon generic grounds. It has our support when it was favorably reported by the overwhelming vote of the Commerce Committee. H.R. 2313 would bring to an immediate halt the FTC trademark project and should be enacted. The FTC should not be allowed to contine to pursue this project while amendment to the Lanham Act, which would be accomplished by H.R. 3685, works its way through the legislative process.

Sincerely,

JAMES T. BROYHILL.
MATTHEW J. RINALDO.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., October 16, 1979.

Hon. ROBERT KASTENMEIER,
Chairman, Subcommittee on Courts, Civil Liberties, and the Administration of Justice, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Attached are my comments on H.R. 3685. I request that these comments be inserted into the record of the hearings scheduled for October 17 and 18, 1979.

Thank you for your cooperation.

Sincerely,

JON HINSON.

REMARKS OF HON. JON HINSON ON BEHALF OF H.R. 3685

Mr. Chairman and Subcommittee Members: The notion that a trademark which has become a generic term for a particular item, product, or service should be stripped from the company which has made its trademark part of the language is an unfortunately misbegotten notion. Carried to its extremes, it will penalize the most innovative and successful corporations in our country and add to inflation at the same time it produces confusion among consumers.

Trademarks become generic because of successful marketing; a particular product becomes identified with all such products because of preeminent success in advertising and sales. The level of success which makes a trademark generic is generally coupled with qualities of design and production which make the product itself an industry standard. To penalize any company for its success by stripping it of its trademark or even its company name, is simply abusive. It denies a company ultimate success without enhancing the position of competitors except to the extent that the actions succeeds in confusing consumers.

The inflationary impact of such developments is obvious. Plant facilities of affected companies will be idle or under-utilized while companies advertise ferociously to

recapture their market position, at least to the extent of reasonably recouping on their plant investments. These costs further penalize the affected corporation and, in addition, will be passed on to the public.

Stripping a company of its expensively, and successfully, promoted trademark, coupled with the inflationary results of such an action are inimicable to a functioning free market economy. H.R. 3685 would end the issue and remove the threat of such arbitrary action against some of our country's best manufacturers. I urge the Subcommittee to act favorably on H.R. 3685.

STATEMENT SUBMITTED BY HON. ROBERT A. ROE

Today the Subcommittee is considering legislation to curb the unbridled powers of the Federal Trade Commission in the area of trademark usage. As a co-sponsor of this important and much-needed legislation, I urge the Subcommittee to correct what is becoming another tale of a government agency exceeding its mandate.

It would seem that the FTC has enough matters at hand, i.e. deceptive advertising, price fixing and other anti-competitive practices, so that it would be precluded from such ill-advised tasks such as cancelling the Formica Trademark. Obviously, such is not the case and hence the need for legislation in this area.

I believe that my colleague from New Jersey and author of this legislation, Andy Maguire, said it best: "In an industry where there is no evidence of monopoly, in an industry where there is no evidence of restraint of trade, in an industry where there is no evidence of insufficient competition, the FTC can blithely move to revoke a firm's trademark merely because it is generic—without justification or showing of procompetitive purpose."

By now the members of the Subcommittee are well aware that this is a test case based on whims; that Formica no longer dominates the plastic laminate market; that only 5–7 percent of Formica's sales are devoted to retail consumer sales, and that the vast majority of laminate is bought at the contractor level by purchasers motivated by more practical considerations than the simple allure of a trademark; and that the key to market entry is the high capital cost, not the popularity of the trademark.

In an editorial about this case the Wall Street Journal noted that a trademark, embodying a company's reputation for quality, provides important information to the consumer, but it does not prevent any one from offering superior quality under a different name. There is no question about Formica Corporation's good faith in its dealings in the marketplace, or that consumers are being taken for a ride. What we have here is FTC's Don Quixote attacking windmills.

The FTC is attempting to penalize Formica Corporation for its very success. If allowed, such a move cannot fail but to hinder incentive in this country. Innovation will be reduced, and it is the American consumer who will pay the price. And it will be a high price, since it is the consumer who will eventually have to pay for the costs of these actions, whether in terms of tax dollars to support the FTC or higher retail prices to reflect growing legal fields. Also, removing the trademark makes it easier for consumers to be misled—something which the FTC is entrusted with preventing.

In sum, I believe it must be made clear to the Federal Trade Commission that they have exceeded the bounds of reason, if not the scope of their authority. I urge the Subcommittee to report favorably on this legislation.

INTERNATIONAL UNION OF ELECTRICAL, RADIO, AND MACHINE WORKERS,
Washington, D.C., October 15, 1979.

HON. ROBERT W. KASTENMEIER,
Chairman, Subcommittee on Courts Civil Liberties and the Administration of Justice, Committee on the Judiciary, Rayburn House Office Building, Washington, D.C.

DEAR MR. KASTENMEIER: Please note the statement of the International Union of Electrical Radio and Machine Workers, AFL–CIO, for inclusion in the record of the hearings of the subcommittee on H.R. 3685, amending the Lanham Trademark Act.

Sincerely,

GEORGE COLLINS.

STATEMENT OF THE INTERNATIONAL UNION OF ELECTRICAL RADIO AND MACHINE WORKERS, AFL–CIO

The IUE–AFL–CIO, representing 250,000 members engaged in the manufacture of industrial and consumer goods, includes in its membership the Cincinnati, Ohio area employees of the Formica Corporation. We are deeply concerned over the action by the Federal Trade Commission which poses grave danger to our Local 757 membership and potentially to a large segment of American labor.

Earlier this year we stated our objection to the effort of the FTC to strip well-known trademarks away from companies that hold them and apply these trademarks to similar products, regardless of who manufactures them. Such action could result in heavy damage to affected businesses, employees and consumers. The weakening or destruction of respected trademarks will open the way for a flood of cheap imitation goods into the market-place, masquerading as quality products that organized labor has produced and that American consumers have placed their confidence in. Many of the products would be made in foreign countries.

Too many American industry sectors have been damaged by unfairly competing imports, many produced under state-controlled or other non-market economies. Stripping away a trademark would be an open invitation to foreign interest to move into still another part of our industrial base.

The FTC has dragged out an untested, 33-year-old law as the basis for cancellation of trademarks that have supposedly become "generic"—too successful and well-known—and applied this law against Formica Corporation, declaring that all decorative laminates, regardless of their place of origin, ought to be called "formica." If the FTC is successful in its efforts against Formica, other trademarks in other industries are sure to suffer the same fate.

The FTC claims to be doing this in the interests of competition and the consumer. Yet it has no idea as to what this campaign will cost consumers and taxpayers, what adverse effect it will have on U.S. employment, or what possible benefits, other than vague theoretical notions, might be gained from it.

We all agree that consumer and worker protection are necessary areas for federal attention and regulation. American labor has fought for these goals for all its existence. But when regulation tends to punish us for our good work, ignore what we have accomplished and open up our markets to a flood of low-quality goods and services, it does nothing but harm.

The FTC ought to be spending its time and our tax dollars protecting legitimate competition, not trying to give to all businesses the goodwill and consumer trust earned over the years by any one specific business for its products, regardless of how and where these other firms may have operated and regardless also of whether they have merited the same goodwill and consumer trust.

If the FTC should be successful in this attempt, other respected trademarks and the workers in these industries may also be punished for their success. We urge passage of H.R. 3685.

UNIVERSITY OF CALIFORNIA, DAVIS,
DAVIS, CALIF., OCTOBER *5, 1979.*

Re hearings on H.R. 3685.

Mr. BRUCE LEHMAN,
Chief Counsel, Subcommittee on Courts, Civil Liberties, and Administration of Justice, Rayburn Bldg., Washington, D.C.

DEAR MR. LEHMAN: As I am not able to appear personally at the hearings scheduled for October 16–17, 1979, I am submitting the enclosed statement of my comments for consideration by the Subcommittee.

Respectfully submitted,

J. THOMAS MCCARTHY,
Visiting Professor.

Enclosure.

COMMENTS OF J. THOMAS MCCARTHY ON H.R. 3685

My basic position which leads me to oppose H.R. 3685 is fully stated in the attached text of a speech I delivered on February 23, 1979 at the John Marshall Annual Conference on Intellectual Property Law in Chicago.

CONGRESSIONAL STOPPING OF LITIGATION IN MIDSTREAM IS INAPPROPRIATE

I think it would create and reinforce public cynicism as to the legislative process when a company which is the subject of government litigation, sees that all is not going its way in the lawsuit, and goes to Congress asking for special legislation to pull the plug on the government's power to pursue the litigation.

Whether the Federal Trade Commission or American Cyanamid Co. should prevail in the F.T.C.'s litigation to cancel the federal registration of "formica" is not and should not be the issue before Congress. In my view it is highly inappropriate for the legislative branch to intervene in pending litigation by passing a bill designed to paralyze an administrative agency's power to pursue the litigation to a resolution in the courts. One could imagine the legitimate public outcry over a bill proposed by a criminal defendant to deprive the Department of Justice of the power to continue to prosecute for commission of a crime. Both the federal courts and the Department of Justice in such a situation would properly complain that Congress was overstepping the bounds of a reasonable separation of powers.

The F.T.C. in the "formica" case exercising a statutory power granted to it by Congress over thirty years ago for the specific purpose of protecting the public interest in having the federal register of marks reflect the reality of the marketplace.

THE ONLY REAL ISSUE OF H.R. 3685

In my opinion, the "formica" case presents one, and only one, policy question: is F.T.C. exercise of its power under Lanham Act sec. 14 to petition to cancel registration of terms which are alleged to be used by customers as a generic name (a "non-trademark") such a low-priority item of F.T.C. business that Congress should completely take away F.T.C. power to do so?

Cutting through the rhetoric about "attacking trademarks," "name-robbing campaigns" and "attacking success," there appears to be to be only one valid criticism of the "formica" case to be weighed. That is, should all challenges based on genericness be left to private litigation or does the F.T.C. have a legitimate role to play under Lanham Act sec. 14?

I have set forth at pp. 16-18 of the enclosed speech some of the reasons that lead me to believe that a government agency such as the F.T.C. has a legitimate role to play in challenging federal trademark registration on the ground that the term is no longer a trademark. I recognize that there is a legitimate difference of opinion on whether F.T.C. action in these types of cases is an appropriate function of a government agency or not.

However, I believe that to justify passage of H.R. 3685 and taking away legislative authority of over thirty years standing in the middle of controversial litigation should require a very clear and persuasive showing by proponents of the bill either that the legislative authority was wrongly granted in 1947 or that the F.T.C. has somehow abused its authority by bringing the lawsuit challenging "formica." I have seen no such showing by proponents of the bill. Neither have I seen any evidence that the F.T.C. intends in the future to use section 14 for any purpose other than that clearly contemplated by that section of the Lanham Act.

PRESERVING A REALISTIC TRADEMARK REGISTER AND A STRONG FREE ENTERPRISE ECONOMY

I firmly believe in the vital importance of trademarks and federal registration of them to the health of our free enterprise system. A strong and adequately financed trademark operation of the U.S. Patent and Trademark Office is absolutely essential to maintaining a robust economic environment in our nation and to preserving the ability of U.S. merchants to compete in world markets. Trademark protection is a critical part of the backbone of production and marketing of quality products.

But if the federal register of trademarks is to be respected, it must truly reflect the reality of the market and customer perception. In my opinion it does not serve the cause of trademarks and our competitive system to have generic names masquerade as trademarks on the Principal Register of the Lanham Act. The F.T.C. generic name program is not an attack on trademarks: if it is an attack on anything, it is a challenge to generic names which pass themselves off as trademarks.

For the above reasons, I oppose passage of H.R. 3685. I wish to make it clear that I speak for myself and myself only. I do not speak on behalf of the Federal Trade Commission, the University of San Francisco or any firm or bar association.

Respectfully submitted,

J. THOMAS MCCARTHY,
Professor of Law.

TRADEMARKS, ANTITRUST AND THE FEDERAL TRADE COMMISSION *

(By J. Thomas McCarthy**)

I would like to make it clear that I speak for myself and myself only. While I am consultant to the Federal Trade Commission regarding its generic name cancellation program, I do not speak for the Commission. The Federal Trade Commission is able to more than adequately present its views in other forums. The fact that I do not speak for the FTC will soon become quite obvious, for I strongly disagree with the wisdom of some of the positions the FTC has taken: for example, the position that the brand loyalty of a trademark can be properly relied upon to find illegal monopolization under Section 2 of the Sherman Act and that compulsory trademark licensing is a proper remedy in antitrust cases. On the other hand, I agree with and endorse other positions of the FTC: namely, its program to exercise its powers granted by the Lanham Act to petition the Trademark Board to cancel the Federal registration of terms believed to be generic names of products or services. Before outlining the reasons for my disagreement and agreement with the FTC on these points, I feel it necessary to discuss the unfortunate animosity and antipathy that some members of the trademark bar feel towards the Federal Trade Commission as a Federal agency.

The FTC, as a federal prosecuting, litigating and rule-making agency, has been given certain powers by Congress over the years since 1914 and the United States Supreme Court has generally supported most cases of the FTC's exercise of those powers. Ten years ago, the American Bar Association recommended to President Nixon that because the FTC had become so lethargic and moribund, it either activate itself or face the prospect of total abolition by Congress.[1] Faced by this blistering criticism of its inactivity, the FTC as an agency has roused itself into action and Congress has granted it additional procedural powers in the past five years. In view of this history, I have great difficulty understanding how some attorneys can criticize the FTC in general for using its powers by an active program of antitrust enforcement and consumer protection. Certainly, to criticize individual positions taken by the FTC on specific issues is not only appropriate, but is the responsibility of the of the bar. But simply to damn the FTC to perdition, as I have heard some attorneys do, is not responsible or constructive criticism.

Some seem to view the relationship between trademark owners and attorneys on the one hand and the FTC on the other, as a religious war where informed debate on differences in pilosphy is irrelevant. Some think the FTC can do nothing right. Closed minded weeping condemnations of the FTC can serve only to make the Trademark Bar look foolish and self-indulgent. Crying wolf whenever the FTC undertakes *any* action which impacts in any way on trademarks will have the same result as it did when the little boy did see a wolf eating his sheep. It is my fondest hope that the trademark bar will stop, look and analyze FTC positions before jumping to conclusions. That is exactly what we want the FTC to do before taking action which will impact on trademarks: so let us provide a good example.

Having got that off my chest, let me set forth the reasons why I disagree with some positions of the FTC and agree with others. If I were addressing the policy makers of the FTC, I would say "I have bad news and good news". The bad news is that you are very wrong and misinformed as to the competitive impact of trademark ownership per se and as to compulsory trademark licensing as an antitrust remedy. The good news is that I think that a selective and careful exercise of your power to petition to cancel registrations under the Lanham Act serves the cause of fair competition and does no violence to trademarks.

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* Copyright 1979 J. Thomas McCarthy. All Rights Reserved. Based on an address given at the John Marshall Law School 23rd Annual Conference on Intellectual Property Law, Chicago, February 22-23, 1979.

** B.S., University of Detroit, 1960; J. D. University of Michigan, 1963; Professor of Law, University of Michigan, 1963; Professor of Law, University of San Francisco; author of the two-volume treatise on Trademarks and Unfair Competition (1973), Lawyers Co-operative Publishing Co., Rochester, N.Y.

[1] ABA Commission to Study the FTC, Report of the ABA Commission to Study the Federal Trade Commission (1969).

For several years, FTC prosecutors have sought compulsory trademark licensing as a remedy in the wake of finding an antitrust violation. This remedy has been sought in both the *Breakfast Cereal* case [2] and in the *ReaLemon case* [3]. The *Breakfast Cereal* case is still in trial after almost three years. Administrative Law Judge Harry Hinkes has retired and the FTC has ordered a new judge appointed to the case. Thus, the future of the *Cereal* case is in limbo at this time. In August 1976, another Administrative Law Judge in the *ReaLemon* case found that Borden's ReaLemon subsidiary had unlawfully monopolized the "processed lemon juice" market by means of geographically discriminatory pricing. The ALJ ordered Borden for ten years to grant a license of the mark ReaLemon to any competitor at a one half of one percent royalty. On appeal, the full Commission on November 7, 1978, affirmed the finding of monopolization but rejected the remedy of compulsory licensing.[4].

On the issue of monopolization, the Commission recognized that ReaLemon started out with a "natural" monopoly simply because it created the market by being the first to market a bottled lemon juice. But the Commission felt that ReaLemon had taken steps designed to "ensure that the monopoly position would not be lost or eroded". But, by virtue of being there first, was not a continuing monopoly position of from 75 to 89 percent inevitable because Borden was able to establish strong consumer preference for its trademark? In discussing this "inevitability" or "thrust upon" defense, Judge Learned stated almost 35 years ago that, "The successful competitor, having been urged to compete, must not be turned upon when he wins".[5] The Commission found that ReaLemon's continuing dominant market position was not achieved by normal competitive means but by two "unfair" or "artificial" means: (1) price discrimination; and (2) promotion of its trademark. While the Commission could have decided the liability issue on price discrimination behavior alone, it appeared to go out of its way to continually refer to the trademark as an artificial source of market power. The Commission stated that ReaLemon's marketplace advantage was not attributal to a superior product, but rather that, "ReaLemon is distinguished from its competitors only by the strength of its trademark". In the context of the whole opinion, it seems clear to me that the word "only" designates the trademark as an artificial and unnatural source of market position. This is clear to me because of statements such as this: that ReaLemon's market position "was rooted largely in its successful and spurious product differentiation that enabled it to command a substantal price premium over essentially identical offerings of other sellers . . ." The Commission also referred to the "imaginary superiority" which the trademark gave to the product. That is, the Commission focused on the physical aspects of the product as compared to its competitors, dismissing as "imaginary" product superiority as viewed by consumers. Commissioner Pitofsky agreed that "pronounced brand loyalty is a barrier to entry".

This is not a new viewpoint: that trademarks are not a natural and essential element of the competitive process, but rather are a necessary evil, to be dismissed as "irrational" or "imaginary". It has been forwarded by some economists for several decades. In my opinion, it is very wrong and paternalistic to refuse to take consumer demand as a given and to second-guess it by characterizing demand based on brand loyalty as "irrational" or "imaginary". The Commission appears to be building upon the theory that the only relevant and natural form of consumer demand is that which is based upon the "intrinsic" value of hardware: a painting by Picasso is only $10.98 worth of oil and canvas; a vial of perfume is only 98¢ worth of scented alcohol; and a bottle of processed lemon juice is only a combination of chemicals. But, as Alvin Toffler noted, each product goes to market packed with a "psychic load" of intangible and non-utilitarian psychological factors and expectations.[6] A digital computer would not buy a Picasso painting or a vial of perfume and would not have any brand loyalty because it is not a human being with a human desire for predictability of product and peace of mind. To dismiss as "irrational" your human demand for ReaLemon brand lemon juice because you feel more confident in the kitchen with it than with another brand, is to say that humans should act more like computers. It is to say that we should reorganize our economic system through the antitrust laws on the assumption that computers are, or should be, creating consumer demand. In sum, I find the Commissions' analysis of the

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[2] *In re Kellogg Co., General Mills Inc. & General Foods Corp.*, FTC dkt no. 8833 filed April 26, 1972. See CCH Trade Reg. Rep. paragraph 19,898. See orders re replacement of ALJ at CCH Tr Reg Rep paragraph 21,495 (December 8, 1978).

[3] *In re Borden Inc.*, FTC dkt. no. 8978.

[4] *In re Borden Inc.*, dated November 7, 1978. Reproduced at BNA 406 PTCJ D-1 (11-30-78): and at 3 CCH Tr Reg Rep. paragraph 21,490.

[5] *United States* v. *Aluminum Co. of American*, 148 F2d 416, 430 (1945 CA2).

[6] Alvin Toffler, *Future Shock*, 63 (1970).

contribution of brand loyalty to the finding of illegal monopolization both disturbing and disappointing.

A brighter spot in the Commission's majority holding is the finding that, under the circumstances of the case, compulsory trademark licensing is too drastic a remedy. On the other hand, the Commission quite clearly felt that it had the power later on in this or future cases to turn to compulsory trademark licensing as an acceptable remedy. On this I think the Commission is quite wrong. I have set forth at great length in an article in the Trademark Reporter[7] the reasons why I think compulsory trademark licensing may be merely a euphemism for what in practice will be an improperly punitive confiscation of private property. Trademarks are now a form of Constitutionally protected free speech, subject to the least restrictive alternative rule of remedies.[8] I can envision no circumstances in which other remedies will not be less restrictive than compulsory trademark licensing. For the reasons set forth in my article, I have concluded that compulsory trademark licensing is a sloppy and imprecise antitrust remedy since no one can predict with accuracy its competitive effect upon a market. It is unworkable, self-defeating, illegal and probably unconstitutional.

But simply because the majority of the FTC in one case rejected it on the facts does not mean that the spectre of compulsory trademark licensing has passed from the scene. To the contrary, it appears to be picking up more adherents. In the so-called "no fault" monopolization proposal submitted by the FTC to the National Antitrust Commission, compulsory trademark licensing is proposed to be incorporated in a new antitrust statute.[9]

In the ReaLemon decision, Michael Pertschuk, Chairman of the FTC, dissented, saying that the remedy prohibiting certain pricing practices was not sufficient and that "some form of trademark relief" should also be ordered. By this he meant either compulsory licensing or a prohibition on use of the trademark. Chairman Pertschuk's dissent is based upon his view that, "The power inherent in the ReaLemon trademark and the price premium it permitted, are the root of Borden's monopoly power". From this he deduced that the trademark "serves not merely as an identifier of the lemon juice sold under that name, but provides respondent with a mechanism to control prices and entry in the processed lemon juice market, and acts as a formidable barrier to entry." Chairman Pertschuck relied on and quoted from a book review written in 1977 by Professor Scherer of Northwestern University.[10] Professor Scherer's thesis is that trademarks confer monopoly power which permits anti-competitive price premiums for products with a "well-received brand image". Professor Scherer's recommendation is that "powerful trademarks could be opened up to competitive licensing at the stroke of a judicial pen". He briefly recognized the legal and economic problems involved, but concluded that "in numerous cases the social benefits would outweigh the costs". One of the benefits he listed was that under compulsory licensing, consumers would be deprived of the source identification function of a trademark and would therefore have to spend additional time and effort in determining product quality. To Professor Scherer "it might add spice to life". To me, it is the height of intellectual arrogance for government to deprive the busy working person of the informational value of a trademark and tell that person that they ought to spend more time investigating the "real" quality of the things they buy and not rely upon the "irrational" drawing power of a trademark. In Professor Scherer's balance sheet, there is apparently no place to enter the time and effort saved consumers by the informational value of trademarks and advertising. With more and more American households having two working spurses in order to keep pace with inflation, Americans have less and less time to spend

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[7] McCarthy, Compulsory Licensing of a Trademark: Remedy or Penalty? 67 Trademark Reporter 197 (1977). See also: Palladino, Compulsory Licensing of a Trademark, 68 Trademark Reporter 522 (1978).

[8] In *Friedman* v *Rogers* (1979) —— *U.S.* ——, *99 S Ct 887 a majority of seven justices upheld as against a First Amendment challenge a Texas statute prohibiting the use of trade names by professional optometrists. In passing, Justice Powell for the majority noted that while the FTC must follow a least restrictive alternative rule as to deceptive trademarks, "there is no First Amendment rule, comparable to the limitation on sec. 5 [of the FTC Act] requiring a State to allow deceptive or misleading commercial speech whenever the publication of additional information can clarify or offset the effects of the spurious communication". 99 S Ct at 895, not 11. Justice Blackmun specifically disagreed, noting that, "Corrected falsehood, however, is truth". 99 S Ct at 902. Thus, it is not entirely clear whether, in the false advertising context, the First Amendment requires a least restrictive alternative approach to commercial speech and trademarks.*

[9] See Statement by Alfred F. Dougherty, Jr., Director, Bureau of Competition, FTC, to the National Commission for the Review of Antitrust Laws, Oct. 17, 1978.

[10] Scherer, The Posnerian Harvest: Separating Wheat from Chaff, 86 Yale L. J. 974 at 997-1000 (1977) (book review).

agonizing over each of hundreds of purchasing decisions they make. And if consumers do not want the information of advertising or the aura provided by heavily advertised brand names, then some companies can make a great deal of money by supplying only the physical product at a lower price.[11] But Professor Scherer would deprive the consumer of that choice, because in his opinion, brand loyalty is not a sensible kind of purchasing decision. Again, we are back to the computer ideal of consumer. Professor Scherer posits that more low-income than high-income consumers pay a price premium for "the dubious superiority of Wonder Bread over private-label alternatives". But this kind of apocryphal evidence reveals an imagined intellectual superiority. For every low-income consumer that Professor Scherer can find that pays a few cents more for Wonder bread than for "Jolly Markets" private label bread, one can find a high income consumer that pays a $5,000.00 price premium for the so-called "imagined" superiority of a Mercedes automobile. The point is that no busy working person in our society has hours to spend agonizing over every purchase at the supermarket or elsewhere. Everyone is too busy trying to earn the money to make a purchase in the first place. And if in fact consumers begin to buy "Jolly Markets" private label brand bread in droves and it eventually achieves a dominant position in the market, will Professor Scherer and Chairman Pertschuk then recommend that an antitrust action be brought and Jolly Markets be forced to license its trademark to the now-failing Wonder bread people? [12]

The fallacy of this approach seems self-evident to me because it is based on an essentially undemocratic thesis: the consumer *should* not want what he or she wants. While I am not in agreement with some of Professor Bork's theories of antitrust law, I am in complete accord with his statement that:

"The contempt for advertising which is de rigueur in certain strata of our society is based on invincible ignorance of the functions it serves and the reasons it is presented to the public as it is." [13]

I cry "wolf" as to the FTC analysis of trademarks in the ReaLemon case because I see the wolf attacking the strongest and healthiest sheep. But now comes the good news I have for the FTC: It is both legal and appropriate for it to seek cancellation of trademark registrations of terms which probably have become generic—that is, have become a "non-trademark". My analogy may be strained, but here I see the wolf going after a fellow wolf in sheep's clothing. I do not cry "wolf!" because I do not think that generic non-trademarks should masquerade as trademarks on the prinicpal register. Removing the statutory presumptions of validity for terms which the public uses to name a genus of products is a proper and valuable function of the FTC. It is pro-consumer and pro-democratic because it merely presents to the Trademark Board the basic issue of trademark law: do consumers in fact use this term to identify and distinguish the goods of one seller or do they apply the term to name the goods of all sellers of that product? No one is attempting to tell consumers what they should think or buy. Rather, the FTC merely presents the issue: what in fact do consumers think?

Under section 14 of the Lanham Act, the Federal Trade Commission is empowered to petition to cancel registrations on the principal register on certain enumerated grounds. One of these grounds is if "the registered mark becomes the common descriptive name" of an article or substance".[14] The words "common descriptive name" mean the same thing as "generic name".[15] A generic name is the very antithesis of a trademark.[16] Whether a given term is generic or a trademark is entirely in the hands of the consuming public. Learned Hand in the Aspirin case put it succinctly:

"The single question, as I view it, in all these cases, is merely one of fact: What do buyers understand by the word for whose use the parties are contending?" [17]

In some cases, a finding of genericness can be laid at the door of a company which introduces a new product with no other name for it but that term that the company

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[11] See Bork, The Antitrust Paradox, 318 (1978).

[12] The FTC's Economics Bureau has proposed a "Theoretical and Empirical Study of the Effectiveness of Patent and Trademark Licensing as Antitrust Remedies". BNA PTCJ, No. 416, A-2 (Feb. 15, 1979). The BNA opines that this may indicate either second thoughts or that the FTC is girding itself for future battles. Id.

[13] Id at 317.

[14] 15 USC 1064 (c).

[15] *Re A.D. Searle & Co.* (1966 CCPA) 360 F2d 650; *Abercrombie & Fitch Co., v. Hunting World Inc.* (1976 CA2) 539 F2d 4.

[16] See 1 McCarthy, Trademarks & Unfair Competition sec. 12:1 (1973). The test of trademark or generic significance in a term turns on majority usage. McCarthy, supra at sec. 12:2 (c).

[17] *Bayer Co.* v. *United Drug Co.* (1921 (DCNY) 272 F 505.

considers to be its trademark.[18] The Aspirin case is the classic example. In other cases, the company uses the term in advertising in such a way as to encourage consumers to name and ask for the product by using the term the company thinks is its tradmark. But the test is not so much what the seller does as what the public thinks. The real question is not so much what the seller's advertising input is but what is its impact on buyers? As judge Augustus Hand remarked in the Cellophane case:

"It therefore makes no difference what efforts or money the DuPont company expended in order to persuade the public that "cellophane" means an article of DuPont manufacture. So far as it did not succeed in actually converting the world to its gospel it can have no relief".[19]

On May 31, 1978, the Federal Trade Commission exercised its power under section 14 of the Lanham Act and petitioned to cancel the registration of Formica on the ground it had become a generic name and was no longer entitled to registration as a trademark. The registration in issue is for Formica for "laminated sheets of wood, fabric or paper impregnated with synthetic resin and consolidated under heat and pressure, for use on table tops, furniture and wall panelling". This registration was originally issued in 1946 under the Trademark Act of 1905, alleging use since 1928. In 1947, four days after the Lanham Act became effective, registrant Formica Corporation (a subsidiary of American Cyanamid Co.) filed a section 12 (c) affidavit claiming the benefits of the Lanham Act. The registration was republished and in 1953 section 8 and 15 affidavits were filed to continue the registration and obtain incontestability. The registration was renewed in 1966.

The registrant moved to dismiss the FTC's Petition, claiming that the FTC had the power to petition to cancel only registrations *originally* registered under the Lanham Act, not pre-Lanham Act registrations which were later republished under the Lanham Act. Essentially, registrant argued that a 1905 Act registration which has been republished under the Lanham Act is not a "mark registered on the principal register established by" the Lanham Act. Both the FTC and the Formica Corporation extensively briefed the issue, delving into the legislative history of the relevant sections of the Act.

On November 8, 1978, the Trademark Trial and Appeal Board denied the registant's motion to dismiss and upheld the power of the FTC to petition to cancel a 1905 Act registration that has been republished under the Lanham Act.[20] One basis for the decision is that a mark republished under the Lanham Act enjoys all the benefits of the Act and therefore should be subject to all of the same detriments. The Board noted that there is only one Principal Register: there should not be subclasses of registration on the Principal Register according to when and how the mark came to be on the register. Thus, the Board held that, "A mark which is republished is thenceforth as much on the Principal Register as though it had been originally registered thereon." Formica Corporation petitioned the Court of Customs and Patent Appeals for writs of mandamus and prohibition to reverse the Board's decision. Early in 1979 the CCPA denied the writs.[21].

Recently, articles have appeared in the press with titles such as "Trademarks Under Fire",[22] in which trademark attorneys are quoted as including the *Formica* case as part of "an unprecedented attack on trademarks". An editorial in the *Wall Street Journal* lumped together both the *ReaLemon* and *Formica* cases as constituting parts of the FTC's "name-robbing campaign".[23] A similar theme was sounded by William Ball of New York in an article in the Trademark Reporter.[24] In my opinion, one should not talk about the ReaLemon and Formica cases in the same breath. I don't see how they have anything to do with one another, unless one subscribes to the "religious war" concept that nothing the FTC does can be proper. Even Mr. Ball in his article conceded that:

"It is highly unlikely that any support could be mustered among trademark owners or practitioners for the proposition that a mark which has truly become a

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[18] See e.g. *Kellogg Co.* v. *National Biscuit Co.* (1938) 305 US III ("Shredded Wheat"); *Surgicenters of America Inc.* v. *Medical Dental Surgeries Co.* (1976 DC Ore) 196 USPQ 121 ("Surgicenter").

[19] *Du Pont Cellophane Co.* v. *Waxed Products Co.* (1936 CA2) 85 F2d 75; See *King-Seeley Thermos Co.* v. *Aladdin Industries Inc.* (1963 CA2) 321 F2d 577, 579.

[20] *Federal Trade Commission* v. *Formica Corp.* (1978 TMTAB) 200 USPQ 182.

[21] *Formica Corp.* v. *Lefkowitz* (1979 CCPA)——F2d——, 200 USPQ 641, 414 BNA PTCJ A-1 (2-1-79).

[22] "Trademark Under Fire", Dun's Review, 104 (September, 1978).

[23] *Wall Street Journal*, March 13, 1979.

[24] Ball, Government Versus Trademarks: Today—Pharaceuticals, ReaLemon and Formica—Tomorrow?, 68 Trademark Reporter 471 (1978).

generic term should nevertheless continue to be regarded as a valid trademark, with its owner entitled to maintain his rights to the exclusive use thereof".[25]

The only coherent criticism I have heard of the FTC's exercise of its power to petition to cancel is that a challenge based on genericness should be left to private litigation rather than government agency litigation. This is a legitimate point which requires analysis. Firstly, I think the FTC properly carries out its consumer protection and procompetitive function by presenting for decision by the Trademark Board and the Courts the question of genericness. Both business firms and attorneys and most courts regard a registration as important and valuable property.[26] A company which holds a trademark registration for "semiconductor", or "diesel" or "wallpaper" has a false and unfair advantage in the marketplace. The registration and assertion of a generic term as a trademark deprives consumers and competitors of the right to use the very name of the product, obviously distorting the informational value of advertising and consumer purchasing decisions. The FTC has a proper interest in removing such artificial roadblocks from the free marketplace of commercial speech. Potential competitors or firms already in the market are deprived of the right to tell customer the name of the product, to the obvious detriment of free and open competition.

Secondly, why should government action be necessary? Why not let private litigation weed out the generic names? Certainly the trademark bar has no moral compunctions about suing or defending a suit based on the claim of genericness. The reason why registrations of probably generic terms continue to grace the files of the Patent and Trademark Office is that no competitor or potential competitor wants to undertake the tremendous expense of litigation over genericness.[27] To have standing to raise the issue, a firm might have to first invest in advertising which used the term in a clear generic sense.[28] A healthy litigation fund had better be on hand for immediate use. And why should I be a martyr for the cause? My lawyer tells me it will take years and many thousands of dollars to litigate and maybe we will win and maybe we will lose. Why should I bear all the cost and grief while, if I win, my competitors and those waiting in the wings will get a free ride without the expense? This is a variation of the economic theory of the "free ride". For example, no one fisherman will pay to build a lighthouse because once built, every competitior will get a "free ride" by using the lighthouse.[29] And in a society of humans, not angels, the fishermen won't all agree to chip in and pay "equally" for the lighthouse. So they turn to government to build the lighthouse and require everyone to pay for it in taxes. That's what government is for: to do the things that need to be done for everyone's benefit but for which no one person will pay the whole expense, because no one person can charge for it. There is no way for one fisherman to charge for the use of the lighthouse and no way for one competitior to charge others for the expense of successfully challenging the registration of a generic name. If one large fishery cooperative decides it will pay to build a lighthouse on its own, fine: there is no need for government action. If a company decides that it can justify to its stockholders the expense of raising genericness in litigation, fine: that's one less thing for the FTC to do. But to say that we obviously don't need any more lighthouses because the privately constructed ones are all we need and therefore government should stay away is not logical. It is not logical to state that because no competitor has successfully challenged the registration of an arguably generic term, therefore consumers do not use it as a generic term.

Our society has already made its policy choice because Congress almost 35 years ago in the Lanham Act gave the FTC the statutory power to petition to cancel registrations on the ground of genericness. To argue that the FTC should not exercise this power is to argue that is should not use its statutory power, the very

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[25] Ball, supra at 491.

[26] The CCPA noted the "respect in which businessmen hold certificates of Federal registration". *De Walt Inc.* v. *Magna Power Tool Corp.* (1961 CCPA) 289 F2d 656.

[27] In 1966 Formica Corp. opposed registration of NEW-MICA by Newnan Corp. As a defensive gesture, Newnan counter-claimed to cancel a "formica" registration on the ground of genericness. Newnan did not conduct a coustomer survey and relied upon evidence of "formica" usage (in lower case letters) in advertisements by furniture retailers and fabricators and the like. The Board held that Newnan had not carried its burden of proof on the counter-claim. *Formica Corp.* v. *Newnan Corp.* (1966 TMTAB) 149 USPQ 585. While the Board held that NEWW-MICA was not confusingly similar to "formica" the CCPA reversed on Formica Corp.'s appeal and found a likelihood of confusion. (1968 CCPA) 396 F2d 486, 158 USPQ 104.

[28] A competitor probably has standing to petition to cancel on the ground of genericness without actual use of the term if it proves it is engaged in the sale of goods of which the registered mark is allegedly generic. See *J. Kohnstam Ltd.* v. *Louis Marx Co.* (1960 CCPA) 280 F2d 437.

[29] The "lighthouse" example is discussed in P. Samuelson, Economics (10th ed 1976) 49 (n. 3) and 160.

basis for the ABA criticism ten years ago. Few persons seriously argue that we should disband the Antitrust Division of the Department of Justice because private litigation should be the only source of antitrust enforcement. This kind of "let private litigation do it all" argument runs directly counter to what the vast majority of Americans have believed for 200 years is a proper function of government: to prosecute civil and criminal suits for the benefit of its citizens where one citizen cannot afford the costs of enforcing the law.

My comments as to the propriety of FTC generic cancellation actions are, and must be, qualified by the caveat that such FTC petitions must be carefully and selectively chosen and researched in advance. From my association as consultant to the generic name program of the FTC, I can assure the Trademark Bar that such is the case. A great deal of research, preparation and study goes into a decision whether to file such a petition. Many persons at all levels of the FTC must approve before such a case is even filed. I will do all I can do to make my voice heard to recommend a sensible, balanced and selective use by the FTC of section 14 of the Lanham Act. This program is merely a small part of the activities of the FTC and as Commissioner Paul Rand Dixon said, "I do not want to give you the impression . . . that we at the FTC are spending large quantities of time hunting for trademarks to attack".[30]

I serve as a consultant to the FTC in regard to its generic name cancellation program because I want to contribute what I can to an informed and balanced program of FTC use of its cancellation power. It does not serve the cause of trademarks and the competitive system to have generic terms masquerade as trademarks on the Principal Register. The FTC generic name program is not an attack on trademarks: if it is an attack on anything, it is a challenge to generic names which pass themselves off as trademarks.

I urge the trademark bar to be selective in its criticism of the FTC. Give it kudos when it is right and brickbats when it is wrong.

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[30] Dixon, Trademarks, the F.T.C. and the Lanham Act, 68 Trademark Reporter 463, 469 (1978).