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Further Unraveling of Sears-Compco: Of Patches, Paladin and Laurel & Hardy

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The law of intellectual property has been undergoing an eccentric reconceptualization in recent years. Much of the responsibility for this development is attributable to a changing technology and an expanding application of the antitrust laws. The monopolistic characteristics of intellectual property rights are usually considered exceptions to the antitrust laws and, therefore, these property rights are subjected to strict judicial scrutiny. This article will describe some recent examples of judicial attempts to define the boundaries of intellectual property and will provide some guidance as to the future evolution of this conceptually difficult area of the law.

There are four generally recognized classes of intellectual property: patents, copyrights, trademarks and trade secrets. Patents protect ideas embodied in a useful form, if these ideas meet statutorily defined levels of novelty, utility and unobviousness.1 Patents are expressly provided for in the Constitution2 and, therefore, escape regulation under the antitrust laws so long as they are properly obtained and used. Copyrights are also derived from an express constitutional grant3 and protect original writings, lectures, dramatic and musical compositions, and other works falling within certain statutory classes.4 A common law basis for the protection of unpublished copyrightable works is preserved by statute.5

Trademarks are words or symbols used in connection with goods.6 They serve to indicate the origin, nature, or quality of goods. The legal basis for trademarks is both statutory and common law. The

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2. U.S. CONST. art. I, § 8. The Congress shall have 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.
3. See note 2 supra.
6. Marks used in connection with services, rather than goods, are called service marks. The law of trademarks is generally said to include service marks.
statutory basis for the registration of trademarks exists at both the federal and state levels. The common law basis for the protection of trademarks is derived from the law of unfair competition.

Trade secrets may include formulas, patterns, devices, or compilations of information. However, trade secret law essentially regulates commercial conduct in that it is concerned with the duty of one not to disclose another's confidential business information. A trade secret, unlike a patent, trademark or copyright is not really a separate property right. For this reason, the common law of trade secrets has not been preempted by the closely related area of patent law.

The above classes of intellectual property constitute the traditional means of protecting ideas. One major exception to this tradition is *International News Service v. The Associated Press*.

In that case, the parties were competitors engaged in the business of gathering and distributing news to newspapers across the country. To combat the partial monopoly enjoyed by The Associated Press over certain news sources, International News Service resorted to the practice of taking The Associated Press news reports from bulletin boards or from early editions of eastern papers served by The Associated Press and selling the news in the reports, either verbatim or after rewriting, to International News Service customers. The question before the Supreme Court in *International News Service* was whether this conduct violated a property right of The Associated Press in the news or amounted to unfair competition on the part of International News Service.

The most significant portion of *International News Service* was

7. 15 U.S.C. §§ 1051 et seq (1970). This act, commonly called the Lanham Trade-Mark Act, is not derived from a specific constitutional grant, but from the general powers enumerated in the commerce clause.


In his dissent, Mr. Justice Douglas noted that a trade secret, unlike a patent, has no property dimension. He then quoted Mr. Justice Holmes in Du Pont Powder Co. v. Masland, 244 U.S. 100, 102 (1917):

> The word property as applied to trade-marks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence he accepted. The property may be denied but the confidence cannot be. Therefore the starting point for the present matter is not property or due process of law, but that the defendant stood in confidential relations with the plaintiffs or one of them.

416 U.S. at 497-98.

the Court's characterization of the legal rights involved. Copying of specific news articles, which are copyrightable, was not the subject of the controversy. It was the wholesale appropriation of the news itself, admittedly not copyrightable, that concerned the parties. No conventional theory of intellectual property was available to plaintiff to protect appropriation of the news itself even though defendant was obtaining, at little cost to itself, the benefits of plaintiff's efforts at gathering the news.

In holding for the plaintiff, the Court relied upon a theory of unfair competition; but its opinion appeared to recognize a new property right. The Associated Press's interest in its news gathering efforts was termed "quasi-property" in that it was a right which existed only among competitors and not as against the public. The Court described the news as

material . . . acquired by complainant as the result of organization and the expenditure of labor, skill, and money . . . and that defendant in appropriating it and selling it as its own is endeavoring to reap where it has not sown . . . . Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business . . . .

Thus, this new "property" right was defined in terms of the previously accepted theories of misappropriation, unjust enrichment, and unfair competition. The Court's opinion thus was predicated on equitable considerations, rather than on traditional notions of an intellectual property right. Nevertheless, the famous Brandeis dissent as well as most of the commentators, attacked the majority opinion as the progenitor of a new method of protecting subject matter never before credited with the attributes of a property right. The critics reasoned that, since the legislature, in the interest of free competition, has chosen not to protect certain items, the courts should not devise their own method of protection regardless of the equities.

The International News Service case has never been expressly overruled. Despite fifty years of criticism, its concepts of misappropri-

12. Id. at 239-40.
14. Since International News Service was decided as a matter of federal common law, Erie Railroad Co. v. Tompkins, 304 U.S. 64 (1938), may have diminished its impact as stare decisis in the federal courts.
pria tion, unjust enrichment, and a property right born from the marriage of equity and unfair competition, have persisted and diffused into the recognized classes of intellectual property. Therefore, it is not surprising that there are still no boundaries to the various classes of intellectual property. Recently, this difficulty has been most pronounced in that area of the law which is probably most susceptible to the equitable considerations of *International News Service*: the copyright-trademark interface.

**The Persistence of the Misappropriation and Unjust Enrichment Theories in Intellectual Property Law**

Since *International News Service*, misappropriation and unjust enrichment theories have continued to receive attention in both the state\(^{15}\) and federal courts.\(^{16}\) Generally, the cause of action has been classified as unfair competition,\(^{17}\) with the federal courts exercising either diversity or pendent jurisdiction over the state claim. Moreover, these theories have apparently survived even the stumbling blocks of the companion cases of *Sears, Roebuck & Co. v. Stiffel Co.*\(^{18}\) and *Compco Corp. v. Day-Brite Lighting, Inc.*\(^{19}\)

At issue in *Sears* and *Compco* was state protection through the law of unfair competition for articles which were unprotected by federal patent or copyright law. In each case, the defendant had copied the design of a patented light fixture. The Court of Appeals for the Seventh Circuit, affirming the district court, had held each patent invalid but enjoined the copying of the designs, relying on the Illinois law of unfair competition.\(^{20}\) The lower courts had found that such copying was likely to cause confusion as to the source of the product. In reversing, the Supreme Court in each case denied plaintiff relief, holding that the finding of unfair competition gave each plaintiff the equivalent of a patent monopoly even though its patent had been held invalid. Relying on the supremacy clause of the Constitution in denying this protection, the Court stated:


\(^{17}\) Pittsburgh Athletic Co. v. KQV Broadcasting Co., 24 F. Supp. 490 (W.D. Pa. 1938); Cable Vision, Inc. v. KUTV, Inc., 335 F.2d 348 (9th Cir. 1964).

\(^{18}\) 376 U.S. 225 (1964).

\(^{19}\) 376 U.S. 234 (1964).

\(^{20}\) 313 F.2d 115, 118 (7th Cir. 1963); 311 F.2d 26, 30 (7th Cir. 1962).
That Stiffel originated the pole lamp and made it popular is immaterial. "Sharing in the goodwill of an article unprotected by patent or trademark is the exercise of a right possessed by all - and in the free exercise of which the consuming public is deeply interested." *Kellogg Co. v. National Biscuit Co.*, 305 U.S. at 122 (1938).

In dictum, the Court in *Compco* extended these comments to uncopyrighted articles although no copyrights were involved. In both cases, the Court emphasized that the entire body of unfair competition law was not preempted by federal patent and copyright law. But since the finding of likelihood of confusion in each case was based only on the fact of copying, the Court said:

[M]ere inability of the public to tell two identical articles apart is not enough to support an injunction against copying or an award of damages for copying that which the federal patent laws permit to be copied.

The precise holding of *Sears* and *Compco* has not been clarified by subsequent Supreme Court decisions, although attempts have been made to delineate its bounds. As a result, the effect of these two cases on subsequent law continues to be uncertain. In particular, the application of *Sears* and *Compco* against recent plaintiffs relying on *International News Service* has not been consistent, thereby contributing to the uncertainty surrounding all three Supreme Court opinions. Several of the lower court decisions which attempt to reconcile *International News Service, Sears* and *Compco* deserve mention.

*Pottstown Daily News Publishing Co. v. Pottstown Broadcasting Co.* involved an action brought by the publisher of a small town newspaper to enjoin the owner of a radio station serving the same community from appropriating any of plaintiff's local news stories without its permission or authorization. The defendant sought to remove the case to federal court, contending that a question of federal copyright law was involved and that jurisdiction was exclusively in the federal courts. Alternatively, defendant maintained that since property rights were claimed in the news, as opposed to newspaper articles, plaintiff had no federal rights to exert, and *Sears* and *Compco* precluded any state remedy.

21. 376 U.S. at 225.
22. Id. at 234.
23. Id. at 232.
Without deciding the merits, the court remanded the case to the state court, concluding that plaintiff stated a valid claim for invasion of property rights and unfair competition under state law, citing *International News Service.* The court recognized that defendant’s interpretation of *Sears* and *Compco* would leave plaintiff without a remedy and “as a court of conscience, [we] will not subscribe to such a conclusion unless the Supreme Court enlightens us with a clear ruling on this specific problem.” Even assuming that plaintiff’s stories were copyrightable, the court did not read *Sears* and *Compco* to preclude a state cause of action. Distinguishing copying and misappropriation, the court stated that the Copyright Act’s prohibition against copying would not prevent defendant from using the substance of plaintiff’s news items as a basis for its newscasts, and therefore a state remedy would not contravene federal policy. In conclusion, the court decided that the federal court did not have exclusive jurisdiction and that the state court did have jurisdiction.

*Grove Press, Inc. v. Collectors Publication, Inc.* is another example of the use of a misappropriation theory for uncopyrightable works. The plaintiff acquired exclusive rights to reproduce an original work, a work published without copyright in the nineteenth century. Plaintiff then made some forty thousand changes, mostly punctuation and spelling, and published the work. Defendant photocopied plaintiff’s edition and, using an offset lithography process, cheaply produced an identical edition under its own name. After the issuance of a temporary restraining order, defendant published a second edition without plaintiff’s changes.

The court held that plaintiff acquired no copyright interests in the original work because it was already in the public domain, and, since all changes were trivial, plaintiff’s own edition was uncopyrightable as a derivative work. Nevertheless, in view of plaintiff’s expenditure of substantial sums in setting type and engraving plates, defendant’s appropriation of the value and benefit of these expenditures by photocopying plaintiff’s work was held to be unfair competition under *International News Service.* Defendant’s second edition was not a violation of any of plaintiff’s rights because none of plaintiff’s changes were appropriated. The court simply dis-

26. *Id.* at 582.
27. *Id.* at 581.
28. *Id.* at 584.
29. The state court had already decided that it had jurisdiction over the matter. 411 Pa. 383, 192 A.2d 657 (1963).
missed Sears and Compco as inapplicable.

The Grove Press case illustrates the application of equitable considerations in a factual setting different from that in International News Service. This is not a case where the distinction between copying and misappropriation is as readily apparent as in Pottstown. Whereas the defendant in Pottstown had taken advantage of both plaintiff's news and its labors, the Grove defendant had taken advantage only of plaintiff's labors and had merely copied plaintiff's work. There was no apparent "property" or "quasi-property" right in Grove. Thus, if the term "misappropriation" applies to the taking of some specific property right, Grove Press is probably more accurately described as a case of unjust enrichment, rather than misappropriation. Unjust enrichment requires that a defendant disgorge that not rightfully his; misappropriation implies the existence of something to be appropriated.31

The First Circuit Court of Appeals interrupted this line of case law despite the equities in Columbia Broadcasting System, Inc. v. DeCosta2 (DeCosta I). The plaintiff, a mechanic by trade, adopted the name "Paladin" and participated in rodeos, horse shows, parades and the like. He wore a costume which consisted of a black shirt, black pants, black hat, a St. Mary's medal attached to the hat, and a moustache. Plaintiff used the symbol of a chess knight on his business card which read: "Have Gun Will Travel" and "Wire Paladin, N. Court St., Cranston, R.I." His popularity grew and he was soon making public appearances in hospitals, drug stores, barber shops and diners. Some 250,000 of his cards were distributed. The appearances were among "the purest promotions ever staged" because plaintiff sold no product or service and charged no fee.33

Ten years after the inception of this role, plaintiff saw the first television production of "Have Gun Will Travel" on CBS, featuring a character called Paladin who dressed in an outfit virtually identical to plaintiff's and who introduced himself with a card featuring a chess piece. Although the writers responsible for the series testified that the series was an independent creation, the lower court found to the contrary and held for plaintiff on a theory of misappropriation of plaintiff's idea and character.

The court found on appeal that International News Service was no longer controlling in view of Erie34 and Sears - Compco. While

32. 377 F.2d 315 (1st Cir. 1967).
33. Id. at 316.
34. See note 14 supra.
the court admitted that a state court could still adopt the reasoning of International News Service in constructing a rule of state law, the language of Sears and Compco was deemed determinative. Sears and Compco, the court concluded, were to be read broadly, such that any creation, whether or not intended to be protected by federal law, must comply with the requirements of the Copyright Act or revert to the public domain. The court rejected plaintiff's principal argument that Sears and Compco were not determinative because plaintiff's character was neither a "writing" within the meaning of the Copyright Act nor an "article" within the meaning of these authorities. Instead, the court stated that the overall federal policy favoring free dissemination of intellectual creation must prevail. Protection against copying, which would grant a limited monopoly, could not be extended to a "character" which is "so slight a thing as not to warrant protection by any law." 35 Plaintiff's "chess piece cards," unquestionably writings within the meaning of the Copyright Act, were published without copyright notice and consequently were dedicated to the public. Accordingly, the First Circuit Court of Appeals reversed the lower court.

By broadly reading Sears and Compco, the DeCosta I opinion appears to reject the reasoning of the Pottstown and Grove Press decisions, but a close examination of the facts in DeCosta I suggests otherwise. DeCosta's characterization of Paladin was without business motive, a lark. CBS's usurpation of this characterization was not depriving DeCosta of any profits and, if anything, was further popularizing his name. Thus, the equities in this case did not favor plaintiff.

The Pottstown, Grove Press, and DeCosta I cases illustrate the problem faced by plaintiffs whose intangible property rights, apparently unprotected by federal law, have been copied or misappropriated by others. Their creations fell within the "holes" of the federal law of intellectual property and, as such, arguably could not be protected by state law in the light of the Sears-Compco doctrine.

At least insofar as the Copyright Act was concerned, this problem was remedied by the Supreme Court in Goldstein v. California. 36 The Goldstein Court held that, in the absence of express inclusion within the Copyright Act, subject matter which was not covered by federal law could be regulated by existing state statutory law. More

35. 377 F.2d at 320. For cases denying protection to plaintiffs claiming similar property interests, see Sinatra v. Goodyear Tire & Rubber Co., 435 F.2d 711 (9th Cir. 1970), and Booth v. Colgate-Palmolive Company, 362 F. Supp. 343 (S.D.N.Y. 1973).
recently, the Supreme Court decided that state protection for trade secrets was not preempted by the federal patent laws, since the interests involved in the two bodies of law are sufficiently different.\textsuperscript{37} \textit{Goldstein} and \textit{Kewanee Oil} seemingly narrow the scope of \textit{Sears - Compco}; however, they do not determine the uncertain relationship of state causes of action such as misappropriation and unjust enrichment with the federal scheme. This question has most recently arisen in respect to property rights having the attributes of both copyrights and trademarks. As will be seen, the difficulties in the copyright-trademark interface are traceable not only to the imprecise definitions of the two property rights, but also to an uncertain role for equitable considerations in the law of intellectual property.

\textbf{The Copyright-Trademark Interface}

An early case describing a copyright-trademark confrontation is \textit{Pagliero v. Wallace China Co.}\textsuperscript{38} The plaintiff brought an unfair competition action under the Lanham Act,\textsuperscript{39} alleging that the defendant had copied the designs allegedly created and used by plaintiff in its various lines of china. Neither copyright nor rights derived from a registered trademark were claimed by plaintiff in the designs, although it did claim that the designs had become so associated in the minds of the public with plaintiff's business so as to establish common law trademark rights through secondary meaning.

The court summarily rejected a cause of action based on misappropriation, concluding that \textit{International News Service} was not applicable to the copying of designs. The court found the claim based on secondary meaning more difficult. The court assumed the presence of secondary meaning and stated the well-established rule that protection against copying will not be extended to "functional" features, \textit{i.e.}, features which serve other than a trademark purpose and are important ingredients in the commercial success of the product. The court reasoned that the aesthetically pleasing designs were an important selling feature of the china and were not adopted solely to indicate origin of manufacture, and that, therefore, to grant relief against copying in this situation "would render Wallace immune from the most direct and effective competition with regard to

\begin{itemize}
\item \textsuperscript{37} See note 10 supra.
\item \textsuperscript{38} 198 F.2d 339 (9th Cir. 1952).
\item \textsuperscript{39} Since no registered trademark was involved, jurisdiction was apparently based on section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1970).
\end{itemize}
these lines of china." Since defendant included its name as manufacturer on the underside of all its china, the court found no likelihood of confusion and permitted defendant to continue using the designs.

In the *Pagliero* case, unlike the previous cases considered, the plaintiff probably could have prevented copying by obtaining a copyright on the designs. The plaintiff did not obtain a copyright; the court was reluctant to afford relief and prohibit imitation, because this would be granting protection tantamount to a copyright monopoly, the protection that plaintiff waived by not proceeding under the federal copyright law.

Two "poster cases" are further examples of the assertion of trademark rights in a factual situation more often associated with copyright infringement. In *Girl Scouts v. Personality Posters Mfg. Co., Inc.*, defendant was engaged in the unauthorized printing and distributing of posters depicting a smiling girl dressed in the well-known green uniform of the plaintiff's organization with her hands clasped over her obviously pregnant abdomen. The words "Be Prepared" were printed next to her hands. In *Coca-Cola Company v. Gemini Rising, Inc.*, a defendant was printing and distributing posters with the distinctive "Coca-Cola" script, except that the letters "ine" had been substituted for "Cola" so that the poster read "Enjoy Cocaine." In each case, the defendant's name appeared on the poster in small type.

The plaintiff in *Girl Scouts* had several causes of action, some of which were predicated on a criminal statute and some on defamation; but the claims asserting trademark rights are of interest here. Plaintiff claimed federal and common law trademark rights in the words "GIRL SCOUTS" with the letters G S and trefoil design, in the slogan "BE PREPARED" and in the official uniform. Since plaintiff was a non-profit organization, which did not compete with defendant in the poster business, the requisite showing of likelihood of confusion to establish infringement was difficult. Even though the Girl Scouts presented evidence that they received calls from the public expressing indignation over the posters, the court ruled that

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40. 198 F.2d at 344.
evidence of confusion was lacking and that no injunction could be issued.

In the Coca-Cola case, the virtually identical fact situation produced the opposite result. Since defendant was not in competition with plaintiff, customers were not likely to confuse defendant’s goods with plaintiff’s. Nevertheless, the court was able to distinguish Girl Scouts and grant relief. Because plaintiff was a profit-making organization, it used posters as a common advertising technique, and the phone calls that plaintiff received as a result of defendant’s poster suggested confusion as to sponsorship of the poster rather than mere “indignation.” In granting plaintiff relief, the court stated:

Even though in this case there is no confusion of goods or passing off in the strict trademark sense, there is a sufficiently clear showing of the impairment of plaintiff’s mark as a selling device because of defendant’s use.45

The significance of the poster cases lies in the use of trademarks to obtain relief in a situation beyond the scope of traditional trademark law. Both the Girl Scouts and the DeCosta I plaintiff had the same handicap: the claimed rights were not being used in a profit-making commercial setting. Thus, these plaintiffs failed to obtain relief. Since the Coca-Cola plaintiff did not have this disadvantage, it was able to convince the court of the damage to its goodwill and business reputation.46 Interestingly, neither the Girl Scouts nor the Coca-Cola opinion, other than in one brief and ambiguous reference,47 focused on the benefit derived by defendants, instead of the harm done to plaintiffs.

In light of the difficulties presented by the poster cases, it is understandable that the First Circuit Court of Appeals rested its decision on the narrow grounds of an absence of likelihood of confu-

45. 346 F. Supp. at 1191.
46. The Coca-Cola Company alleged a violation of a New York statute, section 368-d of the New York General Business Law, which includes injury to business reputation and dilution.
47. The Coca-Cola court noted: “Here there is no question that both [parties] are seeking to attract public attention and patronage for their respective products by the graphic display of a distinctive and widely known trademark.” 346 F. Supp. at 1188. But see Flexitized, Inc. v. National Flexitized Corp., 335 F.2d 774, 782 (2nd Cir. 1964), where the court, after finding the trade mark “Flexitized” invalid as lacking secondary meaning, nonetheless granted the plaintiff the relief requested on an unfair competition theory, stating: “Under these circumstances we think that defendants were properly chargeable with having misappropriated a valuable property right or commercial benefit . . . .” The court apparently relied more heavily on the unjust benefit to defendants, than on the misappropriation of a property right since the court held the property right nonexistant.
sion in the second case of Decosta v. Columbia Broadcasting System, Inc., (Decosta II). The case was before the court on counts two and three of the complaint alleging common law trademark and/or service mark infringement and unfair competition. After the Decosta I court denied relief to plaintiff on the misappropriation theory, the parties stipulated to a determination of counts two and three by a magistrate. The magistrate found for plaintiff and defendant appealed, attacking both the ability of the magistrate to make legal as well as factual findings and the merits of his decision. The court devoted approximately half of its opinion to the first issue, holding that the magistrate’s factual findings were subject to the clearly erroneous standard and that the legal rulings were subject to full appellate review. The second half of the opinion discusses the substantive aspects of the appeal and denies all relief to plaintiff.

Plaintiff's second cause of action alleged that the slogan “Have Gun Will Travel,” together with the figure of a chess knight and the words “Wire Paladin” imprinted on his calling cards, constituted his common law service marks which were infringed by defendant, thereby appropriating plaintiff's goodwill and causing him serious financial damage. The third cause of action alleged that defendant copied plaintiff's service marks, manner of dress, and passed off their television character Paladin as the original Paladin portrayed by plaintiff, thereby unjustly profiting from and diluting plaintiff's established goodwill.

In considering these two counts, the court recognized that subsequent case law mandated a retreat from its broad interpretation of Sears and Compco which forbade state protection to writings not covered by the Copyright Act. Under this prior interpretation, no sanction, whether based on service mark infringement or unfair competition, which would prohibit the copying permitted under federal law, could be imposed on defendant. This interpretation was not applied in Decosta II.

Instead, the court of appeals focused on that portion of Sears and Compco which permitted state regulation of trademarks, labels and distinctive trade dress. After noting that plaintiff conducted a nonprofit venture and consequently could not claim the functions

48. 520 F.2d 499, 186 U.S.P.Q. 305 (1st Cir. 1975).
[A] state "may protect businesses in the use of their trademarks, labels or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of such goods."
520 F.2d at 509.
served by a trademark or service mark (an indication of origin, a guarantee of quality, and a medium of advertisement) in a commercial setting, the court magnanimously decided to assume the presence of valid common law service marks, including secondary meaning. The issue then became whether the magistrate’s finding of likelihood of confusion, a factual question, was clearly erroneous. On this point, the court transformed the defense of laches, derived from plaintiff’s eleven-year delay in filing suit, into an increased quantum of proof of likelihood of confusion, with the burden on plaintiff. The court reasoned that if no one is deceived after a substantial lapse of time, that fact is probative of the defense that there is no likelihood of confusion arising out of the allegedly infringing use. Faced with this increased burden, the plaintiff failed to satisfy the court. The virtually identical nature of the marks was insufficient; extrinsic differences, such as the gross disparity in the size of parties’ audiences, the different type of “customers” or channels of trade, and the haphazard way in which plaintiff performed, precluded a finding of likelihood of confusion.

The First Circuit Court of Appeals recognized “that plaintiff has lost something of value to him. The very success of defendants’ series saturated the public consciousness and in time diluted the attractiveness of plaintiff’s creation.” Nevertheless, plaintiff’s loss could not be protected under common law theories of service mark infringement or unfair competition, and the equities of the case, as discussed in regard to DeCosta I, were insufficient to support relief on a misappropriation theory. DeCosta I and II, then, stand for the proposition that mere copying of character, service mark, or trade dress is insufficient to establish liability in the absence of copyright or a strict showing of likelihood of confusion.

We now compare the previous series of cases, and in particular DeCosta I and II, with the recently decided “patch” cases from the Illinois courts and the Fifth Circuit Court of Appeals.

50. Plaintiff did present testimony of witnesses who stated that, on first viewing the program, they believed that Paladin on television was the same person as plaintiff. The court considered this evidence as minimal. “We do not blame plaintiff or counsel; we suspect that the most exacting search for proof would not have produced more.” 520 F.2d at 515, 186 U.S.P.Q. at 316.

51. 520 F.2d at 515, 186 U.S.P.Q. at 316.

52. Compare Wyatt Earp Enterprises Inc. v. Sackman, Inc., 157 F. Supp. 621 (S.D.N.Y. 1968), in which the producer-owner of the television series, “The Life and Legend of Wyatt Earp,” was granted an injunction against a manufacturer using the Wyatt Earp name and character in connection with the advertising and sale of children’s playsuits. The court found that the name “Wyatt Earp” had acquired secondary meaning and that customers purchasing from defendant on the strength of the name were customers diverted from plaintiff’s licensee.
These cases involved suits brought by the National Football League Properties, Inc. and the National Hockey League Services, Inc. against manufacturers of embroidered cloth emblems or patches depicting the various team symbols. These patches are often affixed to articles of clothing, such as jackets, sweatshirts, or caps. However, the defendants involved in these cases were marketing the patches (with certain exceptions not relevant here) for retail sale as individual unattached items, which could be used by the consumer as souvenirs or in any other manner. The Illinois and Fifth Circuit Court of Appeals opinions will be discussed separately.

The Illinois courts were confronted with a pair of suits, National Football League Properties, Inc. v. Consumer Enterprises, Inc.\(^3\) and National Football League Properties, Inc. v. Dallas Cap & Emblem Mfg., Inc.\(^4\) The National Football League Properties, Inc. (NFLP) had been authorized by the 26 member clubs of the National Football League to act as the exclusive licensing agent for the team name and symbol. The NFLP granted Lion Bros., Inc. the exclusive license to manufacture the embroidered symbols of each team. The defendants, Consumer Enterprises Inc. (Consumer) and Dallas Cap & Emblem Mfg., Inc. (Dallas Cap) had manufactured and sold the identical patches without license or authorization. The symbols were registered on the Principal Register of the United States Patent and Trademark Office as service marks for entertainment services, but plaintiff was seeking relief only under state law. In each case, the NFLP alleged that the defendants' actions constituted trademark infringement, unfair competition, injury to business reputation, dilution, deceptive trade practices, misappropriation of a property right, misappropriation of a right of publicity, and injury to business relationships. The NFLP sought a preliminary injunction to enjoin manufacture and sale of these emblems, representations that the articles sold by defendant were sponsored by the NFLP or the NFL teams, and any other action likely to cause confusion.

In Consumer, the trial court originally granted a total injunction. This was later modified by the appellate court to permit Consumer to sell the patches with a disclaimer stating the lack of authorization by the NFLP on the face of each emblem. This decision was again modified to permit sale with the disclaimer on the face of each package and on the back of each emblem. In Dallas Cap, the trial court, relying on the appellate court's then current position, permit-

ted sale of the emblems only with a disclaimer on the face of the patch. Unlike the defendant in Consumer, the Dallas Cap defendants had affixed disclaimers to all of the patches that they sold. These disclaimers were heat-sealed to the rear of the patch and stated, “Not authorized by NFL or its members.” Later, when the Dallas Cap defendant-manufacturer learned of the Consumer decision requiring a disclaimer on the face of the patch, it added such a disclaimer to the face of its patches. The NFLP appealed from this partial injunction, seeking complete preliminary injunctive relief prohibiting any sales of emblems.

The appellate court treated Consumer and Dallas Cap as companion cases and decided them on the same day, stating that its decision in Consumer was dispositive of the issues in Dallas Cap. The court found that plaintiff had a property right entitled to protection, that this property right was acquired by expenditure of large sums of money, that the symbols possessed a strong secondary meaning of identifying the clubs and performed the function of valid service marks, and that a likelihood of confusion as to the source existed. The court further found that a disclaimer would not prevent confusion and was too difficult to frame and, thus, granted NFLP the complete relief they requested.55 Since the court found sufficient basis for its decision under the Illinois law of trademarks,56 common law unfair competition, and the Illinois Deceptive Trade Practices Act,57 it did not reach the other causes of action raised by the NFLP.

Superficially, the cases appear run-of-the-mill. Ostensibly, the NFL teams had several strong marks and the defendants, by copying these marks, had violated plaintiff’s exclusive rights in these marks. The difficulty arises from the manner in which the marks were used by each party. When the symbols are used in connection with football games, they are service marks which associate the entertainment services of professional football with the individual teams. When the symbols are embroidered on cloth and sold independently, they are no longer associating a service with the service


mark owner. They are being purchased as ornaments, to be used by football fans to show their allegiance to a specific team. It is doubtful that the consumer believes, or even cares, that the manufacturer of the patch is a professional football team or the NFL, especially where the patches bear a statement expressly disclaiming any connection with the NFL or its teams. The NFL symbols, when used in this way, are not performing that function of a trademark which indicates the origin of a commercial product. Moreover, since the patches are nothing more than the mark itself, the property right in issue is even more abstract, since a trademark can have no existence in gross, unconnected with some business in which it is used.

Despite these factors, the Illinois court found a property right in the NFL symbols that was entitled to protection. While the court considered this right within a trademark context, it failed to explain its finding of likelihood of confusion as to source.

The Fifth Circuit Court of Appeals, in Boston Professional Hockey Association, Inc. v. Dallas Cap & Emblem Mfg., Inc., expressly recognized the problems not faced by the Illinois courts. The issues in the Fifth Circuit were virtually identical to those of the Illinois cases, except that the member teams of the National Hockey League (NHL) were joined as plaintiffs and the complaint was based on the Lanham Act instead of state statutory law. The district court enjoined defendant from manufacturing and selling patches without disclaimers of authorization and/or conspicuous designations of source placed on either the emblem or the package and stated: “This remedy serves the interests of the public by preserving competition in the product while eliminating any unfair appropriation of plaintiffs’ goodwill as originators.” On appeal, the Fifth Circuit Court of Appeals reversed, holding that a sufficient

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58. See 3 R. Callmann, Unfair Competition, Trademarks and Monopolies § 66.3 (3d ed. 1969). The plaintiff in the Dallas Cap case introduced survey evidence in an effort to show that the public believed that the Consumer and Dallas Cap patches were “official” or “authorized” by the NFL or its teams. The survey interviewees, however, were not shown the Dallas Cap patches in a manner in which they could view the disclaimer.
60. 510 F.2d 1004 (5th Cir. 1975).
63. Id. at 484.
showing of likelihood of confusion was demonstrated to warrant a total injunction against defendant's unauthorized use.

The Fifth Circuit Court of Appeals disagreed with the district court's opinion that the issuance of a total injunction in this case would be equivalent to the creation of copyright monopoly for designs (the team symbols) which were not copyrighted. The court of appeals noted that this was a case of first impression and that the copyright laws, which grant a limited monopoly in exchange for the eventual passage of the copyrighted material into the public domain, were based on an entirely different concept than the trademark laws, which protect business interests for the life of that business. In granting the full injunction, the court underlined three "persuasive" points: (1) the major commercial value of the emblems is derived from plaintiff's efforts, (2) defendant sought and probably would have asserted an exclusive right to make and sell the emblems if it had been obtained, and (3) the sale of a reproduction of the trademark itself on an emblem is an accepted use of the team symbols in connection with the business of professional sports. These three factors convinced the court that the designs symbolized plaintiffs' business and constituted a protectable property right.

As to defendant's argument that trademark infringement must depend on a finding of likelihood of confusion as to source, the court said:

The confusion question here is conceptually difficult. It can be said that the public buyer knew that the emblems portrayed the teams' symbols. Thus, it can be argued, the buyer is not confused or deceived. This argument misplaces the purpose of the confusion requirement. The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem.

64. The same issue arose under a somewhat different context in the Illinois cases. There, the defendants argued that Sears and Compco prohibited state protection of unpatented or uncopyrighted articles. Since they were merely copying articles (the symbols) which were not protected by copyright, defendants contended that no state relief could be granted. The Illinois Appellate Court distinguished Sears and Compco by concluding that plaintiff's marks were not "articles" within the meaning of those cases.

65. Defendant applied for a license to manufacture the emblems, but the application was rejected for the reason that defendant's emblems did not meet plaintiffs' quality standards.

66. 510 F.2d at 1012.
This is a novel concept of likelihood of confusion in that it is predicated on the popularity and saleability of a trademark standing alone, rather than on the confusion of the public as to who authorized or produced that trademark. What is truly the property right in the "patch" cases? As the Fifth Circuit Court of Appeals admitted, "our decision here may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs." The "patch" cases involved the copying and sale of the trademarks themselves, not the use of the trademarks in association with specific goods or services. The relief granted gives the trademark owner a monopoly for his symbols on all goods and services. This is an extraordinary extension of the ordinary trademark monopoly. The trademark laws have traditionally been concerned only with the application of marks to specific goods and services and with preventing a likelihood of confusion in the public by the use of a mark in association with the same or related goods and services. These traditions appear to have been ignored in the "patch" cases.

The NFL and NHL symbols have commercial value. To attach this symbol to a product enhances its value to a certain class of purchasers. However, this value is derived from the purchaser's association with the team. It is the popularity of the team which is important to the emblem purchaser, not the quality of the emblem or the business reputation of the manufacturer of the emblem. In this sense, the patches can be likened to a Campbell's soup can or a Coca-Cola bottle which has been duplicated for various pop-art

67. Another example of the distortion of conventional concepts of trademark law arises out of recent cases dealing with the doctrine of "secondary meaning," which is commonly defined as a strong association in the public mind between a mark and the source of the product bearing the mark. Recent judicial decisions indicate a departure from this traditional definition. In Clairol Inc. v. Andrea Duman Inc., 14 Ill. App. 3d 641, 303 N.E.2d 177, 179 U.S.P.Q. 119 (1973), the Illinois Court of Appeals held that proof of mere copying, together with visual comparison showing similarity in use and appearance, was sufficient to establish secondary meaning without further proof of an association in the public mind between the mark and the source. Other cases have adopted this abbreviated method of showing secondary meaning. See Audio Fidelity Inc. v. High Fidelity Recordings, Inc., 283 F.2d 551, 558 (9th Cir. 1960); and Clairol Inc. v. Cosway Co. Inc., 184 U.S.P.Q. 583, 586 (C.D. Cal. 1974). These cases emphasize the intent and deliberation on the part of the infringer to copy, thereby suggesting that confusion is not as important a factor in trademark infringement cases as it was once thought to be.

68. 510 F.2d at 1011 (1975).

69. Exactly what the "goods" are in these cases was never really settled. If the symbol is considered apart from the patch, it might be said that the "goods" are the cloth patches to which the symbols are affixed. If the symbol and patch are considered as one, there are no "goods" until the patch is sewn onto a sweatshirt or jacket.
articles, such as wastebaskets, cigarette lighters and the like. As such, it would appear that these NFL and NHL symbols are articles which, in the absence of patent or copyright protection, should be available for copying under Sears-Compco.

The Illinois and Fifth Circuit courts apparently felt that, because the NFL and NHL had invested substantial efforts to make their symbols valuable, another party should not be allowed to reap the benefits of these efforts. This, however, is the case with all creative works which are unprotected by patent or copyrights, and yet these works can be copied under the federal policy enunciated by Sears-Compco. Undoubtedly, the Illinois and Fifth Circuit courts recognized this problem and sought to avoid it by relying on traditional notions of trademark and unfair competition law, since this area of the law has explicitly not been preempted by the policy of Sears-Compco. Whether or not one may agree with the result, its basis distorts traditional trademark law.

To protect against the copying of these uncopyrighted symbols without distorting the existing legal framework, a court would have to: (1) create a new property or quasi-property right, apart from any goods or services, which represents the owner's goodwill, or (2) explicitly recognize that the equitable considerations of International News Service have survived Sears and Compco, and provide a state remedy for misappropriation or unjust enrichment. While the “patch” cases appeared to be a perfect vehicle for the United States Supreme Court to clarify the area of protection available to intellectual property after the Sears and Compco cases, certiorari was denied in the Boston Professional Hockey Association case on October 7, 1975.70

THE UNCERTAIN BASIS OF PROTECTION

Two recent cases illustrate two methods of protecting intangible business interests not covered by the intellectual property framework without distorting the existing framework: (1) reliance on equitable principles and (2) creation of a new property interest. In Amway Corporation v. International Sales Aids, Inc.,71 an action for trademark infringement and unfair competition, plaintiff was a manufacturer of diverse consumer merchandise, such as cleaners, polishers, insecticides, and soaps. Plaintiff's products were sold through a network of distributors, most of whom were housewives selling on a door-to-door basis. Plaintiff also sold to its distributors

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certain literature which described both plaintiff’s marketing plan and products. The literature contained plaintiff’s trademark AMWAY, which was registered in the Patent and Trademark Office in nearly fifty different classes, including two registrations relating to the use of the mark on printed material and on certain other items of advertising and promotional material.

Defendant, an Amway distributor, started a business of publishing literature relating to Amway products and the Amway distribution program in competition with plaintiff. Defendant was not authorized to publish the literature by plaintiff, but instead copied literature published by another unauthorized publisher. In so doing, defendant reproduced plaintiff’s trademark AMWAY. Plaintiff objected to the dissemination of these materials and the copying of its trademark.

At the hearing on a motion for preliminary injunction, plaintiff stressed that its extensive line of products subjected it to substantial government regulation in the areas of ecology and personal health. Plaintiff also argued that it was susceptible to costly products liability suits and must use at least ordinary care in the manufacturing and labelling of its products. Equally important, plaintiff stated that it must use care in relation to the advertising of its products and its sales program lest it be charged with false or deceptive advertising. For these reasons, plaintiff argued that Amway’s goodwill and reputation were exceptionally important business assets. Since the trademark AMWAY represented this goodwill, plaintiff contended that its mark must be given special protection. The court immediately recognized the problem presented by this argument:

It does not appear to the Court that the defendants have used the reproductions of the marks as labels for their literature as trademarks are generally used to identify the source of goods. Rather, the reproductions appear in the textual material disseminated by the defendants.\footnote{72}{Id. at 20.}

Nevertheless, the court held that defendant’s use of the mark, the use of plaintiff’s other product names, and the content and tenor of much of defendant’s Amway material gave the impression that it came from Amway or was at least authorized by it, even though some of the literature identified defendant as the printer. The court then found defendant liable for trademark infringement, dilution, unfair competition and interference with contract.
Amway, like the “patch” cases, suggests that trademark infringement can exist even if the purchaser knows that the trademark owner is not the source of the unauthorized goods, that is, even if likelihood of confusion is not present. A clue to the actual theory of protection is revealed in a closing paragraph of the Amway opinion:

The Court feels that the manufacturer should be free to disseminate his own materials about his products and his business without interference from outside sources like the defendants in this case, regardless of by what name or names such interference may be called. And the Court is convinced that this immunity from interference should be protected by a court of equity in a case like this one.

This concern for protecting a business from outside interference, with the emphasis on doing what is fair and equitable, echoes the reasoning and the language of International News Service.

Rather than resting its holding solely on equitable principles, the court in Price v. Hal Roach Studios, Inc. based liability on a property right. In this case plaintiffs were the widows of Laurel and Hardy and a film distributor; all claimed rights under a 1961 contract and sued defendant Roach to determine the exclusive rights to the Laurel and Hardy names and likenesses. Roach claimed his rights under certain employment agreements with Laurel and Hardy and under copyrights for certain motion pictures. Alternatively, Roach asserted that these names and likenesses were in the public domain, and he was entitled to use them along with the general public. Plaintiffs alleged that defendant misappropriated “commercial Laurel and Hardy rights,” produced confusion in the marketplace as to the true ownership of the commercial rights to Laurel and Hardy, conspired to misappropriate the Laurel and Hardy rights, and interfered with and converted plaintiff’s property rights.

The court rejected defendant’s claim of rights derived from contract. Despite a clause granting Roach certain rights to use each actor’s “name, voice and likeness for advertising, commercial and/or publicity purposes,” the court interpreted this and other related clauses within the contract to be restricted to the limited

73. Even under a dilution statute, where competition is unnecessary, many states require a showing of likelihood of confusion. Alberto Culver Co. v. Andrea Dumon, Inc., 466 F.2d 705 (7th Cir. 1972).
74. 187 U.S.P.Q. at 22.
75. See note 12 supra.
term of the contract. Also, the court admitted that defendant's copyrights entitled him to exclusive use of "stills" or single frames from the movies, but these were not at issue. The court concluded that neither defendant's ownership of copyrights nor plaintiff's failure to obtain copyrights was determinative, since "the issue here is not one of copyright law."\(^7\)

The argument that the Laurel and Hardy names and likenesses were in the public domain proved more intriguing. In dealing with this argument, the court first cited cases from various jurisdictions supporting a property right termed a "right of publicity" in a person's use of his name and likeness,\(^7\) carefully distinguishing the right of privacy and the New York statutory right protecting living persons from commercial exploitation of their names and pictures.\(^7\) The court then distinguished a case where it was held that the widow of Glenn Miller could not rely on property interests in the Glenn Miller "sound" because such interests never existed.\(^8\) The court also distinguished another case where the use of a "voice-over" imitation of the plaintiff's television character in a commercial was not actionable because the commercial at issue was anonymous and did not use plaintiff's name and likeness to identify her as the source of the voice.\(^8\) Instead, the court stated:

Here we have determined that a property right does exist, such as the court was unable to find in Miller, and that we are not concerned with an "imitation" such as was found by the Booth court. Rather, we have here the situation specified by Booth as a different one where the challenge is to the use of a person's "name or likeness."\(^8\)

The court then concluded that since this right was "purely com-

\(^7\) Id. at 842.
\(^8\) New York Civil Rights Law §§ 50-51 (McKinney's 1968). The right of privacy, often confused with the right of publicity, should be carefully distinguished. The right of publicity seems to be a property right which first becomes valuable when its owner attains sufficient fame and notoriety. The right of privacy, on the other hand, is more in the nature of a civil right which decreases in strength, for constitutional reasons, when its owner becomes a well known "public figure." Nevertheless, this distinction is often blurred with discussion of the commercial purposes for which a name or likeness are used. See, Arnold Palmer v. Schonhorn Enterprises, Inc., 96 N.J. Super. 72, 232 A.2d 458 (1967).
\(^8\) 400 F. Supp. at 845.
commercial”, it was assignable and survived death. The court, relying on the holding of Goldstein v. California,\textsuperscript{83} held that the federal copyright laws did not preempt this state-based right of publicity, even though the state right was common law, not statutory. Finally, the court ruled that there was no waiver or abandonment of this right despite the failure of Laurel and Hardy to use their caricatures and imitations for commercial purposes for fourteen years during their lifetimes.

The “right to publicity” is a judicially created property right with attributes of the traditional property rights of trademark and copyright. The right of publicity is similar to a trademark in that its value is derived from public recognition. It is similar to a copyright in that it is afforded protection against copying regardless of any likelihood of confusion in the marketplace. However, neither of these recognized property rights were present in Price. While the right of publicity is not original with the Price court, Price is one of the few cases to base its decision on the survival of the right after the death of its originators.\textsuperscript{84}

Since the right to publicity has always been considered a personal right, to permit this right to survive death is to make it more like a copyright than a trademark since the former, unlike the latter, survives it owner. On the other hand, the right of publicity is more like a trademark than a copyright in that it is a perpetual right which can last as long as the public recognizes the name.

CONCLUSION

The traditional boundaries of intellectual property law are no longer sufficient to afford adequate protection for modern commercial practices. The case law has developed two solutions to this problem: (1) drastic modification of the accepted definitions of intellectual property rights, and (2) expansion of the entire body of law through the recognition of new, but clearly defined, property rights or equitable considerations. Based upon the brief survey pre-

\textsuperscript{83} 412 U.S. 546 (1973).

\textsuperscript{84} For a case with a similar holding, see Lugosi v. Universal Pictures Co., 172 U.S.P.Q. 541 (Cal. Super. Ct. 1972), where the court held that Bela Lugosi's right to his likeness and appearance as Count Dracula is a descendible property right and that plaintiff's cause of action against defendant's unauthorized use of the name and likeness rests upon a tort theory of appropriation of a property right.

It is apparent that the Price result conflicts with the DeCosta cases, which on the basis of Sears and Compco, denied the plaintiff the right to exclusive use of the name Paladin. While the DeCosta plaintiff labelled Count I of his complaint a misappropriation of “character,” the substantive difference between this and the right of publicity does not seem great.
sented in this article, the second approach should be preferred so as to provide a logical body of law which is as flexible as the subject matter it is intended to regulate. Modification has a tendency to turn into distortion, and the established definitions and statutory scope of protection accorded to the various traditional classes of intellectual property should not be expanded and distorted in order to accommodate equitable considerations and new property interests which were never intended to be included in these classes. The courts should state whether they are enlarging the statutory definitions of intellectual property, relying on an equitable basis of liability, or constructing a new and separate property right, so that a clear and uniform body of law can be developed.