

1937

Has Congress the Constitutional Power to Legislate on the Substantive Law of Trade-Marks?

Sylvester J. Liddy

Follow this and additional works at: <https://ir.lawnet.fordham.edu/flr>



Part of the [Law Commons](#)

Recommended Citation

Sylvester J. Liddy, *Has Congress the Constitutional Power to Legislate on the Substantive Law of Trade-Marks?*, 6 Fordham L. Rev. 408 (1937).

Available at: <https://ir.lawnet.fordham.edu/flr/vol6/iss3/5>

This Article is brought to you for free and open access by FLASH: The Fordham Law Archive of Scholarship and History. It has been accepted for inclusion in Fordham Law Review by an authorized editor of FLASH: The Fordham Law Archive of Scholarship and History. For more information, please contact tmelnick@law.fordham.edu.

Has Congress the Constitutional Power to Legislate on the Substantive Law of Trade-Marks?

Cover Page Footnote

Member of New York Bar

HAS CONGRESS THE CONSTITUTIONAL POWER TO LEGISLATE ON THE SUBSTANTIVE LAW OF TRADE-MARKS?

SYLVESTER J. LIDDY†

Introduction

IN THE United States, ownership of a trade-mark is acquired by adoption and use. The rights secured by the present Federal Trade-Mark Law¹ are primarily procedural in their nature. Registration under the Federal Trade-Mark Act does not create the right of ownership. Such right is based on the common law. Registration under the Federal Trade-Mark Act constitutes *prima facie* evidence of ownership; permits the institution of suit based thereon to be brought in the Federal Court where there is no diversity of citizenship and where the defendant has engaged in interstate commerce;² provides a basis for registration in foreign countries which require registration in the United States as a condition to registration in such foreign countries, and provides several other practical advantages. Unlike many foreign countries, however, which have enacted legislation on the substantive law of trade-marks, exclusive title to a trade-mark in the United States is not acquired by registering the mark. In such countries the first to register a mark owns it.

Many members of the Bar have long believed it advisable that there be in this country federal legislation on the substantive law of trade-marks but the stumbling block has been certain statements by the Supreme Court of the United States which at first blush would seem to indicate that Congress has no such power under the Constitution. These cases will be considered hereafter. The purpose of those favoring such legislation has not been a desire to create a situation whereby the first to race to the Patent Office and secure registration becomes the exclusive owner of a trade-mark, whether or not he be the legitimate owner in fact or a particularly agile trade-mark pirate. Such was not the motive nor would such a condition necessarily follow were Congress to enact the type of legislation under discussion here. The purpose of such legislation would be to afford to trade-mark owners greater security in this form of commercial property than is now afforded them under any existing federal or state statute.

† Member of the New York Bar.

1. Act of February 20, 1905 (as amended).

"An Act to authorize the registration of trade-marks used in commerce with foreign nations or among the several States or with Indian tribes, and to protect the same." 33 STAT. 724 (1905), 15 U. S. C. A. § 81 *et seq.* (1927).

2. 33 STAT. 728 (1905), 15 U. S. C. A. § 96 (1927); *Youngs Rubber Corporation v. C. I. Lee & Co.*, 45 F. (2d) 103 (C. C. A. 2d, 1930).

The subject is particularly timely at the moment owing to renewed interest in *state* trade-mark legislation now being urged and seriously considered by almost all of the forty-eight states. Most of the laws thus advocated would make state registration mandatory and such bills as have been proposed to date would thus make registration in a given state the sole determinant of ownership. Consequently, the first to register would become the owner of the mark within the state in question. In almost every instance, such bills have been introduced under the guise of revenue measures and for that reason alone their respective sponsors have secured considerable support for them which might not otherwise have been forthcoming. Aside from the tremendous cost to trade-mark owners, which cost would be multiplied in direct ratio to the number of marks owned, some of these bills propose to set up elaborate machinery comparable to the procedure followed in connection with the registration of trade-marks in the United States Patent Office. Fortunately, as this article is being written, several states³ after due consideration have rejected such proposals. In Nevada a bill of this kind did pass but was vetoed by the Governor.⁴ However, the seriousness of the threatened abrogation of the common law of trade-marks in the respective states is finally being appreciated. If a few states should enact such statutes for revenue purposes, it is more than likely that other states will enact similar legislation (particularly if New York State⁵ takes the lead), and

3. The following states have refused to incorporate such regulations into their law: Kentucky, Maryland, New Jersey, New York, Ohio, and Rhode Island.

4. In his veto message in 1935 Governor Kirman said: "This bill presents attractive revenue possibilities, but so far as I can see it has nothing else to recommend it, and the sole question is whether we will let that feature blind us to its manifest injuries and to its glaringly apparent possibilities of fraud. National concerns operating under registered trade-marks have spent millions of dollars in advertising and establishing markets for their products and they have thus acquired property rights therein which it should be the policy of our laws to protect. This bill violates every principle back of the rule against taking property without due process of law. Then, too, by making any unregistered trade-marks public property which may then be registered as the property of and used by any persons, we open the doors to and encourage the deception and defrauding of our citizens. If this bill is enacted into our law, our state will be flooded with inferior goods manufactured and marketed by unscrupulous persons. However much the State of Nevada may be in need of additional revenue, we cannot afford to pay therefore the price which this bill will exact of us. The well-being of our citizens and the good name of Nevada requires the disapproval of this bill. For the foregoing reasons, this act is deposited without my approval thereon."

5. New York State has at present a number of statutes affecting trade-marks, as follows:

(a) N. Y. GEN. BUS. LAW (1909) § 361 *et seq.*

(b) N. Y. PENAL LAW (1909) § 2350 *et seq.*

(c) N. Y. EXECUTIVE LAW (1909) § 26 (16).

In addition to the above, the following statutes contain trade-mark features:

(d) N. Y. LABOR LAW (1921) §§ 208, 209.

(e) N. Y. FARMS AND MARKETS LAW (1922) § 70.

the result will be that we will have forty-eight business districts continuous with the forty-eight states wherein trade-mark registration would be mandatory. It is, therefore, in an effort to forestall development of the law of trade-marks along this line that serious consideration is being given to the question of whether or not Congress could under the Constitution legislate on the substantive law of trade-marks.

At the outset, we are met by the following statement of the Supreme Court in *American Trading Company v. Heacock Company*:⁶

"While the Congress, by virtue of the commerce clause, has no power to legislate upon the substantive law of trade-marks, it does have complete authority so to legislate, or to provide for such legislation, in the government of the Philippine Islands."

The *American Trading* cases involved cross suits which were tried together. The plaintiff, Heacock Company, had used the trade-mark "ROGERS" for many years on silverware which was exported from the United States to the Philippines. Plaintiff had secured registration under the Philippine Trade-Mark Law. The defendant, about the year 1925, began to import and sell within the Philippine Islands silverware bearing the trade-mark "WM. A. ROGERS". The defendant in its answer denied the allegations of unfair dealing and alleged that it was acting in the Philippine Islands as the local representative of Wm. A. Rogers, Ltd., a Canadian corporation, doing business in Canada and New York, which corporation had duly registered its mark in the United States. Judgment was rendered in favor of the Heacock Company. The cross suit was dismissed. The Supreme Court of the Philippine Islands rendered judgments of affirmance. The Supreme Court of the United States modified the judgment of the Court of First Instance of Manila as to the wording of the injunction and, as so modified, the judgments were affirmed.

A study of this case discloses that the Court was construing the Philippine statute. The broad question of the constitutional power of Congress to legislate on the substantive law of trade-marks was neither presented nor decided. Consequently, the above quoted excerpt from the opinion must be considered as mere dictum. Elsewhere in its opinion the Court stated:

"Accordingly, we must assume that it was the intention of the Congress in the Federal Trade-Mark Act of 1905 to provide, with respect to trade-marks used in commerce between continental United States and the Philippine Islands, a protection similar to that which was accorded by the Act to the use of trade-marks in interstate commerce. As to the latter, *the Federal statute did not attempt to create exclusive substantive rights in marks, or to afford a refuge for piracy through registration under the Act, but to provide appropriate procedure and to give the described protection and remedies where property rights existed.*"⁷

6. 285 U. S. 247, 256 (1931).

7. *Id.* at 257. (Italics supplied).

In *United Drug Co. v. Rectanus Co.*,⁸ we find the following language:

“Property in trade-marks and the right to their exclusive use rest upon the laws of the several States, and depend upon them for security and protection; the power of Congress to legislate on the subject being only such as arises from the authority to regulate commerce with foreign nations and among the several States and with the Indian tribes. Trade-mark Cases, 100 U. S. 82, 93, 25 L. Ed. 550, 551.”

Here again upon analysis we find that the above quoted remarks of the court are *obiter*. It is to be noted further that the court cites the *Trade-Mark Cases*. The *Trade-Mark Cases* have been frequently cited as the basis for such expressions of opinion as have been found in later cases⁹ and as typified by the excerpts already quoted from *United Drug Co. v. Rectanus Co.*,¹⁰ and *American Trading Co. v. Heacock Co.*¹¹ In the *Trade-Mark Cases*,¹² the early Trade-Mark Act of 1870 and its amendment of 1876 were held unconstitutional. But in that Act no requirement was made that the trade-marks subject to such registration must be marks used in interstate commerce. The argument was advanced at the time, and noted by the court, “that if Congress has power to regulate trade-marks used in commerce with foreign nations and among the several States, these statutes shall be valid in that class of cases, if no further.”¹³ This argument was disposed of by the court on the ground that the indictments upon which the actions were based did not charge that the trade-marks involved were trade-marks used “in that kind of commerce” and that the doctrine that a part of a statute might be valid while another part was void, cannot be invoked where it becomes necessary for the court “to give to the words used by Congress a narrower meaning than they are manifestly intended to bear in order that crimes may be punished which are not described in language that brings them within the constitutional power of that body.”¹⁴

Although the court as we have seen, held the Trade-Mark Act of 1870 unconstitutional, it left open the question of whether a trade-mark act which *would be limited to the classes of commerce falling within congressional control* would be constitutional. The court expressly stated:¹⁵

“The question, therefore, whether the trade-mark bears such a relation to commerce in general terms as to bring it within congressional control, when used

8. 248 U. S. 90, 98 (1918).

9. See also, *American Steel Foundries v. Robertson*, 269 U. S. 372, 381 (1926).

10. 248 U. S. 90 (1918).

11. 285 U. S. 247 (1932).

12. 100 U. S. 82 (1879).

13. *Id.* at 98.

14. *Ibid.*

15. *Id.* at 95.

or applied to the classes of commerce which fall within that control, is one which, in the present case, we propose to leave undecided."

In considering all of the foregoing cases which appear at first glance to hold that the substantive law of trade-marks is beyond the legislative power of Congress, it is well to note the admonition of the late Mr. Justice Holmes against placing too much reliance on "whatever generality of expression there may have been in the earlier cases."¹⁶

*The Argument in Support of an Affirmative Answer to the Question
Propounded in the Title to this Article*

We have seen that the present Federal Trade-Mark Law¹⁷ deals *primarily* with regulations and procedural rights afforded registered trade-mark owners. But the Act of 1905 does not stop there. Congress has already conferred certain substantive trade-mark rights when it included in §85 the following language:¹⁸

"And provided further, That nothing herein shall prevent the registration of any mark used by the applicant or his predecessors, or by those from whom title to the mark is derived, in commerce with foreign nations or among the several States or with Indian tribes which was in actual and exclusive use as a trade-mark of the applicant, or his predecessors from whom he derived title for ten years next preceding February 20, 1905."

In the case of *Thaddeus Davids Co. v. Davids*, the Supreme Court in construing this ten year clause held:

*"It was not the intention of Congress thus to provide for a barren notice of an ineffectual claim, but to confer definite rights. The applicant, who by virtue of actual and exclusive use is entitled to register his mark under this clause, becomes on due registration the "owner" of a "trade-mark" within the meaning of the act, and he is entitled to be protected in its use as such."*¹⁹

On March 19, 1920, in an amendment to the Act of 1905, Congress extended the substantive rights conferred by the "ten year" clause when it provided further that—

"... if any person or corporation shall have so registered a mark upon the ground of said use for ten years preceding February 20, 1905, as to certain articles or classes of articles to which said mark shall have been applied for said period, and shall have thereafter and subsequently extended his business so as to include other articles not manufactured by said applicant for ten years next preceding February 20, 1905, nothing herein shall prevent the registration of said trade-mark in the additional classes to which said new additional articles manufactured by said person or corporation shall apply, after said trade-mark has been

16. *L. E. Waterman Co. v. Modern Pen Co.*, 235 U. S. 88, 94 (1914).

17. See note 1, *supra*.

18. This is the so-called "ten year proviso" of the Act.

19. 233 U. S. 461, 469 (1913). (*Italics supplied*).

used on said article in interstate or foreign commerce or with the Indian tribes for at least one year. . . ."²⁰

Since the Supreme Court has frequently stated that "the law of trade-marks is but a part of the broader law of unfair competition,"²¹ it is helpful and enlightening to consider what Congress has already done by way of legislation on the substantive law of unfair competition. As a prelude to this consideration it is to be noted that Chief Justice Marshall in 1824 said that the power to regulate commerce was the power "to prescribe the rule by which commerce is to be governed."²² In the power to "regulate" commerce lies the solution, it is believed, of this problem and the final answer to the question here propounded. With the passage of the Sherman Act²³ and the Clayton Act,²⁴ Congress definitely changed the substantive law of unfair competition. New substantive civil rights and liabilities have been "created" (by regulation) under the Robinson-Patman Act²⁵ and the recent Miller-Tydings Resale Price Maintenance Bill (approved August 21, 1937).²⁶

These laws find their constitutional support in the commerce clause.²⁷ Incidentally and in passing the Trade-Mark Act of 1870 which was held invalid in the *Trade-Mark Cases*²⁸ was based, not on the commerce clause, but (erroneously) on paragraph 8 of Section 8, Article 1, of the Constitution, viz., "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."²⁹ To this day there is still considerable misunderstanding as to the foundation of rights in patents and copyrights, on the one hand, and trade-marks, on the other. There can be no ownership of a trade-mark in gross.³⁰

In the recent case of *Old Dearborn Distributing Co. v. Seagram-Distillers Corporation*,³¹ the Supreme Court recognized that good will, as

20. 41 STAT. 535 (1920), 15 U. S. C. A. § 85 (1927).

21. *United Drug Co. v. Rectanus Co.*, 248 U. S. 90, 97 (1918).

22. *Gibbons v. Ogden*, 9 Wheat. 1, 195 (U. S. 1824).

23. 26 STAT. 209 (1890), 15 U. S. C. A. §§ 1-7 (1927).

24. 38 STAT. 730 (1914), 15 U. S. C. A. §§ 12-27 (1927).

25. 38 STAT. 730 (1914), 15 U. S. C. A. §§ 13, 13a, 13b (Supp. 1936).

26. H. R. REP. No. 7472, 75th Cong., 1st Sess. (1937) 12318.

27. U. S. CONST. ART. I, § 8, CL. 3.

28. 100 U. S. 82 (1879).

29. It is to be noted that under Article I, § 8, CL. 8, Congress is empowered to secure ". . . for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Accordingly, the power to grant copyrights and patents is specifically set forth in the Constitution. On the other hand, trade-mark legislation must be incidental to the *regulation* of commerce under the commerce clause, *supra*, note 27.

30. *United Drug Co. v. Rectanus Co.*, 248 U. S. 90 (1918).

31. 299 U. S. 183, 194 (1936).

"Nor is § 2 so arbitrary, unfair or wanting in reason as to result in a denial of due process.

symbolized by the trade-mark which a commodity bears as the indication of its origin, "is property in a very real sense, injury to which, like injury to any other species of property, is a proper subject for legislation." Infringement of a trade-mark is a violation of its proprietor's right of ownership. It is a form of unfair competition. Inasmuch as the commodity which bears the trade-mark infringed is shipped from state to state, such infringement is an interference with interstate commerce. It seems clear that Congress has the power under the commerce clause³² to punish the infringer and grant relief to the owner in larger measure than that now afforded him under the existing Act.

We are here dealing not with a commodity alone, but with a commodity plus the brand or trade-mark which it bears as evidence of its origin and of the quality of the commodity for which the brand or trade-mark stands. Appellants own the commodity; they do not own the mark or the good will that the mark symbolizes. And good will is property in a very real sense, injury to which, like injury to any other species of property, is a proper subject for legislation. Good will is a valuable contributing aid to business—sometimes the most valuable contributing asset of the producer or distributor of commodities. And distinctive trade-marks, labels and brands, are legitimate aids to the creation or enlargement of such good will. It is well settled that the proprietor of the good will 'is entitled to protection as against one who attempts to deprive him' of the benefits resulting from the same, by using his labels and trade-mark without his consent and authority.' *McLean v. Fleming*, 96 U. S. 245, 252, 24 L. Ed. 828, 831. 'Courts afford redress or relief upon the ground that a party has a valuable interest in the good-will of his trade or business, and in the trade-marks adopted to maintain and extend it.' *Hanover Star Mill. Co. v. Metcalf*, 240 U. S. 403, 412, 60 L. Ed. 713, 717, 36 S. Ct. 357. The ownership of the good will, we repeat, remains unchanged, notwithstanding the commodity has been parted with."

32. "... there were certain powers that had not been mentioned in the Constitution, but which were so obviously incident to a national government that they must be deemed to be raised by implication. For instance, the only offences which Congress is expressly empowered to punish are treason, the counterfeiting of the coin or securities of the government, and piracies and other offences against the law of nations. But it was very early held that the power to declare other acts to be offences against the United States, and punish them as such, existed as a necessary appendage to various general powers. So the power to regulate commerce covered the power to punish offences obstructing commerce; . . ." *BRUCE, THE AMERICAN COMMONWEALTH* (2d ed. 1891) 371.

Since the foregoing was written the meaning of the term "commerce" has been interpreted broadly. So too has our concept of "unfair competition" been broadened. See in this connection *A. L. A. Schechter Poultry Corp. v. United States*, 295 U. S. 495 (1935); *International News Service v. Associated Press*, 248 U. S. 215 (1918). In the *Schechter* case, *supra* at 531, the Supreme Court stated: "'Unfair competition' as known to the common law is a limited concept. Primarily, and strictly, it relates to the palming off of one's goods as those of a rival trader. *Goodyear's India Rubber Glove Mfg. Co. v. Goodyear Rubber Co.*, 128 U. S. 298, 304, 32 L. Ed. 535, 537, 9 S. Ct. 166; *Howe Scale Co. v. Wyckoff, Seamans and Benedict*, 198 U. S. 118, 140, 49 L. Ed. 972, 986, 25 S. Ct. 609; *Hanover Star Mill. Co. v. Metcalf*, 240 U. S. 403, 413, 60 L. Ed. 713, 718, 36 S. Ct. 357. In recent years its scope has been extended. It has been held to apply to misappropriation as well as misrepresentation, to the selling of another's goods as one's own—to misappropriation of what equitably belongs to a competitor. *International News Service v. Associated Press*, 248 U. S. 215, 241, 242, 63 L. Ed. 211, 221, 222, 39 S. Ct. 68, 2 A. L. R. 293."

Since it is outside the scope of this article the writer does not intend to discuss here the provisions which in his opinion should be included in a new federal trade-mark act on the substantive law of trade-marks. Briefly, however, it is the writer's opinion that such proposed bill should include a proviso whereby the presumption of ownership would be made conclusive after a trade-mark has been on the register unassailed and uncontested for a certain period of time. It should likewise include, as a corollary, a provision to the effect that the right to petition for cancellation of registered marks should be limited.³³

33. Under the present Act a petition for cancellation may be filed at any time. 33 STAT. 724 (1905), 15 U. S. C. A. § 93 (1927).

FORDHAM LAW REVIEW

Published in January, May and November

VOLUME VI

NOVEMBER, 1937

NUMBER 3

Subscription price, \$2.00 a year

Single issue, 75 cents

Edited by the Students of the Fordham Law School

EDITORIAL BOARD

ROGER W. MULLIN, JR.

Editor-in-Chief

ARTHUR GOODMAN
Comment Editor

GEORGE M. McLAUGHLIN
Decisions Editor

LESTER M. KRANZ
Legislation Editor

FRANK X. CRONAN
Business Manager

JOHN R. SCHOEMER
Associate Decisions Editor

JOHN B. LEAKE
Book Review Editor

LEON A. FRANCISCO
JAMES J. GERAGHTY
PAUL F. GRIFFIN
CATHERINE C. HILLY
EVELYN B. KING

R. ROBERT MERINO
LEON NEMORE
CLARENCE I. NEULANDER
FRANCIS A. O'CONNELL
HUBERT J. O'MALLEY
CARMELO J. PERNICONE

VICTOR K. SCAVULLO
DANIEL L. STONEBRIDGE
CATHERINE TROIANO
JEROME J. WEISSMAN
MARVIN T. YOUNG

WALTER B. KENNEDY
WILLIAM R. WHITE, JR.

Faculty Advisors

Editorial and General Offices, Woolworth Building, New York

CONTRIBUTORS TO THIS ISSUE

FREDERICK EVAN CRANE, LL.B., 1889, Columbia University, School of Law; LL.D., 1923, Columbia University; LL.D., 1931, New York University; LL.D., 1936, Fordham University. County Judge, Kings County, 1901-1907. Justice of the Supreme Court of New York, 1907-1917. Judge of the Court of Appeals of New York, 1917-1934. Chief Judge of the Court of Appeals of New York, 1935. Author of numerous essays and articles.

IGNATIUS M. WILKINSON, A.B., 1908, College of St. Francis Xavier, New York; LL.B., 1911, Fordham University, School of Law; A.M., 1913, LL.D., 1924, Fordham University. Lecturer in Law, 1912-1916, Associate Professor of Law, 1916-1919, Professor of Law, 1919 to date, Fordham University, School of Law. Dean, 1923 to date, Fordham University, School of Law. Author of *The President's Plan Respecting the Supreme Court* (1937) 6 FORDHAM L. REV. 179, and other articles.

ARON STEUER, A.B. 1920, Harvard University; LL.B., 1923, Columbia University. Justice of the City Court of the City of New York, 1930-1933; Justice of the Supreme Court of New York, 1933. Author of *The Conception of Duty* (1932) 18 CORN. L. Q. 51; *The Action for Wrongful Death* (1935) 12 N. Y. L. Q. REV. 388.

JOHN D. O'REILLY, JR., A.B., 1928, Georgetown University; LL.B., 1932, Boston College; LL.M., 1933, Harvard University. Professor of Law, Boston College Law School. Contributor to various legal periodicals.

JAMES V. HAYES, C.P.A., New York State, 1922; LL.B., Fordham University, 1924; Assistant United States Attorney, Southern District of New York, 1934-1936. Member of the editorial board of *SCRAPS* 1935-1936. Contributor to *AMERICA* and other journals.

SYLVESTER J. LIDDY, A.B., 1923, Fordham University; LL.B., 1926, Fordham University. Chairman of Committee on Trade Marks of the New York Patent Law Association and member of committees on trade marks of the Association of the Bar of the City of New York and of the American Bar Association. Author of numerous articles on the Law of Trade Marks.