SR 1333

Calendar No. 1358

79TH CONGRESS 2d Session

SENATE REPORT No. 1333

PROVIDING FOR THE REGISTRATION AND PROTECTION OF TRADE--MARKS USED IN COMMERCE TO CARRY OUT THE PROVISIONS OF CERTAIN INTERNATIONAL CONVENTIONS MAY 14 (legislative day, MARCH 5), 1946.---- Ordered to be printed

Mr. PEPPER from the Committee on Patents submitted the following

REPORT
[To accompany H.R. 1654]
The Committee on Patents, to whom was referred the bill (H.R. 1654) to provide for the registration and protection of trade--marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.
The amendments are as follows:

Page 2, line 24, indent line to be coordinate with line following.
Page 5, line 22, cancel "merely".
Page 7, line 22, insert "legitimately" after the word "used".
Page 17, line 7, insert after the word "mark" the following "becomes descriptive of a patented article or".
Page 17, line 9, insert after the word "of", the following "section 4 or of".
Page 17, line 20, change the period to a semicolon, insert "and", and add the following to the section:
(d) at any time in the case of a certification mark on the ground that the registrant (1) does not or is not constituted so as 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 mark is applied, or (3) permits the use of such mark for other purposes than as a certification mark, or (4) does not permit the use of such mark on nondiscriminatory and reasonable terms by all persons engaged in the production and marketing of such goods or services who maintain the standards or conditions which such mark certifies: Provided. That the head of any Government department or agency may apply to cancel marks registered under the provisions of section 4 of this Act and the prescribed fee shall not be required.

Page 17, line 22, strike out "subsection (c)" and insert in lieu "subsections (c) and (d)".

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Page 18, after line 9, insert the following subsection:
(1) if the mark or trade name becomes descriptive of a patented article, it may be contested at any time; Page 18, line 10, change "(1)" to "(2)".Page 18, line 14, change "(2)" to "(3)".Page 18, line 17, change "(3)" to "(4)".Page 18, line 23, change "(1) and (2)", to "(1), (2), and (3)".
Page 26, line 8, change "$ 15" to "$ 25".
Page 26, line 9, change "$ 15" to "$ 25".

Page 26, line 12, change "$ 5" to "$ 10".
Page 26, line 13, change "$ 10" to "$ 25".
Page 26, line 15, change "$ 20" to "$ 25".
Page 26, line 16, change "$ 20" to "$ 25".
Page 26, line 20, cancel all of the line following the semicolon.
Page 26, cancel lines 21, 22, and 23.
Page 26, line 24, cancel "ing certificate, $10;".
Page 27, line 2, change "75 cents" to "$ 1".
Page 27, line 4, change "25" to "50".
Page 27, line 10, change "50 cents" to "$ 1" and cancel the rest of the line.
Page 27, cancel line 11.
Page 27, lines 17, 18, and 19, change "50 cents" to "$ 1" in each instance.
Page 27, line 20, cancel the comma after "records" and the remainder of the sentence, and insert in lien:
and drawings, the reasonable cost of making them.
Page 27, cancel line 22.
Page 32, after line 4, insert the following subsection:
(7) That the mark has been or is being used in violation of the antitrust laws of the United States.
Page 33, line 25, change the semicolon to a period and cancel the remainder of the sentence.
Page 43, line 19, insert the word "legitimately" after "who".
Page 48, line 13, insert a comma after "limiting"; cancel "or"; insert a comma after "restricting", and add "modifying or repealing".
Page 48, line 14, insert "or trade names" after "trade--marks".
Page 48, line 15, insert "department or" after "Federal".

In addition to clarifying and strengthening those features of the bill preventing or discouraging any improper use of trade--marks, the amendments add several features with the same ends in view. Trademarks which become a descriptive of a patented article are made subject to cancellation at any time and do not become incontestable. Collective and certification marks are likewise made subject to cancellation at any time and do not become incontestable. Certification marks may be canceled on the additional grounds given, and may also be canceled by a Government department or agency on any of the grounds applicable. It is made a defense to a suit on a mark if the mark is used in violation of the antitrust laws. The schedule of fees has been revised to bring the fees more in line with the administrative costs of the trade--mark section of the Patent Office.
The remainder of this report follows the report of the House Committee on Patents, on the bill.

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THE STATUTES
The Federal Trade--Mark Act has been in operation for over 40 years. It has been frequently amended, and these amendments are well scattered throughout the United States statutes. There are confusing and conflicting interpretations of these various statutes by the courts. There is much that is good in the present acts. Their results, on the whole, have been beneficial. The present bill preserves the things which have demonstrated their usefulness. The purpose of this bill is to place all matters relating to trademarks in one statute and to eliminate judicial obscurity, to simplify registration and to make it stronger and more liberal, to dispense with mere technical prohibitions and arbitrary provisions, to make procedure

simple, and relief against infringement prompt and effective. This bill effects this necessary codification and coordination.

BASIC PURPOSES OF TRADE--MARK LEGISLATION

The purpose underlying any trade--mark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade--mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade--mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well--established rule of law protecting both the public and the trademark owner. It is succinctly stated by Mr. Justice Frankfurter in Mishowaka Rubber and Woolen Company v. S.S. Kresge Company, decided on May 4, 1942:

The protection of trade--marks is the law's recognition of the psychological function of symbols.

Your committee believes the proposed bill accomplishes these two broad basic principles.

TRADE--MARKS DEFEAT MONOPOLY BY STIMULATING COMPETITION

This bill, as any other proper legislation on trade--marks, has as its object the protection of trade--marks, securing to the owner the good will of his business and protecting the public against spurious and falsely marked goods. The matter has been approached with the view of protecting trade--marks and making infringement and piracy unprofitable. This can be done without any misgivings and without the fear of fostering hateful monopolies, for no monopoly is involved in trade--mark protection.

Trade--marks are not monopolistic grants like patents and copyrights (Trade--mark cases, 100 U.S. 82). In Presionettes v. Coty (264 U.S. 359), Mr. Justice Holmes said (368):

It [a trade--mark] does not confer a right to prohibit the use of the word or words. It is not a copyright. * * * A trade--mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his.

In United Drug Co. v. Rectanus (284 U.S. 90, 97--98), Mr. Justice Pitney said:

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The owner of a trade--mark may not, like the proprietor of a patented invention make a negative and merely prohibitive use of it as a monopoly.

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In truth, a trade--mark confers no monopoly whatever in a proper sense * * *.

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

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

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

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

PURPOSES OF THE PRESENT BILL

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

There are many statutes dealing with trade--marks which are widely scattered and difficult of access. There are provisions dealing with trade--marks in tariff acts and other unlikely places. It seems desirable to collect these various statutes and have them in a single enactment. Moreover, ideas concerning trade--mark protection have changed in the last 40 years and the statutes have not kept pace with the commercial development. In addition the United States has become a party to a number of international conventions dealing with trade--marks, commercial names, and the repression of unfair competition. These conventions have been ratified, but it is a question whether

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they are self--executing, and whether they do not need to be implemented by appropriate legislation.

Industrialists in this country have been seriously handicapped in securing protection in foreign countries due to our failure to carry out, by statute, our international obligations. There has been no serious attempt fully to secure the nationals of countries signatory to the conventions their trade--mark rights in this country and to protect them against the wrongs for which protection has been guaranteed by the conventions. Naturally under such circumstances foreign governments do not always give to citizens of the United States their convention rights. To remedy this discreditable situation is merely an act of international good faith.

This bill attempts to accomplish these various things:

1. To put all existing trade--mark statutes in a single piece of legislation.

2. To carry out by statute our international commitments to the end that American traders in foreign countries may secure the protection to their marks to which they are entitled. Although it has solemnly pledged at inter--American conventions to do so, the United States has failed adequately to protect owners of trade--marks in the other American countries doing business with this country. As a result of this inaction, our business organizations have not received reciprocal advantages in the other Americas. The bill remedies this matter, eliminates these sources of friction with our Latin--American friends, and will facilitate mutual trade in this hemisphere. These features make this bill of primary importance now.

3. To modernize the trade--mark statutes so that they will conform to legitimate present--day business practice.

To remedy constructions of the present acts which have in several instances obscured and perverted their original purpose. These constructions have become so ingrained that the only way to change them is by legislation.

Generally to simplify trade--mark practice, to secure trade--mark owners in the goodwill which they have built up, and to protect the public from imposition by the use of counterfeit and imitated marks and false trade descriptions.

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

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

HISTORY OF PROPOSED TRADE--MARK LEGISLATION
H.R. 9041, the first of a series of bills to amend and codify the trade--mark laws was introduced January 19, 1938, Seventy--fifth Congress, third session. A subcommittee, consisting of Representatives Lanham (chairman), McClellan, Boykin, South, Arends, Luce, and Amlie was appointed to consider this measure January 26, 1938. This subcommittee held hearings March 15, 16, 17, and 18, 1938, which hearings were printed. No further action was taken in the Seventy--fifth Congress toward the enactment of this general legislation.
However, a bill, H.R. 9996, authorizing the registration of collective trade--marks was introduced on March 23, 1938, as a direct result of the hearings. From this bill emanated Public Law 586, approved June 10, 1938.
In the next Congress, the bill H.R. 4744, was introduced and referred to a subcommittee consisting of Mr. Lanham (chairman), and Representatives Monroney, Myers, Arends, and Luce, and hearings were held March 28, 29, and 30, 1939. These hearings also were printed.
Subsequently the bill was revised and a new bill, H.R. 6618, introduced by Representative Lanham on June 1, 1939. Hearings were held and printed on H.R. 6618, June 22, 1939. It was reported to the House June 27, 1939, House Report 944; passed the House July 17, 1939, under suspension of the rules; reported intch Senate, May 1, 1940, Senate Report 1562, with amendments. It passed the Senate June 22, 1940, but a motion to reconsider was entered and

agreed to on the following day, whereupon the bill was returned to the calendar and not reached again for consideration before the expiration of the Congress.
In the Seventy--seventh Congress, trade--mark bills before Congress included H. R. 102, H. R., 5461, and the companion Senate bill S. 895. The Senate bill was reported July 22, 1941, Senate Report No. 568; it passed the Senate September 17, 1941; again hearings were held and printed before a subcommittee of the House Patents Committee consisting of Representatives Lanham (chairman), Plauche, Klein, Scott, and Stevenson, November 4, 12, 13, and 14, 1941; the Senate bill was reported in the House June 25, 1942, House Report No. 2283, with amendments; it passed the House September 24, 1942, and went back to the Senate for action on the House amendments; on October 2, 1942, the bill was referred back to the Senate Patents Committee; a hearing was held and printed December 11, 1942, by a subcom[7]mittee consisting of Senators Pepper (chairman), Lucas, and Danaher; action was deferred in the Senate December 15, 1942.
In the Seventy--eighth Congress, first session, H.R. 82 was introduced January 6, 1943. Hearings were held by the House Committee on Patents on April 7 and 8, 1943, and were printed. H.R. 82 was reported to the House June 25, 1943, Report No. 603, and passed the House June 28, 1943, under suspension of rules. In the Senate the bill (H.R. 82) was referred to the Committee on Patents, and a subcommittee held hearings on November 15 and 16, 1944. The hearings were printed, and the bill was reported in the Senate December 4, 1944, Senate Report 1303, with amendments. Action was deferred in the Senate December 14, 1944, and the bill was not reached again for consideration before the expiration of the Congress shortly thereafter.
Besides the official recorded action of Congress concerning this proposed legislation, many hours of time were devoted to the perfecting of this legislation by the Members of Congress in conferences with officials of various Government departments, lawyers, trade--mark owners, manufacturers, and others interested in securing the enactment of a modern, concise trade--mark statute. It might also be mentioned that various committees studied and debated the various bills, and presented their conclusions for official consideration at various times; note the list of committees cooperating in the study of trade--mark legislation, page 134, hearings, November 4, 12, 13, and 14, 1941, H.R. 102, et al.

EXISTING LAW
Certain provisions of law which are proposed to be repealed by the bill, insofar as such provisions are inconsistent with the bill, are set forth below:
[OMITTED]