

1980

## Section 14 of the Lanham Act—FTC Authority to Challenge Generic Trademarks

John M. Fietkiewicz

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



Part of the [Law Commons](#)

---

### Recommended Citation

John M. Fietkiewicz, *Section 14 of the Lanham Act—FTC Authority to Challenge Generic Trademarks*, 49 Fordham L. Rev. 437 (1981).

Available at: <https://ir.lawnet.fordham.edu/flr/vol49/iss4/2>

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](mailto:tmelnick@law.fordham.edu).

## COMMENTS

### SECTION 14 OF THE LANHAM ACT—FTC AUTHORITY TO CHALLENGE GENERIC TRADEMARKS

#### INTRODUCTION

Section 14<sup>1</sup> of the Lanham Trademark Act<sup>2</sup> allows persons who believe that they are or will be damaged by a mark<sup>3</sup> registered on the principal register<sup>4</sup> to petition the Trademark Trial and Appeal Board (TTAB)<sup>5</sup> to cancel the registration.<sup>6</sup> In addition, the Federal Trade Commission (FTC) may petition for cancellation on one of several grounds enumerated in section 14.<sup>7</sup> On May 31,

---

1. Lanham Act § 14, 15 U.S.C. § 1064 (1976).

2. *Id.* §§ 1-45, 15 U.S.C. §§ 1051-1127 (1976). The Lanham Act provides for the federal registration of trademarks, service marks, collective marks, and certification marks. Although registration confers various benefits upon the owner of the mark, it does not establish trademark rights. *See Turner v. H M H Publishing Co.*, 380 F.2d 224, 228 (5th Cir.), *cert. denied*, 389 U.S. 1006 (1967). Rights can be established only through actual use. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916). The advantages of a federal registration are, *inter alia*: (1) a registration provides constructive notice of the registrant's claim of ownership, Lanham Act § 22, 15 U.S.C. § 1072 (1976); (2) a registration is prima facie evidence of the validity of the mark, the registrant's ownership of the mark, and his exclusive right to use the mark in commerce, *id.* § 7(b), 15 U.S.C. § 1057(b) (1976); (3) if a registration becomes incontestable pursuant to § 15 of the Lanham Act, 15 U.S.C. § 1065 (1976), it becomes conclusive evidence of the registrant's exclusive right to use the mark, subject to several defenses, *id.* § 33(b), 15 U.S.C. § 1115(b) (1976); (4) the registration may be recorded with the U.S. Treasury Department to bar imports bearing an infringing trademark from entering the country. *Id.* § 42, 15 U.S.C. § 1124 (1976).

3. A mark "includes any trade-mark, service mark, collective mark, or certification mark entitled to registration [under the Lanham Act]." Lanham Act § 45, 15 U.S.C. § 1127 (1976). Throughout this Comment consideration will be given mainly to trademarks.

4. The Lanham Act established a principal register, *see id.* §§ 1-22, 15 U.S.C. §§ 1051-1072 (1976), and a supplemental register, *see id.* §§ 23-28, 15 U.S.C. §§ 1091-1096 (1976). When a mark is not eligible for registration on the principal register but can distinguish the owner's goods or services it can be registered on the supplemental register. *Id.* § 23, 15 U.S.C. § 1091 (1976). Cancellation of registrations on the supplemental register will not be discussed in this Comment.

5. Section 17 of the Lanham Act provides that petitions for cancellation should be filed with the Trademark Trial and Appeal Board (TTAB) of the United States Patent Office. *Id.* § 17, 15 U.S.C. § 1067 (1976).

6. If the TTAB determines that a registration should be cancelled, § 18 empowers the Commissioner of Patents to do so. *Id.* § 18, 15 U.S.C. § 1068 (1976).

7. *Id.* § 14, 15 U.S.C. § 1064. The applicable portion of § 14 states: "Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in subsections (c) and (e) of this section any mark registered on the principal register established by this chapter, and the prescribed fee shall not be required." *Id.* [hereinafter referred to as the FTC proviso]. Among the grounds for cancellation available to the FTC are that the mark has been abandoned, the registration was obtained fraudulently, or the mark has become the common descriptive name of a product, a generic term. *Id.* § 14(c), 15 U.S.C. § 1064(c) (1976). It should be noted that although the FTC proviso states that the FTC may apply to cancel a "mark," it can only seek cancellation of a registration. *See Formica Corp. v. Lefkowitz*, 590 F.2d 915, 917 n.4 (C.C.P.A.), *cert. denied*, 99 S. Ct. 2838 (1979).

1978, the FTC exercised this section 14 power<sup>8</sup> when it applied for the cancellation of the FORMICA registration.<sup>9</sup> It alleged that the term FORMICA had become the common descriptive name<sup>10</sup> for "laminated sheets of wood, fabric or paper impregnated with synthetic resin and consolidated under heat and pressure for use on table tops, furniture and wall panelling."<sup>11</sup> This petition

---

8. This was only the sixth such action brought by the FTC. In *FTC v. Elder Mfg. Co.*, 84 U.S.P.Q. (BNA) 429 (Comm'r Pat. 1950) (filed on ground of abandonment), the Commissioner of Patents held that the FTC lacked standing to petition to cancel a registration issued under the Trade-Mark Act of 1905, ch. 592, 33 Stat. 724, and reregistered under the Lanham Act. Similarly, in *FTC v. Royal Mfg. Co.*, 84 U.S.P.Q. (BNA) 429 (Comm'r Pat. 1950) (filed on grounds that registration was fraudulently obtained), the Commissioner held that the FTC lacked standing to challenge a registration issued under the 1905 Act. The FTC did successfully cancel two registrations, without opposition, on the ground of abandonment, *FTC v. Service Seed Co.*, Cancellation No. 7478 (T.T.A.B., filed May 2, 1960); *FTC v. Danne*, Cancellation No. 7152 (Comm'r Pat., filed Aug. 5, 1958), as well as one registration on the grounds that it had been fraudulently obtained. *Bart Schwartz Int'l Textiles, Ltd. v. FTC*, 289 F.2d 665 (C.C.P.A. 1961).

9. *FTC v. Formica Corp.*, Cancellation No. 11955 (T.T.A.B., filed May 31, 1978). According to Alfred Dougherty, the Director of the FTC's Bureau of Competition, both parties discussed settling the matter before the petition was filed. The Formica Corporation voluntarily cancelled its 1963 registration but not the registration obtained under the Trade-Mark Act of 1905, ch. 592, 33 Stat. 724, and republished under the Lanham Act. This action, however, "had no practical effect on the company's rights as a registrant or the status of the trademark, except to deprive the FTC of the clearest basis for standing to petition to cancel [the registration]." *Hearings on H.R. 3685 Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Comm. on the Judiciary*, 96th Cong., 1st Sess. (1979) [hereinafter cited as *Hearings*] (statement of Alfred Dougherty at 21) (This material is not yet available in published form. Statements of persons appearing before the subcommittee are on file with the *Fordham Law Review*); see [1979] *Antitrust & Trade Reg. Rep.* (BNA) § A, at 15-16 (Oct. 25); *id.* § A, at 20-21 (Oct. 18) (news summaries of hearings on H.R. 3685). Soon after the petition to cancel was filed, Formica moved to dismiss on the grounds that the FTC lacked standing to petition to cancel a registration that was obtained under the 1905 Act and republished under the Lanham Act, 15 U.S.C. §§ 1051-1127 (1976). The TTAB overruled *FTC v. Elder Mfg. Co.*, 84 U.S.P.Q. (BNA) 429 (Comm'r Pat. 1950), see note 8 *supra*, and denied Formica's motion. *FTC v. Formica Corp.*, 200 U.S.P.Q. (BNA) 182, 191 (T.T.A.B. 1978) The Court of Customs and Patent Appeals (CCPA) refused to issue a writ of mandamus, *Formica Corp. v. Lefkowitz*, 590 F.2d 915 (C.C.P.A.), *cert. denied*, 99 S. Ct. 2838 (1979), and the case is still pending. Because the CCPA considered only the propriety of issuing a writ of mandamus, the question of the FTC's standing will be reconsidered if the case is appealed at the close of the TTAB proceedings.

10. The common descriptive name of a product is a term of art used in the Lanham Act to define a generic name. See *Hearings, supra* note 9 (statement of Sidney Diamond at 21). This Comment will use both terms.

11. Petition for Cancellation at 1, *FTC v. Formica Corp.*, Cancellation No. 11955 (T.T.A.B., filed May 31, 1978). This is the description of the goods associated with the FORMICA trademark. Throughout this Comment, they will be referred to collectively as plastic laminates. The current proceeding is not the first in which the Formica Corporation has faced the possible cancellation of its trademark on these grounds. In 1966, Formica opposed the registration of the mark NEW-MICA by the Newnan Corporation on the grounds that it was confusingly similar to its own registered mark. Newnan counterclaimed for cancellation on the grounds that FORMICA had become generic, but the TTAB denied the counterclaim. *Formica Corp. v. Newnan Corp.*, 149 U.S.P.Q. (BNA) 585 (T.T.A.B. 1966), *rev'd on other grounds*, 396 F.2d 486 (C.C.P.A. 1968).

represented the FTC's first attempt to cancel a registration solely on the grounds that the trademark had become a generic word. It was also the first time that the FTC used its section 14 authority against a relatively famous trademark.<sup>12</sup>

The FTC's initiative has elicited negative reactions from businessmen and commentators who view the action against FORMICA as part of a conscious policy to eradicate the function of trademarks in the economy.<sup>13</sup> Eventually, these reactions prompted the introduction of legislation to limit the FTC's authority under the Lanham Act. In April, 1979, Representative Maguire introduced H.R. 3685<sup>14</sup> to amend section 14 by prohibiting the FTC from petitioning to cancel a registration *solely* on the grounds that a mark has become a generic term.<sup>15</sup> Later that year, the House passed the FTC authorization bill,<sup>16</sup> which would severely curtail all facets of the Commission's activities.<sup>17</sup> In particular, section 304 prohibits the use of authorized funds to petition to cancel a registration on the grounds of genericness alone.<sup>18</sup> This restriction

---

It should be noted that the Newnan Corporation's cancellation effort was somewhat halfhearted. It merely pointed to high generic usage in trade publications and dictionaries without introducing consumer surveys to prove the public perception of the term as generic. *Id.* at 586-87. As will be discussed below, the burden of proving that a term is generic is great, and consumer surveys offer the best means of meeting that burden. See note 55 *infra*.

12. See note 8 *supra*.

13. See generally Ball, *Government Versus Trademarks: Today—Pharmaceuticals, Realemon and Formica—Tomorrow?*, 68 Trademark Rep. 471 (1978); Shipley, *Generic Trademarks, the FTC and the Lanham Act: Covering the Market with Formica*, 20 Wm. & Mary L. Rev. 1 (1978); Margulies, *How the FTC Threatens Trademarks*, N.Y. Times, May 20, 1979, § 3, at 16, col. 3; *id.* June 2, 1978, § 4, at 13, col. 6.

14. 96th Cong., 1st Sess. (1979), *reprinted in* [1979] Pat. T.M. & Copyright J. (BNA) § A, at 5 (May 3).

15. The bill does not eliminate all of the FTC's authority under § 14. It only inserts the following language at the end of the FTC proviso, see note 7 *supra*: "except that the Federal Trade Commission shall not have any authority to make such an application to cancel solely on the ground that any registered mark has become the common descriptive name of an article or substance." H.R. 3685, 96th Cong., 1st Sess. § 2 (1979), *reprinted in* [1979] Pat. T.M. & Copyright J. (BNA) § A, at 5 (May 3). The Subcommittee on Courts, Civil Liberties and the Administration of Justice of the House Committee on the Judiciary held hearings on this measure on October 17 and 18, 1979. *Hearings, supra* note 9. At the time of this writing, no further action has been taken.

16. See [1979] Antitrust & Trade Reg. Rep. (BNA) § A, at 24 (Nov. 29).

17. See H.R. 2313, 96th Cong., 1st Sess. (1979), *reprinted in* [1979] Antitrust & Trade Reg. Rep. (BNA) § G, at 1 (Dec. 6). The authorization bill represents the culmination of what has been described as "one of the most sweeping attacks on a regulatory agency in modern times." [1979] Antitrust & Trade Reg. Rep. (BNA) § A, at 20 (Oct. 25).

18. Section 304 provides: "The Federal Trade Commission shall not have any authority to use any funds which are authorized to be appropriated to carry out the Federal Trade Commission Act for fiscal year 1980, 1981, or 1982 for the purpose of taking any action under section 14 of the . . . Lanham Trademark Act, with respect to the cancellation of the registration of any mark on the ground that such mark has become the common descriptive name of an article or substance." H.R. 2313, 96th Cong., 1st Sess. § 304 (1979) (citation omitted), *reprinted in* [1979] Antitrust & Trade Reg. Rep. (BNA) § G, at 8-9 (Dec. 6). Section 304, which has been called the "Formica amendment," became part of the FTC authorization bill when the House Committee on

extends over the three year life of the bill and if enacted,<sup>19</sup> will probably force the FTC to discontinue its effort to cancel the FORMICA registration.

The purpose of this Comment is to examine the reasons the law does not protect trademarks that have become generic; the history of the FTC proviso; the effectiveness of the cancellation proceeding as a way to allow competitors to use the generic term as the name of their products; the alternatives to FTC action; the objectives of the FTC in petitioning to cancel registrations; and to suggest that, at the present time, it is undesirable to preclude the FTC from petitioning to cancel a registration on the grounds of genericness.

## I. BACKGROUND: GENERIC TERMS AND THE HISTORY OF THE FTC PROVISIO

### A. *Trademarks and Generic Terms*

#### 1. Trademarks In General

Trademark protection<sup>20</sup> evolved from the common law of unfair competition.<sup>21</sup> Although a trademark owner does not obtain a monopoly over a trade-

Interstate and Foreign Commerce voted to insert it. [1979] Cong. Q. Weekly Reps. 973 (May 19). Representative Luken of Ohio, the amendment's sponsor, "made it clear his concern was to protect Formica." *Id.* He argued that the FTC's initiative was a "penalty on success," *id.*, and that government funds should not be utilized to rescind trademark protection "just because the company had done a good job and was well-known." *Id.* Others, however, resented this attempt to protect one company, *see* [1979] Pat. T.M. & Copyright J. (BNA) § A, at 9 (May 17), and when the entire bill was reported without hearings on the "Formica amendment," this resentment increased. Notably, Alfred Dougherty has criticized the Congressional handling of the "Formica amendment" because it "employs an ad hoc approach without benefit of hearings and thorough study." Address by Alfred F. Dougherty, Jr. before the Boston Bar Association 11 (June 28, 1979) (on file with the *Fordham Law Review*) [hereinafter cited as Dougherty Speech]. He noted that "[t]his course appears to be struck at the behest of a single, albeit large and powerful company [Formica], which is the respondent in the ongoing litigation which the budgetary restraints would seek to scuttle." *Id.* *See also* H.R. Rep. No. 181, 96th Cong. 1st Sess. 42-43 (1979) (dissenting views of Rep. Dingell); Letter from FTC to Rep. Sheuer (May 9, 1979), *reprinted in* H.R. Rep. No. 181, 96th Cong., 1st Sess. 31 (1979) [hereinafter cited as FTC Letter].

19. In February, 1980, the Senate passed its version of the FTC authorization bill. N.Y. Times, Feb. 7, 1980, § D, at 1, col. 4; *see* S. 1991, 96th Cong., 1st Sess. (1979). Although this legislation restricts the Commissioner's powers, it differs from H.R. 2313, 96th Cong., 1st Sess. (1979), *reprinted in* [1979] Antitrust & Trade Reg. Rep. (BNA) § G, at 1 (Dec. 6). In several important respects, including the fact that it does not preclude the use of funds to initiate and maintain cancellation proceedings under the Lanham Act. *See* S. Rep. No. 500, 96th Cong., 1st Sess. (1979), *reprinted in* [1980] Antitrust & Trade Reg. Rep. (BNA) 3-4 (Spec. Supp. Jan. 3). It has been noted that these differences "provide the seeds for future disagreements in [the Conference Committee that will eventually have to resolve them] and raise the spectre of a presidential veto." [1979] Antitrust & Trade Reg. Rep. (BNA) § A, at 6 (Dec. 6).

20. The Lanham Act defines a trademark as "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others." Lanham Act § 45, 15 U.S.C. § 1127 (1976). As this definition indicates, trademark rights are established by use and not merely by adoption. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916); *see note 2 supra*. If a trademark is abandoned it is not entitled to legal protection. *See, e.g.*, Lanham Act § 45, 15 U.S.C. § 1127 (1976) (definition of abandonment); *id.* § 14(c), 15 U.S.C. § 1064(c) (1976) (a registration may be cancelled at any

mark similar to that for a patent or copyright,<sup>22</sup> it enjoys the exclusive right to use the mark in connection with particular goods. For example, SANKA is a trademark for a particular brand of decaffeinated coffee. If someone uses that term without the trademark owner's consent in connection with similar goods, an action will lie for trademark infringement.<sup>23</sup>

The law protects trademarks because of the societal determination that they serve an important economic function.<sup>24</sup> In 1945, the House Committee on Patents described trademarks as

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 goodwill by preventing their diversion from those who have created them to those who have not.<sup>25</sup>

In essence, exclusive rights to use a trademark are granted in return for the performance of beneficial functions. If a term cannot, or ceases to, perform those functions, it is logical not to provide trademark protection. Generic terms fall within the unprotected category.<sup>26</sup>

---

time if the mark has been abandoned). For a comprehensive treatment of the law of trademarks, see L. Amdur, *Trade-Mark Law and Practice* (Lanham Act ed. 1948); 3 R. Callmann, *The Law of Unfair Competition Trademarks and Monopolies* (3d ed. 1967); J. Gilson, *Trademark Protection and Practice* (1979); J. McCarthy, *Trademarks and Unfair Competition* (1973); E. Vandenburg, *Trademark Law and Procedure* (2d ed. 1968).

21. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916).

22. *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97-98 (1918); *McLean v. Fleming*, 96 U.S. 245, 254 (1877); *Amp Inc. v. Foy*, 540 F.2d 1181, 1183 (4th Cir. 1976).

23. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97-98 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412 (1916); *McLean v. Fleming*, 96 U.S. 245, 252 (1877). For a detailed analysis of trademark infringement, see 3 R. Callmann, *supra* note 20, §§ 80-86; 1 J. Gilson, *supra* note 20, §§ 5.01-09, §§ 8.01-12; 2 J. McCarthy, *supra* note 20, chs. 23-25, 30-33.

24. The conception that trademarks serve a beneficial function is not universally shared. One commentator has noted that the utility of trademarks began to be questioned in the 1930's by Edward Chamberlin and Joan Robinson. Ball, *supra* note 13, at 471-72. These economists called for standardized methods of production resulting in interchangeable goods. "With quality thus eliminated as a major consideration in the competitive process, price would remain as the only valid basis for comparison between the products of different manufacturers. Trademarks obstructed the realization of this 'perfect' form of competition." *Id.* at 471. They also contributed to irrational consumer choices and allowed producers to charge more for a trademarked product. *Id.* at 471-72; see E. Chamberlin, *The Theory of Monopolistic Competition* 57-64, 270-74 (8th ed. 1962). See generally Scherer, Book Review, 86 Yale L.J. 974, 998-1000 (1977).

25. H.R. Rep. No. 219, 79th Cong., 1st Sess. 3 (1945); see *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412 (1916); *McLean v. Fleming*, 96 U.S. 245, 254 (1877); 3 R. Callmann, *supra* note 20, § 65; 1 J. Gilson, *supra* note 20, § 1.03; 1 J. McCarthy, *supra* note 20, §§ 3:1-5; Hanak, *The Quality Assurance Function of Trademarks*, 43 Fordham L. Rev. 363 (1974); Lunsford, *Consumers and Trademarks: The Function of Trademarks in the Market Place*, 64 Trademark Rep. 75 (1974).

26. *Feathercombs, Inc. v. Solo Prods. Corp.*, 306 F.2d 251, 256 (2d Cir.), *cert. denied*, 371

## 2. Generic Terms

A generic term<sup>27</sup> "is the name of a particular genus or class of things or a member of such a class. It is denominative in character, is ordinarily a noun, and it answers the questions 'What is it?' or 'What do you call it?'"<sup>28</sup> The word "car," for example, is the generic name for a particular class of motor vehicles. A generic term cannot function as a trademark because, by definition, it identifies a product to the public, but does not identify the producer of the goods or distinguish them from others.<sup>29</sup>

Several commentators and FTC spokesmen have pointed out that the protection of generic terms might have deleterious effects on consumers and competition.<sup>30</sup> For example, competitors or potential competitors would be deprived of the ability to market the product by using the word that consumers believe represents the product's name.<sup>31</sup> These businessmen would have to spend more on advertising to convince the public that their products are functionally equivalent to the one whose label bears the generic term.<sup>32</sup> In addition, to induce customer experimentation, they might have to sell their product at a price lower than that attributable to normal competition.<sup>33</sup> Thus, it is conceivable that the protection of generic terms creates artificial barriers to competition and discourages new entry into the market.<sup>34</sup>

U.S. 910 (1962); *In re G. D. Searle*, 360 F.2d 650, 653 (C.C.P.A. 1966); *In re Mario's*, 182 U.S.P.Q. (BNA) 512 (T.T.A.B. 1974); *Hearings, supra* note 9 (statements of Sidney Diamond at 21, Alfred Dougherty at 8); *Trade-Marks: Hearings on H.R. 82 Before a Subcomm. of the Senate Comm. on Patents*, 78th Cong., 2d Sess. 59 [hereinafter cited as *Senate Hearings on H.R. 82*] (statement of the Justice Department); Address by Paul Rand Dixon, United States Trademark Association Annual Meeting (May 11, 1978), *reprinted in* 68 Trademark Rep. 463 (1978) [hereinafter cited as Dixon Speech]; Dougherty Speech, *supra* note 18, at 3.

27. See generally 3 R. Callmann, *supra* note 20, § 74; 1 J. Gilson, *supra* note 20, § 2.02; 1 J. McCarthy, *supra* note 20, §§ 12:1-18.

28. 1 J. Gilson, *supra* note 20, § 2.02, at 2-8 to -8.1.

29. See note 26 *supra*. In addition, there is no justification for giving someone the exclusive right to use a generic term because, as such, it is part of the language, see *Hearings, supra* note 9 (statement of Sidney Diamond at 21), and should be available for everyone's use. See *King-Seecley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 581 (2d Cir. 1963); *Senate Hearings on H.R. 82, supra* note 26, at 59 (statement of the Justice Department).

30. *Hearings, supra* note 9 (statements of John Brezina at 3-4; Alfred Dougherty at 4; Andrew Maguire at 4); Dixon Speech, *supra* note 26, at 465. Dougherty Speech, *supra* note 18, at 4; Address by J. Thomas McCarthy, John Marshall Annual Conference on Intellectual Property Law 15-16 (February 23, 1979) (on file with *Fordham Law Review*) [hereinafter cited as McCarthy Speech].

31. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 117 (1938); *Bayer Co. v. United Drug Co.*, 272 F. 505, 513-14 (S.D.N.Y. 1921); *Hearings, supra* note 9 (statement of Alfred Dougherty at 4-5); Dixon Speech, *supra* note 26, at 466; Dougherty Speech, *supra* note 18, at 4; McCarthy Speech, *supra* note 30, at 15-16; see *Senate Hearings on H.R. 82, supra* note 26, at 61 (statement of the Justice Department).

32. *Hearings, supra* note 9 (statement of Alfred Dougherty at 4-5); Dixon Speech, *supra* note 26, at 466.

33. *Hearings, supra* note 9 (statement of Alfred Dougherty at 5).

34. *Id.* (statement of Alfred Dougherty at 4-5); Dixon Speech, *supra* note 26, at 466; McCarthy Speech, *supra* note 30, at 15-16; *accord, Senate Hearings on H.R. 82, supra* note 26, at 61 (statement of the Justice Department).

Most important, however, is the effect of a generic term on the consumer. Its use as a trademark might confuse consumers who will be "misled as to the function of the word."<sup>35</sup> The informational value of advertising will be distorted, as will consumer purchasing decisions,<sup>36</sup> because people might be willing to pay more for the trademarked product than for something other than what they believe is the "real thing."<sup>37</sup>

Accordingly, Congress and the courts have traditionally refused to grant exclusive trademark rights in a generic term.<sup>38</sup> This principle developed at common law<sup>39</sup> and has continued under the Lanham Act<sup>40</sup> so that a generic term cannot be federally registered as a trademark.<sup>41</sup> Moreover, it is possible for a trademark that was originally valid and distinct to degenerate into a

35. *Hearings*, *supra* note 9 (statement of Andrew Maguire at 3); *cf.* 17 Vand. L. Rev. 620, 625-26 (1964) (protection of the consumer was the rationale underlying the decision that the trademark THERMOS had become generic).

36. Dixon Speech, *supra* note 26, at 466; Dougherty Speech, *supra* note 18, at 4; McCarthy Speech, *supra* note 30, at 15.

37. *Hearings*, *supra* note 9 (statement of Alfred Dougherty at 4); Dixon Speech, *supra* note 26, at 465. In his speech, Paul Dixon of the FTC proffered the following hypothetical conversation to illustrate this possible confusion. The setting is 1920, one year before the trademark ASPIRIN was adjudged to have become generic.

"Consumer: 'I'd like some aspirin, please.'

Pharmacist: 'That'll be 10 cents for a box of Bayer Aspirin, sir.'

Consumer: 'Well, I was sort of hoping to spend a little less. . . .'

Pharmacist: 'Let's see now, we have some very fine Brand X acetyl salicylic acid in tablet form, for only 8 cents.'

Consumer: 'But I don't want any silly sally acid, I want aspirin.'

Pharmacist: 'Well, sir, it's really just about the same thing.'

Consumer: 'Then why isn't it called aspirin?'

*Id.* Dixon noted that even if the consumer eventually figured things out, "it is clear that a generic trademark throws a major roadblock in the way of rational, efficient consumer decision making."

*Id.* at 466; *see* Dougherty Speech, *supra* note 18, at 3.

38. A generic term should be distinguished from a descriptive term. A descriptive term "is ordinarily an adjective or adverb which may be used to describe the functions, characteristics, size, weight, dimensions, uses, or components of a product to one who has never seen it and does not know what it is." 1 J. Gilson, *supra* note 20, § 2.02, at 2-8.1 (footnote omitted). The importance of the distinction rests with the fact that, although a descriptive term is generally unprotected, *see* Canal Co. v. Clark, 80 U.S. (13 Wall.) 311, 323 (1871); Lanham Act § 2(e), 15 U.S.C. § 1052(e) (1976), it may become legally protected if it attains secondary meaning. *See* Armstrong Paint & Varnish Works v. Nu-Enamel Corp., 305 U.S. 315 (1938); Lanham Act § 2(f), 15 U.S.C. § 1052(f) (1976). A descriptive term attains this status if "the primary significance of the term in the minds of the consuming public is not the product but the producer." *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 118 (1938). Because this is the antithesis of the definition of a generic term, a generic term can never attain secondary meaning. *See* Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976); *Weiss Noodle Co. v. Golden Cracknel & Specialty Co.*, 290 F.2d 845, 847 (C.C.P.A. 1961). A generic term might have a *de facto* secondary meaning but this does not entitle it to legal protection. *Weiss Noodle Co. v. Golden Cracknel & Specialty Co.*, 290 F.2d at 848; *J. Kohnstam, Ltd. v. Louis Marx & Co.*, 280 F.2d 437, 440 (C.C.P.A. 1960).

39. *See* Canal Co. v. Clark, 80 U.S. (13 Wall.) 311, 323 (1872).

40. Lanham Act §§ 1-45, 15 U.S.C. §§ 1051-1127 (1976).

41. *Id.* § 2(e), 15 U.S.C. § 1052(e) (1976); *see In re G.D. Searle & Co.*, 360 F.2d 650, 653 (C.C.P.A. 1966); *In re Mario's*, 182 U.S.P.Q. (BNA) 512 (T.T.A.B. 1974).



generic term.<sup>42</sup> Many words that once possessed trademark significance have since passed into the public domain and are now associated with the name of a product.<sup>43</sup> These include aspirin,<sup>44</sup> trampoline,<sup>45</sup> thermos,<sup>46</sup> yo-yo,<sup>47</sup> celluloid,<sup>48</sup> shredded wheat,<sup>49</sup> escalator,<sup>50</sup> cellophane,<sup>51</sup> and cola.<sup>52</sup>

Nevertheless, adjudications of genericness occur infrequently<sup>53</sup> because a heavy burden of proof is placed upon the party alleging that a trademark has degenerated into the common descriptive name of the product.<sup>54</sup> The challenger must show that "the *principal* significance of the word [in the minds of the consuming public is] its indication of the nature or class of an article, rather than an indication of its origin."<sup>55</sup> Courts do not ignore the trademark

42. This process has been referred to as "genericide." 1 J. Gilson, *supra* note 20, § 2.02, at 2-9. If a federally registered mark becomes generic, the registration can be cancelled at any time. Lanham Act § 14(c), 15 U.S.C. § 1064(c) (1976); *see* Haughton Elevator Co. v. Seeberger, 85 U.S.P.Q. (BNA) 80 (Comm'r Pat. 1950). Genericness is also a defense to an action for trademark infringement. *See, e.g.,* Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938); DuPont Cellophane Co. v. Waxed Prods. Co., 85 F.2d 75 (2d Cir.), *cert. denied*, 299 U.S. 601 (1936); Nissen Trampoline Co. v. American Trampoline Co., 193 F. Supp. 745 (S.D. Iowa 1961); Bayer Co. v. United Drug Co., 272 F. 505 (S.D.N.Y. 1921).

43. It is possible, albeit extremely improbable, for a trademark that has become generic to be recaptured from the public domain. *See* 1 J. McCarthy, *supra* note 20, § 12:10. For example, the trademark SINGER was declared generic by the Supreme Court in 1896. Singer Mfg. Co. v. June Mfg. Co., 163 U.S. 169 (1896). In 1953, however, a court declared that SINGER had regained its trademark status and was entitled to trademark protection. Singer Mfg. Co. v. Briley, 207 F.2d 519, 520 n.3 (5th Cir. 1953).

44. Bayer Co. v. United Drug Co., 272 F. 505 (S.D.N.Y. 1921).

45. Nissen Trampoline Co. v. American Trampoline Co., 193 F. Supp. 745 (S.D. Iowa 1961).

46. American Thermos Prods. Co. v. Aladdin Indus., Inc., 207 F. Supp. 9 (D. Conn. 1962), *aff'd sub nom.,* King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577 (2d Cir. 1963).

47. Donald F. Duncan, Inc. v. Royal Tops Mfg. Co., 343 F.2d 655 (7th Cir. 1965).

48. Celluloid Mfg. Co. v. Cellonite Mfg. Co., 32 F. 94 (D.N.J. 1887).

49. Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938).

50. Haughton Elevator Co. v. Seeberger, 85 U.S.P.Q. (BNA) 80 (Comm'r Pat. 1950).

51. DuPont Cellophane Co. v. Waxed Prods. Co., 85 F.2d 75 (2d Cir.), *cert. denied*, 299 U.S. 601 (1936).

52. Dixi-Cola Labs., Inc. v. Coca-Cola Co., 117 F.2d 352 (4th Cir.), *cert. denied*, 314 U.S. 629 (1941); *accord,* Coca-Cola Co. v. Snow Crest Beverages, Inc., 162 F.2d 280 (1st Cir.), *cert. denied*, 332 U.S. 809 (1947).

53. Examples of trademarks that have survived a challenge on the grounds of genericness are: ACRILAN, Thomas Pride Mills, Inc. v. Monsanto Co., 155 U.S.P.Q. (BNA) 205 (N.D. Ga. 1967); DICTAPHONE, Dictaphone Corp. v. Dictamatic Corp., 199 U.S.P.Q. (BNA) 437 (D. Or. 1978); POLAROID, Marks v. Polaroid Corp., 129 F. Supp. 243, (D. Mass. 1955), *aff'd*, 237 F.2d 428 (1st Cir. 1956), *cert. denied*, 352 U.S. 1005 (1957); TEFLON, E.I. DuPont de Nemours & Co. v. Yoshida Int'l, Inc., 393 F. Supp. 502 (E.D.N.Y. 1975).

54. Thomas Pride Mills, Inc. v. Monsanto Co., 155 U.S.P.Q. (BNA) 205, 208 (N.D. Ga. 1967).

55. Feathercombs, Inc. v. Solo Prods. Corp., 306 F.2d 251, 256 (2d Cir.), *cert. denied*, 371 U.S. 910 (1962). To establish genericness, challengers resort to such evidence as the actual testimony of buyers, *see* Dictaphone Corp. v. Dictamatic Corp., 199 U.S.P.Q. (BNA) 437, 445 (D. Or. 1978), dictionary or trade publication usage of the term as a generic word, *id.*, and most important, consumer surveys which "present a practicable way of introducing . . . evidence [on the issue of genericness]." Stix Prods., Inc. v. United Merchants & Mfrs., Inc., 295 F. Supp. 479, 490 n.39 (S.D.N.Y. 1968). Surveys, however, must be conducted according to accepted judicial

owner's interest in protecting the advantages that have accrued through the cultivation of the mark. They "tend to favor the trademark owner and are reluctant to hold that valuable trademark rights have been lost."<sup>56</sup> Therefore, the successful promotion of a trademarked product does not inexorably result in the loss of exclusive trademark rights.<sup>57</sup>

If this loss does occur, however, it should not be viewed as an unfair penalty on the skillful advertiser.<sup>58</sup> Although an adjudication of genericness depends upon the consumers' perception of the word,<sup>59</sup> the trademark owner is usually in a position to insure that the mark does not become a generic term.<sup>60</sup> In most cases of "genericide," the owner has contributed to the degeneration of the mark by attempting, through advertising, to induce the public to associate the mark with the product itself rather than with the producer.<sup>61</sup> Al-

---

standards or they will be given little or no weight. *Dictaphone Corp. v. Dictamatic Corp.*, 199 U.S.P.Q. (BNA) 437, 447 (D. Or. 1978); see notes 200-03 *infra* and accompanying text. A court faced with the issue of genericness reaches its decision by determining whether the consuming public views the word as having trademark significance. See *Du Pont Cellophane Co. v. Waxed Prods. Co.*, 85 F.2d 75, 81 (2d Cir.), *cert. denied*, 299 U.S. 601 (1936); *Bayer Co. v. United Drug Co.*, 272 F. 505, 509 (S.D.N.Y. 1921). There is not, however, a fixed percentage of purchasers who must believe that the word is generic before a court will hold that the term has lost its trademark significance. *Dictaphone Corp. v. Dictamatic Corp.*, 199 U.S.P.Q. (BNA) 437, 445 (D. Or. 1978). For example, in *American Thermos Prods. Co. v. Aladdin Indus., Inc.*, 207 F. Supp. 9 (D. Conn. 1962), *aff'd sub nom. King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577 (2d Cir. 1963), the results of a consumer survey showed that 75% used the term "thermos" generically, 12% thought it had some trademark significance, and, 11% used the term "vacuum bottle." *Id.* at 21-22. The court was satisfied that the "great majority" of the purchasing public viewed the word as representing the name of the product rather than that of the producer. *Id.* at 25. On the other hand, in *Marks v. Polaroid Corp.*, 129 F. Supp. 243 (D. Mass. 1955), *aff'd*, 237 F.2d 428 (1st Cir. 1956), *cert. denied*, 352 U.S. 1005 (1957), the court stated that the challenger "must show that to the consuming public as a whole the word has lost all its trademark significance." *Id.* at 270 (emphasis omitted). It should be noted, however, that when determining whether trademarks have become generic, courts do not "require the challenger to prove that the continuation of trademark protection would harm competition or consumers; such harm [is] presumed." *Hearings, supra* note 9 (statement of Alfred Dougherty at 7-8). In essence, "once genericness [is] established, the trademark [is] regarded as invalid on a *per se* basis." *Id.* at 7.

56. 1 J. Gilson, *supra* note 20, § 2.02, at 2-11. The evidence of genericness must be clear and convincing, and ambiguities and doubts will probably be resolved in favor of the trademark holder. *E.I. DuPont de Nemours & Co. v. Yoshida Int'l, Inc.*, 393 F. Supp. 502, 523 (E.D.N.Y. 1975).

57. See *Hearings, supra* note 9 (statement of Alfred Dougherty at 8-11).

58. *Id.*

59. See *Du Pont Cellophane Co. v. Waxed Prods. Co.*, 85 F.2d 75, 81 (2d Cir.), *cert. denied*, 299 U.S. 601 (1936).

60. "The argument that it is the public's and not the trade-mark owner's fault that a designation becomes generic not only indicates an apathy to the rationale underlying our system of free competition and the maintenance of free access of producers to the market but overlooks the realities of the problem. The trade-mark owner has the power to determine how his product shall be designated and advertised. Mere shrewdness in securing use of a term to designate a product rather than to designate to the public the producer of the product should not be rewarded by the grant of monopoly." *Senate Hearings on H.R. 82, supra* note 26, at 61 (statement of the Justice Department).

61. See, e.g., *Donald F. Duncan, Inc. v. Royal Tops Mfg. Co.*, 343 F.2d 655, 662-68 (7th Cir. 1965); *DuPont Cellophane Co. v. Waxed Prods. Co.*, 85 F.2d 75, 76-80 (2d Cir.), *cert.*

though this may be clever marketing, it may ultimately prove quite costly to the trademark owner. To avoid this result, therefore, trademark specialists have constantly advised trademark owners of the proper methods of trademark management.<sup>62</sup> Alfred Dougherty, director of the FTC Bureau of Competition, has noted that "trademark rights are conditional; it is the holder's duty to preserve the mark's distinctiveness."<sup>63</sup> By utilizing relatively simple procedures,<sup>64</sup> the possibility of trademark degeneration can be severely curtailed.<sup>65</sup>

Although the FTC's action against the FORMICA trademark has generated renewed interest in generic terms, it should be remembered that these principles have been applied since the last century. Few will argue that the owner of a trademark should retain the exclusive rights for its use when a challenger meets the difficult burden of proving that the mark has degenerated into a generic term.<sup>66</sup> The provisions of the Lanham Act embody this principle<sup>67</sup> as well as an innovation in the law that allows the FTC to petition to cancel the registration of a mark for various reasons including genericness.<sup>68</sup> This power, however, has been the subject of considerable debate both prior and subsequent to its incorporation into the trademark law.

### B. *History of the FTC Proviso*

#### 1. Pre-1946 History: Origins of the Proviso

The Lanham Act of 1946<sup>69</sup> is the product of several years of Congressional effort characterized by a cycle of hearings, suggestions, and amendments to various versions of the trademark bill. The process commenced in 1938 when Representative Lanham introduced H.R. 9041.<sup>70</sup> Subsequently, six other

*denied*, 299 U.S. 601 (1936); *American Thermos Prods. Co. v. Aladdin Indus., Inc.*, 207 F. Supp. 9, 12-14 (D. Conn. 1962), *aff'd sub nom. King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577 (2d Cir. 1963); *Bayer Co. v. United Drug Co.*, 272 F. 505, 510-12 (S.D.N.Y. 1921).

62. See, e.g., 3 R. Callmann, *supra* note 20, § 74.2; 1 J. Gilson, *supra* note 20, § 2.02[7]; 1 J. McCarthy, *supra* note 20, § 12:9; Diamond, *How To Use A Trademark Properly*, U.S.T.A. Executive Newsletter No. 9 (1971) (on file with the *Fordham Law Review*).

63. *Hearings*, *supra* note 9 (statement of Alfred Dougherty at 11).

64. For example, when advertising, the trademark should be followed by the generic name of the product; a notice that the word is a trademark should accompany the mark; the trademark should be used in correct grammatical form, as an adjective and not a noun; and finally, employees and consumers should be educated to use the trademark properly. Diamond, *supra* note 62.

65. In recent years, companies have recognized the necessity of protecting their valuable business assets, and have devoted increased attention to "policing" their marks. See, e.g., Syntex Corp., Syntex Corporation Trademark Guide (1978) (on file with the *Fordham Law Review*).

66. William Ball has stated that "[i]t is highly unlikely that any support could be mustered among trademark owners or practitioners for the proposition that a mark that has truly become a generic term should nevertheless continue to be regarded as a valid trademark." Ball, *supra* note 13, at 491.

67. See, e.g., Lanham Act § 2(e), 15 U.S.C. § 1052(e) (1976); *id.* § 14(c), 15 U.S.C. § 1064(c) (1976).

68. *Id.* § 14, 15 U.S.C. § 1064 (1976).

69. Pub. L. No. 79-489, 60 Stat. 427 (1946).

70. H.R. 9041, 75th Cong., 3d Sess. (1938), reprinted in *Trade-Marks: Hearings on H.R.*

bills<sup>71</sup> received consideration before H.R. 1654 became law in 1947.<sup>72</sup> The proviso authorizing the FTC to petition to cancel a registration did not appear in any proposal, however, until 1946 when the Conference Committee inserted it as part of a compromise to resolve the differences between the Senate and House versions of H.R. 1654.<sup>73</sup>

Throughout the evolution of the Lanham Act, opposition emanated from various quarters because of the perception that the legislation favored big business and had the potential for fostering monopolies.<sup>74</sup> The Justice Department attacked the failure of the earlier versions of the bill to provide explicitly that a mark that had become generic would not be protected by the trademark bill.<sup>75</sup> Unlike the various Congressional committees, the Justice Department was not satisfied that the sections on abandonment of trademarks sufficiently dealt with whether a term had become generic in the minds of the public.<sup>76</sup>

Perhaps in an attempt to appease those with the view that the bill did not adequately protect the public interest, a representative of the American Bar Association suggested during the Senate Hearings on H.R. 82 in 1944 that the

---

9041 *Before the Subcomm. on Trade-Marks of the House Comm. on Patents, 75th Cong., 3d Sess. 1 (1938)* [hereinafter cited as *House Hearings on H.R. 9041*].

71. The six other bills were: H.R. 4744, 76th Cong., 1st Sess. (1939), reprinted in *Trade-Marks: Hearings on H.R. 4744 Before the Subcomm. on Trade-Marks of the House Comm. on Patents, 76th Cong., 1st Sess. 1 (1939)* [hereinafter cited as *House Hearings on H.R. 4744*]; H.R. 6618, 76th Cong., 1st Sess. (1939), reprinted in *Patents and Trade-Marks: Hearings on H.R. 6618 Before the House Comm. on Patents, 76th Cong., 1st Sess. 1 (1939)* [hereinafter cited as *House Hearings on H.R. 6618*]; H.R. 102, 77th Cong., 1st Sess. (1941), reprinted in *Trade-Marks: Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trade-Marks of the House Comm. on Patents, 77th Cong., 1st Sess. 2 (1941)* [hereinafter cited as *House Hearings on H.R. 102, H.R. 5461, and S. 895*]; S. 895, 77th Cong., 1st Sess. (1941), reprinted in *House Hearings on H.R. 102, H.R. 5461, and S. 895, supra*, at 29; H.R. 5461, 77th Cong., 1st Sess. (1941), reprinted in *House Hearings on H.R. 102, H.R. 5461, and S. 895, supra*, at 14; H.R. 82, 78th Cong., 1st Sess. (1943), reprinted in *Trade-Marks: Hearings on H.R. 82 Before the House Comm. on Patents, 78th Cong., 1st Sess. 2 (1943)* [hereinafter cited as *House Hearings on H.R. 82*].

72. See note 69 *supra*.

73. Conference Rep. on H.R. 1654, 79th Cong., 2d Sess., 92 Cong. Rec. 7635 (1946).

74. 1 J. McCarthy, *supra* note 20, § 5:4, at 119.

75. See *Senate Hearings on H.R. 82, supra* note 26, at 59-62 (statement of the Justice Department), at 138-50 (statements of Elliot Moyer); *Trade-Marks: Hearings on S. 895 Before a Subcomm. of the Senate Comm. on Patents, 77th Cong., 2d Sess. 34 (1942)* [hereinafter cited as *Senate Hearings on S. 895*] (statement of Elliot Moyer).

76. Abandonment occurs, *inter alia*, if any act of omission or commission on the part of the trademark owner causes a mark to lose its significance as an indication of origin. Lanham Act § 45, 15 U.S.C. § 1127 (1976). The various Congressional committees grappled with whether this definition would make it impossible for a trademark that had become generic to be protected by the provisions of the act. See, e.g., *Senate Hearings on S. 895, supra* note 75, at 18-53. Apparently they believed that it would do so because a provision expressly governing generic terms was not inserted until 1946. See S. Rep. No. 1333, 79th Cong., 2d Sess. 1 (1946). Elliot Moyer of the Justice Department, however, consistently voiced the Department's opposition to this determination. See, e.g., *Senate Hearings on S. 895, supra* note 75, at 43 (statement of Elliot Moyer) ("Abandonment, as I understand it, deals with the action of the trademark holder rather than with the question of whether the term has become generic in the popular sense.").

government play a role in the trademark law.<sup>77</sup> After some discussion,<sup>78</sup> the subcommittee inserted two provisions allowing any government agency that thought the public interest would be affected to oppose the registration of a trademark and apply for the cancellation of a registration.<sup>79</sup> It was noted that this action "would remove from the bill, and take from those who oppose the bill, one of their most powerful arguments as to why the bill should be defeated."<sup>80</sup> Nevertheless, H.R. 82 did not become law.

One year later, in 1945, the House of Representatives, which had not given extensive consideration to a government role in the trademark law,<sup>81</sup> passed H.R. 1654<sup>82</sup> without a provision that expressly governed generic terms and without any reference to government involvement.<sup>83</sup> The Senate's version of the bill, however, contained a provision that dealt with generic terms as well as one that provided that the head of any government agency could apply to cancel the registrations of certification and collective marks in certain instances.<sup>84</sup> The Conference Committee modified the provision on generic terms and the FTC proviso replaced the Senate's version of the government's role in the trademark law.<sup>85</sup>

The history of the FTC proviso indicates that it was inserted to demonstrate that the Lanham Act would protect the public<sup>86</sup> because opponents of the legislation believed that the public interest was being short-shruffed.<sup>87</sup>

77. *Senate Hearings on H.R. 82, supra* note 26, at 138-39 (statement of Charles Allen). He suggested that a government agency be empowered to oppose an application to register a mark. *Id.* No one opposed this proposition, which on the contrary, was greeted by a mildly enthusiastic response. *See id.* at 140 (statement of Sen. Pepper) ("It would seem to me to be a reasonable protection of the public interest to allow a public agency or authority who thought the public interest might be adversely affected to come in."). A representative of the Patent Office, however, thought such a provision unnecessary. He noted that whenever an application for registration was made, it was published in the *Official Gazette*, a copy of which was also sent to every federal agency, so that someone could oppose the registration if appropriate. If any agency objected to the registration, it notified the Patent Office which gave great deference to its suggestions. Thus, he believed that this provision would merely codify an existing informal practice. *Id.* at 139 (statement of Leslie Frazer).

78. Elliot Moyer of the Justice Department viewed this opposition power as insufficient and impractical. Simply stated, Moyer felt that it was unrealistic to ask government agencies to keep abreast of the *Official Gazette* to prevent marks from being registered when they had sufficient reason to do so. "Just the assignment of duties to all these agencies to parallel the functions of the Patent Office provokes difficulties." *Id.* at 142 (statement of Elliot Moyer). As a result, Senator Pepper suggested that the bill provide authority to petition for cancellation. *Id.* at 142 (statement of Sen. Pepper).

79. *Id.* at 153.

80. *Id.* at 141 (statement of Chester Davis).

81. *See, e.g., House Hearings on H.R. 82, supra* note 71; *House Hearings on H.R. 6618, supra* note 71; *House Hearings on H.R. 4744, supra* note 71; *House Hearings on H.R. 9041, supra* note 70.

82. H.R. 1654, 79th Cong., 1st Sess., 91 Cong. Rec. 1718 (1945).

83. *See* H.R. 1654, 79th Cong., 1st Sess. § 14, 91 Cong. Rec. 1720 (1945).

84. *See* S. Rep. No. 1333, 79th Cong., 2d Sess. 1 (1946).

85. Conference Rep. on H.R. 1654, 79th Cong., 2d Sess., 92 Cong. Rec. 7635 (1946).

86. *See* notes 74-80 *supra* and accompanying text.

87. *See* 1 J. McCarthy, *supra* note 20, § 5:4, at 119; notes 74-80 *supra* and accompanying text.

Therefore, to placate the bill's antagonists<sup>88</sup> and to insure passage after eight years of effort,<sup>89</sup> the Conference Committee inserted the provision regarding generic terms.<sup>90</sup> Moreover, despite opposition from the United States Trademark Association (USTA),<sup>91</sup> the committee determined that *some* government agency should be involved in cancellation proceedings.<sup>92</sup> Defending the Conference report during the Senate debates, a member of the committee noted as much when he said that "[t]he intent of Congress to protect the public from the abuse of trade-marks and trade names was demonstrated by the adoption of an amendment permitting the Federal Trade Commission to apply to cancel a mark."<sup>93</sup> This congressional concern for the public interest was again demonstrated in the 1950's when, despite strong support for such action, attempts to delete the FTC proviso were unsuccessful.

## 2. Post-1946 History: Attempts To Delete the FTC Proviso

The recent legislative attempt to reduce the FTC's power under the Lanham Act is not a novel occurrence. In the years following its passage, many commentators criticized the FTC proviso and predicted that the FTC would use this new authority to harass trademark owners.<sup>94</sup> The most common objections to the proviso were that (1) the Lanham Act sufficiently prevented the misuse of trademarks through mechanisms available to private parties and there was no need for the intrusion of a government agency into

---

88. The Senate amendments to H.R. 1654 were viewed by businessmen and industrial leaders as an attempt to assuage the Justice Department's opposition to the trademark law. *N.Y. Times*, June 24, 1946, at 38, col. 4.

89. See 1 J. McCarthy, *supra* note 20, § 5:4, at 119.

90. The provision provided that a registration was subject to cancellation if the mark became "the common descriptive name of an article or substance on which the patent has expired." Lanham Act of 1946, Pub. L. No. 79-489, § 14(c), 60 Stat. 427, 433 (1946) (current version at 15 U.S.C. § 1064(c) (1976)).

91. The Lawyers' Advisory Committee of the USTA notified the Conference Committee that it objected to the Senate's decision to allow government agencies to petition for cancellation in certain instances because it viewed the provision as an unnecessary extension of the government's right to interfere with private business. Lawyers' Advisory Committee of the U.S.T.A., *Memorandum of Objections to the Amendments to H.R. 1654*, 36 Trademark Rep. 123, 125 (1946).

92. Instead of allowing any government agency to petition to cancel, the Conference Committee compromised by limiting it to only one, the FTC. Conference Rep. on H.R. 1654, 79th Cong., 2d Sess., 92 Cong. Rec. 7635 (1946).

93. 92 Cong. Rec. 7873 (1946) (remarks of Sen. O'Mahoney).

94. See, e.g., Carter, *A New Day For Trade-Marks?*, 36 Trademark Rep. 141 (1946); Digges, *The Lanham Trade-Mark Act*, 36 Trademark Rep. 220 (1946); Martin, *Incentives To Register Given By The New Trade-Mark Act*, 36 Trademark Rep. 213 (1946); *N.Y. Times*, June 29, 1947, § 3, at 1, col. 3, at 4, col. 3. It should be noted, however, that not everyone objected to the proviso. Commissioner of Patents, Casper Ooms, stated that this innovation in the law would probably be used infrequently, and he believed that there was no chance that "any legitimate user of a mark will suffer any irritation or harassment." Ooms, *Good News For Brand Advertisers*, 36 Trademark Rep. 167, 172-73 (1946). Three years later Ooms wrote that "[a]ll of the agitation about the dire results [of the FTC proviso] has left little substantial ground for apprehension." Ooms, *Trade-Marks From The Lawyer's Point of View*, 39 Trademark Rep. 391, 391 (1949).

the field of trademarks;<sup>95</sup> (2) there was sufficient authority under section 5 of the Federal Trade Commission Act<sup>96</sup> for the FTC to proceed against trademarks being used to deceive the public or inhibit competition;<sup>97</sup> (3) the presence of the FTC's authority under the Lanham Act discouraged trademark owners from registering their marks pursuant to the Act;<sup>98</sup> and (4) the power of the FTC to petition to cancel a registration placed an additional burden on the inadequately staffed Trademark Division of the Patent Office.<sup>99</sup>

In response to these fears and objections, the USTA sponsored the Coordinating Committee<sup>100</sup> to suggest amendments to the Lanham Act.<sup>101</sup> For the most part, their suggestions were embodied in a series of bills<sup>102</sup> that would have eliminated the FTC proviso entirely.<sup>103</sup> It was argued that the omission was justified because the authority was a superfluous addition to the FTC's broad powers under section 5 of the Federal Trade Commission Act,<sup>104</sup> and not even the FTC raised an objection to the deletion of the proviso.<sup>105</sup> Despite the USTA's objection to the proviso,<sup>106</sup> the apprehension of businessmen,<sup>107</sup> and the FTC's failure to object to its deletion,<sup>108</sup> however, these bills were never enacted.<sup>109</sup>

95. Digges, *supra* note 94, at 230.

96. 15 U.S.C. § 45 (1976).

97. Martin, *supra* note 94, at 217.

98. N.Y. Times, June 29, 1947, § 3, at 1, col. 3, at 4, col. 3.

99. Carter, *supra* note 94, at 142.

100. The Coordinating Committee consisted of representatives of 29 trade and bar associations. Hoge, *The Lanham Act's Housekeeping Amendments*, 52 Trademark Rep. 1245, 1246 (1962).

101. *Id.* at 1245.

102. *See, e.g.*, S. 215, 84th Cong., 1st Sess. (1955) (on file with the *Fordham Law Review*); H.R. 7734, 84th Cong., 1st Sess. (1955) (on file with the *Fordham Law Review*); S. 2540, 83d Cong., 1st Sess. (1953), 100 Cong. Rec. 14068 (1954); S. 1957, 82d Cong., 1st Sess. (1951) (on file with the *Fordham Law Review*).

103. In addition to omitting the FTC proviso, S. 1957, 82d Cong., 1st Sess. § 7 (1951), would have deleted the provision pertaining to generic terms. *See* note 90 *supra*. S. 2540, 83d Cong., 1st Sess. § 10 (1953), 100 Cong. Rec. 14068, 14068-69 (1954), however, would have retained this provision. The last two bills, S. 215, 84th Cong., 1st Sess. § 10 (1955), and H.R. 7734, 84th Cong., 1st Sess. § 10 (1955), although omitting the FTC proviso, expanded the scope of the generic term provision by eliminating the "on which the patent has expired" language. *See* note 90 *supra*.

104. S. Rep. No. 2266, 83d Cong., 2d Sess. 8 (1954).

105. *Id.*; *see* Perry, *The Trademark Act of 1946 From the Point of View of Industry*, 46 Trademark Rep. 511, 519 (1956). *See generally* Derenberg, *The Seventh Year of Administration of the Lanham Trade-Mark Act of 1946*, 44 Trademark Rep. 991, 995 (1954).

106. *See, e.g.*, Liddy, *A Legislative Report*, 40 Trademark Rep. 644, 644 (1950).

107. One author has written that the FTC proviso has "been troublesome to businessmen, psychologically, if not actually." Perry, *supra* note 105, at 519.

108. *See* note 105 *supra*.

109. Professor Seymour Kleinman has recently stated that "certain controversial provisions" kept these bills from becoming law. *Hearings, supra* note 9 (statement of Seymour Kleinman at 3); *see* 4 R. Callmann, *supra* note 20, § 97.1, at 574 n.25. One of these obstacles was most likely the proposal to delete the FTC proviso in its entirety because there was no such deletion in the subsequent two bills.

In 1960, S. 2429<sup>110</sup> passed the Senate<sup>111</sup> but was never acted upon by the House. One year later, Representative Lindsay introduced H.R. 4333,<sup>112</sup> which was substantially the same as S. 2429 and which eventually became law.<sup>113</sup> Both bills contained "housekeeping amendments"<sup>114</sup> that were designed to clarify existing defects in the Lanham Act without making major substantive changes.<sup>115</sup> There were no proposals to delete the FTC proviso,<sup>116</sup> and since that time, there had been no further legislative attempts to alter the FTC proviso until the present response to the *Formica* litigation.

At least one opponent of the FTC's recent initiative has stated that the compromise nature of the FTC proviso made it "a hesitant extension, rather than [an] express call for action by the FTC."<sup>117</sup> Although this may be a valid proposition, the history of the proviso suggests that, at the very least, Congress intended to insert a mechanism to protect the interests of the consuming

---

110. S. 2429, 86th Cong., 1st Sess. (1959), 106 Cong. Rec. 14684 (1960).

111. 106 Cong. Rec. 14686 (1960).

112. H.R. 4333, 87th Cong., 1st Sess. (1961).

113. Act of Oct. 9, 1962, Pub. L. No. 87-772, 76 Stat. 769 (1962) (codified at scattered sections of 15 U.S.C.).

114. Hoge, *supra* note 100, at 1245. According to Hoge, both bills represented attempts to eliminate controversial matters that might adversely affect their chances for passage. *Hearings on H.R. 4333 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 87th Cong., 1st Sess. 38 (1961) (statement of James Hoge).

115. See H.R. Rep. No. 1108, 87th Cong., 1st Sess. 2 (1961) [hereinafter cited as 1961 House Report]. It should be noted that during the consideration of this legislation, the FTC took a renewed interest in its role under the Lanham Act. Apparently, it felt that it could be more effective if various minor changes were made in the text of the Act. See Letter from Paul Dixon to Rep. Emanuel Celler (Aug. 11, 1961) [hereinafter cited as Dixon Letter], reprinted in 1961 House Report, *supra*, at 11-12. Thus, the FTC asked that the wording of Lanham Act § 14(c), 15 U.S.C. § 1064(c) (1976), be changed from "becomes" the common descriptive name to "has become, prior or subsequent to registration," a common descriptive name to insure that the registration of a mark that was generic when initially registered could be cancelled. Dixon Letter, *supra*, reprinted in 1961 House Report, *supra*, at 11-12. This concern stemmed from the case of *Bart Schwartz Int'l Textiles, Ltd. v. FTC*, 289 F.2d 665 (C.C.P.A. 1961), which involved a petition to cancel the registration of the trademark FIOCCO for various textile fabrics. "Fiocco" was also the Italian generic term for the same types of textile fabrics. Although the FTC's petition was successful on the grounds that the registration was fraudulently obtained, it could not petition on the grounds of genericness because of the wording of the statute. 289 F.2d at 668. The FTC also wanted the FTC proviso to be altered to negate the effect of *FTC v. Elder Mfg. Co.*, 84 U.S.P.Q. (BNA) 429 (Comm'r Pat. 1950); see note 8 *supra*. Although it sympathized with these requests, the Committee found them to be inappropriate because the bill was "in large part a housekeeping measure." 1961 House Report, *supra*, at 2. See also Message from President John Kennedy to the United States Congress, 108 Cong. Rec. 4263, 4266 (1962), reprinted in *N.Y. Times*, March 16, 1962, at 16, col. 8 (urging the Senate to allow the FTC "to apply for the cancellation of any trade-mark which is, or becomes, the common descriptive name of an article and thus should be in the public domain.").

116. In fact, the most noteworthy change indirectly expanded the FTC's authority under the Lanham Act. The change was in § 14(c) in which the registration of any mark that had become generic, regardless of whether a patent had expired on the product, would now be subject to cancellation. Act of Oct. 9, 1962, Pub. L. No. 87-772, § 9, 76 Stat. 769, 771 (1962) (codified at 15 U.S.C. § 1064(c) (1976)).

117. *Hearings*, *supra* note 9 (statement of Andrew Maguire at 6).



public. Therefore, before eliminating a portion of the FTC's authority under the trademark law, Congress should carefully consider whether the public interest would ever be served by a government initiated cancellation proceeding on the grounds of genericness.

## II. THE USE AND EFFECT OF THE FTC'S LANHAM ACT AUTHORITY

### A. Use of the Section 14 Cancellation Proceeding Against Generic Marks

One of the goals of the FTC, manifest in its petition to cancel the registration of the FORMICA trademark, is to have the mark declared generic so that other producers of plastic laminates may use "formica" to describe their goods. There are questions, however, as to whether a successful cancellation proceeding<sup>118</sup> can effectively achieve this result and equitably redefine trademark rights to reflect the reality of the market place.

#### 1. Inflexibility of the Cancellation Remedy

The first problem is whether cancellation on the grounds of genericness is a sufficiently flexible remedy to do justice for all concerned.<sup>119</sup> For example, a term perceived to be generic by a majority of consumers might retain some trademark significance. This situation occurred in *Bayer Co. v. United Drug Co.*<sup>120</sup> when the district court determined that although the word "aspirin" was generic in the minds of the general public, it had trademark significance for pharmacists.<sup>121</sup> Therefore, the court allowed use of the word by competitors for direct sales to the consumer, but not in sales to pharmacists.<sup>122</sup> Furthermore, in most cases, a court will fashion a decree to prevent deception and confusion that requires competitors to use their respective brand names with the generic term whenever they advertise.<sup>123</sup> Unlike a district court, however, the TTAB does not possess this remedial flexibility.

Section 18 of the Lanham Act allows cancellation of a registration as a result of an *inter partes* proceeding before the TTAB.<sup>124</sup> In the past this had been interpreted to mean either "cancel entirely" or "partially cancel" a registration.<sup>125</sup> For example, if there had been a registration for aspirin, the TTAB might have altered the register to indicate its validity only insofar as the mark was used in sales to pharmacists. In *Selfway, Inc. v. Travelers Pe-*

118. Lanham Act § 14, 15 U.S.C. § 1064 (1976).

119. See generally Shipley, *supra* note 13, at 23-26.

120. 272 F. 505 (S.D.N.Y. 1921).

121. *Id.* at 513.

122. *Id.* at 513-15. See also *American Thermos Prods. Co. v. Aladdin Indus., Inc.*, 207 F. Supp. 9, 27 (D. Conn. 1962) (court allowed the trademark holder to retain his registrations but also allowed competitors to use the word "thermos" as the generic name for vacuum bottle.), *aff'd sub nom. King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 581 (2d Cir. 1963).

123. See, e.g., *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 120 (1938); *DuPont Cellophane Co. v. Waxed Prods. Co.*, 85 F.2d 75, 82 (2d Cir.), *cert. denied*, 299 U.S. 601 (1936); *American Thermos Prods. Co. v. Aladdin Indus., Inc.*, 207 F. Supp. 9, 27 (D. Conn. 1962), *aff'd sub nom. King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577 (2d Cir. 1963).

124. Lanham Act § 18, 15 U.S.C. § 1068 (1976).

125. *Prince Dog & Cat Food Co. v. Central Neb. Packing Co.*, 305 F.2d 904, 909 (C.C.P.A. 1962); *United States Steel Corp. v. The Nat'l Copper & Smelting Co.*, 131 U.S.P.Q. (BNA) 397, 398 (T.T.A.B. 1961).

*troleum, Inc.*,<sup>126</sup> however, the Court of Customs and Patent Appeals (CCPA) rejected this practice. It interpreted section 18 to mean that in a cancellation proceeding, the TTAB had only two choices. It could either deny the petition for cancellation, or cancel the registration in its entirety.<sup>127</sup> Under *Selfway*, the remedial flexibility available to a court of general jurisdiction is not available to the TTAB. Therefore, if the FTC successfully petitions to cancel a registration on the grounds of genericness, it is necessary to examine the methods to avoid this rigidity and to delineate the rights of the parties.

Under the principles of fairness and the law of unfair competition, a competitor must adequately identify the source of his product when it uses the former trademark as a generic word.<sup>128</sup> If the competitor's identification is inadequate, the FTC can fashion relief under section 5 of the Federal Trade Commission Act,<sup>129</sup> which requires competitors to minimize consumer deception by clearly indicating the source of their products.<sup>130</sup> In addition, the former owner can bring an action for unfair competition if he believes that a competitor was attempting to "pass-off" his goods as those of the former owner.<sup>131</sup>

These problems can be simply avoided, however, by utilizing section 21 of the Lanham Act to obtain civil review of the cancellation proceeding.<sup>132</sup> In an

---

126. 579 F.2d 75 (C.C.P.A. 1978) (3-2 decision).

127. *Id.* at 80-82. The court concluded that the discrepancy between Lanham Act § 18, 15 U.S.C. § 1068 (1976), and § 37, 15 U.S.C. § 1119 (1976), which gives a federal court the power to cancel in whole or in part, is "another example of the difference between proceedings in the [Patent and Trademark Office] and in the courts, [rather than as an example of] imprecise drafting." 579 F.2d at 80 n.4. It appears that an argument can be made that the discrepancy results from imprecision because other imprecisely drafted sections can be found in the Lanham Act. For example, the FTC proviso in the Lanham Act § 14, 15 U.S.C. § 1064 (1976), states that the FTC can apply to cancel a mark when in fact, only the registration can be cancelled. *See* note 7 *supra*. In the dissenting opinion to *Selfway*, Judge Miller viewed the majority's holding as a much too narrow interpretation of § 18. He argued that the legislative intent was not clear, and therefore, the section should be construed in a manner that best facilitates the purposes of the Lanham Act. He concluded that any of the powers enumerated in § 18 may be used in any of the proceedings enumerated in the Lanham Act § 17, 15 U.S.C. § 1067 (1976). 579 F.2d at 82-86 (Miller, J., dissenting).

128. *See Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169 (1896). Discussing the ways in which a mark that had passed into the public domain could be used by competitors, the Court noted that the word could not be used "to deceive the public, and, therefore, . . . the name must be accompanied with such indications that the thing manufactured is the work of the one making it, as will unmistakably inform the public of that fact." *Id.* at 200.

129. 15 U.S.C. § 45 (1976).

130. *See In re Standard Sewing Equip. Corp.*, 51 F.T.C. 1012, 1055 (1955).

131. This course of action was taken in *Miller Brewing Co. v. Jos. Schlitz Brewing Co.*, 605 F.2d 990 (7th Cir. 1979), *cert. denied*, 48 U.S.L.W. 3537 (U.S. Feb. 19, 1980) (No. 79-837). The court held, however, that the defendant was not guilty of unfair competition because it had adequately described the source of its product. 605 F.2d at 997-98.

132. Lanham Act § 21(b)(1), 15 U.S.C. § 1071(b)(1) (1976). A party to a cancellation proceeding that is dissatisfied with the decision of the TTAB may either (1) appeal to the CCPA, Lanham Act § 21(a)(1), 15 U.S.C. § 1071(a)(1) (1976), or, (2) obtain civil review in a federal district court. *Id.* § 21(b)(1), 15 U.S.C. § 1071(b)(1) (1976). If one party files an appeal with the CCPA, however, the other may override this decision by electing to proceed in federal court. *Id.* § 21(a)(1), 15 U.S.C. § 1071(a)(1) (1976). If appeal is taken to the CCPA, review is made without

action brought pursuant to section 21, the district court can fashion a decree aimed at minimizing consumer confusion.<sup>133</sup> It can also permit the trademark owner to retain some exclusive rights in the word if the circumstances make it appropriate to do so.<sup>134</sup> The FTC has indicated that it will use this method to seek review of the TTAB decision in the *Formica* case to negate the effects of *Selfway* and obtain the remedial flexibility available only to a court of general jurisdiction.<sup>135</sup>

## 2. Collateral Estoppel Effect of the Cancellation Decision

The second problem inherent in the use of section 14 is whether a finding of genericness by the TTAB will allow *Formica*'s competitors to use "formica" as the name of their plastic laminate products. Because the Lanham Act does not establish actual trademark rights,<sup>136</sup> cancellation of a registration merely results in a denial of the benefits that accompany a registration on the principal register.<sup>137</sup> Theoretically, the owner of a mark retains all his common law rights,<sup>138</sup> and he can still sue for infringement albeit without the statutory presumptions that lessen his burden of proof.<sup>139</sup> In *National Trailways Bus*

---

the introduction of new evidence. 2 J. McCarthy, *supra* note 20, § 21:6, at 12. Conversely, civil review in the district court is in the form of a trial *de novo*. *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 9 (5th Cir. 1974). *Holiday Inns, Inc. v. Holiday Out In America*, 351 F. Supp. 537, 540 (S.D. Fla. 1972), *aff'd*, 481 F.2d 445 (5th Cir. 1973). Despite the *de novo* nature of the trial, however, the TTAB's factual determinations will not be altered unless new evidence is introduced that "in character and amount carries thorough conviction." 2 J. McCarthy, *supra* note 20, § 21.6, at 14 (identifying this standard as the majority rule).

133. See note 123 *supra* and accompanying text.

134. See Lanham Act § 37, 15 U.S.C. § 1119 (1976); note 120-22 *supra* and accompanying text. In the *Formica* case such remedial flexibility might be appropriate. Professionals such as cabinet makers are the largest purchasers of plastic laminate products. See *Hearings, supra* note 9 (statement of Andrew Maguire at 8). Accordingly, even if the FORMICA trademark is adjudicated a generic term, it is likely that these professionals are aware of the term's trademark significance. An argument can be made, therefore, for relief that allows the *Formica* Corporation to retain some exclusive rights in the word.

135. Interview with Paul Daw, Assistant Regional Director of the FTC, Denver, Colo. and John Evans, Attorney for the FTC in the *Formica* Case, in Washington, D.C. (Oct. 17, 1979) (transcript on file with the *Fordham Law Review*). If there is concern that the FTC might not seek *de novo* review, the Lanham Act can be amended in one of two ways. First, it can provide for automatic review in a district court for the purpose of fashioning an appropriate decree. This would be applicable only if there has been no appeal of the TTAB's adjudication of genericness or if the decision has been affirmed by the CCPA. Second, the Lanham Act can allow the FTC to petition for cancellation directly in a federal district court. Because the FTC has indicated that it will take this action to obtain broad remedial flexibility, the use of financial and judicial resources could be minimized if the FTC is permitted to petition for cancellation on the grounds of genericness.

136. See note 2 *supra*.

137. *National Trailways Bus Sys. v. Trailway Van Lines, Inc.*, 269 F. Supp. 352, 357 (E.D.N.Y. 1965); see note 2 *supra*.

138. *D. M. & Antique Import Corp. v. Royal Saxe Corp.*, 311 F. Supp. 1261, 1269 n.5 (S.D.N.Y. 1970); *National Trailways Bus Sys. v. Trailway Van Lines, Inc.*, 269 F. Supp. 352, 357 (E.D.N.Y. 1965); *Skil-Craft Corp. v. M. Lober & Assocs.*, 138 F. Supp. 313, 314 (S.D.N.Y. 1956); *Dwinell-Wright Co. v. White House Milk Co.*, 44 F. Supp. 423, 425 (W.D.N.Y. 1942) (action under the Trademark Act of 1905), *aff'd*, 132 F.2d 822 (2d Cir. 1943).

139. For a discussion of these benefits, including the procedural advantages that accompany a registration on the principal register, see note 2 *supra*.

*System v. Trailway Van Lines, Inc.*,<sup>140</sup> for example, the owner of the registered service mark, TRAILWAYS, sued for trademark infringement and unfair competition. Although the defendant successfully counterclaimed for cancellation of the mark on the grounds that it had been fraudulently obtained,<sup>141</sup> it was enjoined from using the mark because of the plaintiff's continued common law rights.<sup>142</sup>

A different situation is presented, however, if the FTC successfully cancels the FORMICA registration or other registrations on the grounds of genericness. Such a finding would result in more than a mere denial of statutory benefits because a generic term is not entitled to protection at common law.<sup>143</sup> A competitor should be able to use the word as the name of his product, and a court should give collateral estoppel effect to the finding of genericness<sup>144</sup> in the cancellation proceeding so that the competitor can use the term without fear that the same issue will be relitigated.

Recently, the rules that govern the application of collateral estoppel have been liberalized by the Supreme Court's abrogation of the mutuality of estoppel requirement.<sup>145</sup> Thus, it appears that the issue of genericness would not

---

140. 269 F. Supp. 352 (E.D.N.Y. 1965).

141. *Id.* at 356-57. The court was empowered to cancel the registration by § 37 of the Lanham Act which states in part, that: "In any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action." Lanham Act § 37, 15 U.S.C. § 1119 (1976). The use of this § 37 power by the courts arises in cases of trademark infringement when the defendant affirmatively asserts that the plaintiff's registration is invalid and should be cancelled, *see, e.g., American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 13-14 (5th Cir. 1974); *National Trailways Bus Sys. v. Trailway Van Lines, Inc.*, 269 F. Supp. 352, 354 (E.D.N.Y. 1965), or in a declaratory judgment action. 28 U.S.C. § 2201 (1976); *see Simmonds Aerocessories, Ltd. v. Elastic Stop Nut Corp.*, 257 F.2d 485, 490-91 (3d Cir. 1958).

142. *National Trailways Bus Sys. v. Trailway Van Lines, Inc.*, 269 F. Supp. 352, 357-59 (E.D.N.Y. 1965).

143. *See, e.g., Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 117 (1938); *DuPont Cellophane Co. v. Waxed Prods. Co.*, 85 F.2d 75, 80-81 (2d Cir.), *cert. denied*, 299 U.S. 601 (1936); *Bayer Co. v. United Drug Co.*, 272 F. 505, 509 (S.D.N.Y. 1921).

144. Conceivably, customer perception of the term as generic can change. In such a situation, the doctrine of collateral estoppel should not apply. Because such a shift in public perception has rarely occurred, *see note 43 supra*, this discussion will not include this remote possibility. Rather, it will be concerned with the following hypothetical situation. The FTC successfully cancels the registration of mark "X" on the grounds of genericness. Company B begins to use X as the generic name of the product it sells. Shortly thereafter, the former owner of the mark, Company O, sues B for trademark infringement. The issue is whether B will be allowed to use collateral estoppel defensively to preclude the relitigation of the genericness issue.

145. *See Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 331 (1979) (offensive use of collateral estoppel); *Blonder-Tongue Labs., Inc. v. University of Ill. Found.*, 402 U.S. 313 (1971) (defensive use of collateral estoppel to prevent a patent holder from relitigating the issue of the validity of the patent). Mutuality of estoppel means that "unless both parties (or their privies) in a second action are bound by a judgment in a previous case, neither party (nor his privy) in the second action may use the prior judgment as determinative of an issue in the second action." *Id.* 320-21. Under the "mutuality requirement," collateral estoppel can never apply after an FTC initiated cancellation proceeding because the Commission would not be a party to the later infringement action.

be relitigated if it was disposed of by another court,<sup>146</sup> including the CCPA.<sup>147</sup> The TTAB, however, is an administrative tribunal, and some courts have indicated that the TTAB's decisions, although entitled to great weight, are not binding in subsequent litigation.<sup>148</sup> According to Professor McCarthy, the underlying rationale of this notion is that "decisions regarding federal registrability are not determinative of the common-law right to use."<sup>149</sup> This rationale is not persuasive in the case of genericness because when a mark has become the common descriptive name of a product, it is not entitled to continued federal registration, nor is it entitled to trademark protection at common law.<sup>150</sup> Moreover, a determination of genericness will not be made with any less caution in a cancellation proceeding than in a proceeding in federal court. The CCPA has noted that the TTAB should cancel a registration only with "due caution and only after a most careful study of all the facts."<sup>151</sup> To sustain its burden of proof, the party moving for cancellation must "leave nothing" to conjecture.<sup>152</sup> Therefore, the issue will have been the same in both the cancellation proceeding and the subsequent litigation, the challenger will not have had a more relaxed burden of proof, and, in all probability, the trademark owner will have vigorously opposed cancellation to protect his valuable trademark rights.<sup>153</sup>

The basic question that underlies the application of collateral estoppel is whether the party against whom it is asserted has had a full and fair opportunity to litigate the issue.<sup>154</sup> If it had that opportunity, the policies of preventing the misallocation of resources,<sup>155</sup> reducing litigation, and promoting judicial economy,<sup>156</sup> compel a court to recognize the collateral estoppel effect

146. See *Müller Brewing Co. v. Jos. Schlitz Brewing Co.*, 605 F.2d 990 (7th Cir. 1979) (collateral estoppel precluded the relitigation of the issue of whether the trademark LITE was the common descriptive name for low calorie beer), *cert. denied*, 48 U.S.L.W. 3537 (U.S. Feb. 19, 1980) (No. 79-837).

147. See *Flavor Corp. v. Kemin Indus., Inc.*, 358 F. Supp. 1114, 1117-19 (S.D. Iowa 1973) (the CCPA is an article III constitutional court and its decisions should be given collateral estoppel effect), *aff'd*, 493 F.2d 275, 281 (8th Cir. 1974).

148. *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 10 (5th Cir. 1974); *accord*, *Syntex Labs., Inc. v. Norwich Pharmacal Co.*, 437 F.2d 566, 569 (2d Cir. 1971).

149. 2 J. McCarthy, *supra* note 20, § 32:30, at 480 (footnote omitted).

150. See notes 38-42 *supra* and accompanying text.

151. *Sleepmaster Prods. Co. v. American Auto-Felt Corp.*, 241 F.2d 738, 741 (C.C.P.A. 1957).

152. *Prince Dog & Cat Food Co. v. Central Neb. Packing Co.*, 305 F.2d 904, 908 (C.C.P.A. 1962).

153. An example of such resistance exists in the present *Formica* litigation. Formica has made every effort to retain its trademark registration. It began with a motion to dismiss the petition on the grounds that the FTC lacked standing to initiate the proceeding. See *FTC v. Formica Corp.*, 200 U.S.P.Q. (BNA) 182 (T.T.A.B. 1978) (motion to dismiss denied); *Formica Corp. v. Lefkowitz*, 590 F.2d 915 (C.C.P.A.) (writ of mandamus denied), *cert. denied*, 99 S. Ct. 2838 (1979); see note 7 *supra*.

154. See *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 326-27 (1979); *Blonder-Tongue Labs., Inc. v. University of Ill. Found.*, 402 U.S. 313, 329 (1971).

155. *Blonder-Tongue Labs., Inc. v. University of Ill. Found.*, 402 U.S. 313, 329 (1971).

156. *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 329-31 (1979); *Blonder-Tongue Labs., Inc. v. University of Ill. Found.*, 402 U.S. 313, 328 (1971).

of the cancellation decision.<sup>157</sup> Accordingly, if the genericness issue has been fairly disposed of in a TTAB proceeding, relitigation should not be allowed.<sup>158</sup> A court should consider the policies that underlie the doctrine rather than place reliance on such antiquated technicalities as the denial of collateral estoppel effect to a TTAB decision.

Although it is possible that a court will not grant collateral estoppel effect to a TTAB decision, the gravity of this situation is mitigated by two factors. First, if the parties terminate the litigation after the TTAB's decision, the original owner may be dissuaded from relitigating because of the knowledge that it is extremely difficult to reverse the TTAB determination even without a strict application of collateral estoppel.<sup>159</sup> Most important, however, is the FTC's intention to seek review of the cancellation proceeding in a federal district court.<sup>160</sup> If there is a finding of genericness in this forum, it seems unlikely that the former trademark owner, knowing of the probable application of collateral estoppel will expend resources for a hopeless effort. Therefore, the use of section 21 to obtain broad remedial flexibility will also eliminate the problems relating to the collateral estoppel effect of the TTAB's finding of genericness, and enable the FTC to use its Lanham Act authority to equitably redefine trademark rights in the market place.

#### B. *Alternatives To FTC Action: Suits By Private Litigants*

Opponents of the petition to cancel the FORMICA registration view the FTC's initiative as an intrusion into an area that had previously been untouched by government action.<sup>161</sup> Perhaps the most frequently voiced argument against the FTC's action is that the task of litigating the issue of genericness should be left to the private sector because private enforcement has been demonstrably effective in the past.<sup>162</sup> It is appropriate, therefore, to examine the various ways that a private litigant can challenge a federally registered trademark,<sup>163</sup> and determine whether private enforcement alone can provide maximum protection for the consuming public.

---

157. These policy considerations are only applicable when collateral estoppel is used defensively as it is here. Slightly different policy considerations arise when collateral estoppel is applied offensively. See *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 329-31 (1979).

158. In his exhaustive study on the law of trademarks, McCarthy also reaches this conclusion. 2 J. McCarthy, *supra* note 20, § 32:31.

159. See note 148 *supra* and accompanying text. When the Fifth Circuit noted that the findings of the TTAB are not given collateral estoppel effect, it also stated that nevertheless, "they will be accepted by the federal court unless the contrary is established by evidence which carries through conviction." *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 10 (5th Cir. 1974). This is the same standard that applies to the TTAB's findings when a district court hears an appeal brought pursuant to § 21(b)(1) of the Lanham Act, 15 U.S.C. § 1071(b)(1) (1976). See note 141 *supra*.

160. See note 135 *supra* and accompanying text.

161. See *Hearings*, *supra* note 9 (statements of Andrew Maguire at 2, Thomas Luken at 1, Thomas Ward at 5); Ball, *supra* note 13, at 491; Margulies, *supra* note 13.

162. See note 161 *supra*.

163. This discussion will not take into account the possibility of trademark proceedings in state courts.

## 1. Methods of Raising the Issue of Genericness

Litigation of the issue of genericness often occurs as a defense to an action for trademark infringement.<sup>164</sup> Because an infringement case is brought before a court of general jurisdiction, broad injunctive relief and remedial flexibility are available,<sup>165</sup> and the adjudication will almost certainly be given collateral estoppel effect.<sup>166</sup> The only drawback to raising the issue in this manner is the risk of liability for infringement if genericness is not found.<sup>167</sup>

Another means to raise the issue is by initiating a federal declaratory judgment action.<sup>168</sup> Before a court will take jurisdiction to delineate the rights of the parties, however, the challenger must demonstrate that there is an actual legal controversy between the parties "of sufficient immediacy and reality to warrant the issuance of a declaratory judgment."<sup>169</sup> Although this requirement is liberally construed,<sup>170</sup> it can preclude a party from raising the issue in this manner. In *Polaroid Corp. v. Berkey Photo, Inc.*,<sup>171</sup> for example, the court refused to hear Berkey's claim that the POLAROID trademark had become generic because Berkey's mere desire to use the term created only a theoretical controversy that was insufficient to warrant a judicial determination.<sup>172</sup> The court noted that "even though litigation need not be actually threatened to procure relief under the Federal Declaratory Judgment Act, the most liberal interpretation of justiciability will not admit to an active controversy in the absence of either some imminent infringing conduct or some assertion of the same."<sup>173</sup> It appears, therefore, that to utilize this procedure a

164. *E.g.*, *Dictaphone Corp. v. Dictamatic Corp.*, 199 U.S.P.Q. (BNA) 437, 438 (D. Or. 1978); *E.I. DuPont de Nemours & Co. v. Yoshida Int'l, Inc.*, 393 F. Supp. 502, 509 (E.D.N.Y. 1975); *American Thermos Prods. Co. v. Aladdin Indus., Inc.*, 207 F. Supp. 9, 10 (D. Conn. 1962), *aff'd sub nom. King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577 (2d Cir. 1963).

165. See notes 120-23 *supra* and accompanying text.

166. See notes 145-47 *supra* and accompanying text.

167. See Lanham Act § 34, 15 U.S.C. § 1117 (1976) (if there is infringement of a federally registered mark, the trademark owner can recover damages to its business, the infringer's profits, and the costs of the action).

168. 28 U.S.C. § 2201 (1976); *see, e.g.*, *Stix Prods., Inc. v. United Merchants & Mfrs., Inc.*, 295 F. Supp. 479 (S.D.N.Y. 1968); *Thomas Pride Mills, Inc. v. Monsanto Co.*, 155 U.S.P.Q. (BNA) 205 (N.D. Ga. 1967). See generally 1 J. Gilson, *supra* note 20, § 8.03[2]; 2 J. McCarthy, *supra* note 20, § 32.17-.21.

169. *Maryland Cas. Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941); *see* 28 U.S.C. § 2201 (1976) (statutory requirement of an "actual controversy"). An actual controversy exists, for example, if someone is charged with trademark infringement or has been threatened with an infringement suit. 1 J. Gilson, *supra* note 20, § 8.03[2], at 8-19. There need not, however, be a direct threat of infringement. "It is sufficient if such a threat is implicit in the attitude of the defendant as expressed in circumspect language contained in a letter or if the plaintiff has notice that the defendant asserts that there is or will be an infringement." *Simmonds Aeroccessories, Ltd. v. Elastic Stop Nut Corp.*, 257 F.2d 485, 490 (3d Cir. 1958) (citation omitted).

170. *Exxon Corp. v. FTC*, 588 F.2d 895, 900 (3d Cir. 1978); *Simmonds Aeroccessories, Ltd. v. Elastic Stop Nut Corp.*, 257 F.2d 485, 489 (3d Cir. 1953); *see Muller v. Olin Mathieson Chem. Corp.*, 404 F.2d 501, 504 (2d Cir. 1968).

171. 425 F. Supp. 605 (D. Del. 1976).

172. *Id.* at 608; *see Universal Sewing Mach. Co. v. Standard Sewing Equip. Corp.*, 185 F. Supp. 257, 259, 260 (S.D.N.Y. 1960).

173. 425 F. Supp. at 609.

party must at least assert that it is about to embark on a course of conduct, which under the circumstances, creates a reasonable apprehension that legal action will be taken against it.

Finally, a challenger can petition to cancel the registration pursuant to section 14(c) of the Lanham Act.<sup>174</sup> If a party prefers to raise the issue before engaging in conduct that would create a justiciable controversy, cancellation is the only alternative. Although this procedure might be available to a broader class of challengers,<sup>175</sup> the standing requirements of section 14 are not without limitation.

The statute grants standing to petition to cancel only to those that believe they are or will be damaged by a registration on the principal register.<sup>176</sup> In the case of an allegedly generic or descriptive term, damage is presumed if the petitioner has a sufficient interest in using the term for its business.<sup>177</sup> Thus, an existing competitor of the trademark holder always has standing because he is in a position to use the word as the generic name of the product he sells if the registration is cancelled.<sup>178</sup>

Standing has also been granted in cases when there was no direct competition. In *Plastilite Corp. v. Kassnar Imports*,<sup>179</sup> for example, the respondent had registered its mark with the Treasury Department to bar the importation of goods bearing an infringing trademark,<sup>180</sup> and the customs service ordered the petitioner to destroy or return the infringing products it had in its stock. The CCPA held that the petitioner had standing to challenge the registration<sup>181</sup> because of the mandate and the penalty assessed for noncompliance, and also, because the importer would be deterred from purchasing more of these goods.<sup>182</sup>

Trade associations have also met the standing requirements both in opposition proceedings<sup>183</sup> and under section 43(a) of the Lanham Act.<sup>184</sup> In these cases,<sup>185</sup> the dues of the association depended on the total volume of its mem-

174. 15 U.S.C. § 1064(c) (1976); see *Haughton Elevator Co. v. Seeberger*, 85 U.S.P.Q. (BNA) 80 (Comm'r Pat. 1950).

175. It is clear that only a competitor that desired to use the allegedly generic term would engage in conduct serious enough to prompt an infringement suit. In addition, the "actual controversy" requirement of the declaratory judgment action might, for the most part, preclude anyone but the trademark owner's competitors from raising the genericness issue in this manner.

176. Lanham Act § 14, 15 U.S.C. § 1064 (1976); see notes 1-6 *supra* and accompanying text.

177. *Golomb v. Wadsworth*, 592 F.2d 1184, 1185-86 (C.C.P.A.), *cert. denied*, 100 S. Ct. 63 (1979); *De Walt, Inc. v. Magna Power Tool Corp.*, 289 F.2d 656, 661 (C.C.P.A. 1961).

178. See also *Department of Transp. v. Scanwell Labs., Inc.*, 170 U.S.P.Q. (BNA) 174 (T.T.A.B. 1971), *aff'd*, 484 F.2d 1385 (C.C.P.A. 1973) (FAA granted standing to petition to cancel the registration of a descriptive term because it had a sufficient interest in using the term in its operations).

179. 508 F.2d 824 (C.C.P.A. 1975).

180. See note 2 *supra*.

181. 508 F.2d at 826.

182. *Id.*

183. Lanham Act § 13, 15 U.S.C. § 1063 (1976). An opposition proceeding is an *inter partes* proceeding in which someone opposes an application to register a trademark. See *id.*

184. *Id.* § 43(a), 15 U.S.C. § 1125(a) (1976). Section 43(a) establishes a cause of action against one who falsely describes the products he sells or falsely indicates the origin of the product. See *id.*

185. *Tanners' Council of America, Inc. v. Gary Indus., Inc.*, 440 F.2d 1404 (C.C.P.A. 1971)



bers' sales. Because these sales could be weakened if no one acted, there was a possibility of damage to the respective associations.<sup>186</sup> Sections 13 and 43(a) both have the same "belief in damage" requirement as section 14,<sup>187</sup> and therefore, it appears that this possibility of direct pecuniary damage will also be necessary if an association seeks to cancel a registration.

It is unlikely, however, that consumers or their representatives will meet the existing rules governing standing under the Lanham Act in general or section 14 in particular.<sup>188</sup> Although no consumers have attempted to petition for cancellation, the Second Circuit, in *Colligan v. Activities Club, Ltd.*,<sup>189</sup> has held that section 43(a) creates no right of action for consumers. After an exhaustive study of the legislative history, the court concluded that "Congress' purpose in enacting [section] 43(a) was to create a special and limited unfair competition remedy, virtually without regard for the interests of consumers generally and almost certainly without any consideration of consumer rights of action in particular."<sup>190</sup>

Although *Colligan* has been criticized,<sup>191</sup> its rationale might preclude consumer standing under section 14. If Congress did not intend to establish a consumer cause of action under a broad remedial statute such as section 43(a), it probably did not intend to do so in a cancellation proceeding. In fact, although Congress recognized that in some instances the public can be injured by a registration, it can be argued that Congress intended to protect the public interest by means of the FTC proviso.<sup>192</sup>

The rules governing standing, however, may eventually allow consumers to petition to cancel, or perhaps, there could be a Congressional grant of consumer standing as a substitute for FTC action.<sup>193</sup> Although this is arguably an alternative mechanism for the protection of the public interest, several factors must be considered. First, the cost of an action by a single consumer is almost certain to be prohibitive.<sup>194</sup> In addition, a single consumer probably

(opposition proceeding); *Mutation Mink Breeders Ass'n v. Lou Nierenberg Corp.*, 23 F.R.D. 155 (S.D.N.Y. 1959) (cause of action arising under § 43(a)); *cf. Universal Oil Prods. Co. v. Rexall Drug & Chem. Co.*, 463 F.2d 1122 (C.C.P.A. 1972) (parent corporation granted standing in an opposition proceeding under rationale similar to trade association cases).

186. *Tanners' Council of America, Inc. v. Gary Indus., Inc.*, 440 F.2d 1404, 1406 (C.C.P.A. 1971); *Mutation Mink Breeders Ass'n v. Lou Nierenberg Corp.*, 23 F.R.D. 155, 161-62 (S.D.N.Y. 1959).

187. Compare Lanham Act § 14, 15 U.S.C. § 1064 (1976) with *id.* § 13, 15 U.S.C. § 1063 (1976) and *id.* § 43(a), 15 U.S.C. § 1125(a) (1976).

188. See *Golden Gate Salami Co. v. Gulf States Paper Corp.*, 332 F.2d 184, 188 (C.C.P.A. 1964) (standing is limited to one with a "personal commercial interest rather than the interest of a mere intermeddler").

189. 442 F.2d 686 (2d Cir.), *cert. denied*, 404 U.S. 1004 (1971).

190. *Id.* at 692 (footnote omitted); *accord*, *LeBlanc v. Spector*, 378 F. Supp. 301 (D. Conn. 1973). *Contra*, *Arnesen v. Raymond Lee Organization, Inc.*, 333 F. Supp. 116 (C.D. Cal. 1971). See generally Germain, *Unfair Trade Practices Under Section 43(a) of the Lanham Act: You've Come a Long Way, Baby—Too Far, Maybe?*, 64 Trademark Rep. 193 (1974).

191. See 1 J. Gilson, *supra* note 20, § 7.02[3], at 7-24 to -25.

192. See pt. I(B) *supra*.

193. The subject of consumer standing was raised by various Congressmen during the hearings on H.R. 3685. *Hearings, supra* note 9 (unofficial transcript on file with the *Fordham Law Review*).

194. The consumer survey is the major expenditure for someone who seeks to cancel a registra-

lacks the incentive to bring such a proceeding. If he believes that a mark has become generic and perceives that the owner is charging a higher price for the product, he probably knows that he can avoid paying the price premium by buying an alternative product of similar quality. Moreover, because no damages are recoverable in a cancellation proceeding,<sup>195</sup> the most relief that a consumer can hope for is the betterment of other similarly situated purchasers.

It appears, therefore, that a consumer cause of action would be utilized only if a beneficent individual or a well-financed consumer group was willing to bear the expense,<sup>196</sup> and it is doubtful whether such an alternative can prove to be superior to a government agency operating as a public counsel.<sup>197</sup> Although consumer standing can be made more viable by providing for the recovery of costs by the successful petitioner, such action would be inequitable to the trademark owner. The owner has not engaged in any wrongful conduct and the cancellation results merely because the registered mark is unworthy of legal protection. The conclusion that continued protection might result in harm to consumers does not in itself justify the imposition of a cost on the owner that is greater than the loss of the exclusive right to use the trademark in connection with particular goods.

Therefore, under the existing rules, the issue of genericness will usually be raised only by a party that has a commercial interest in seeing the mark pass into the public domain. Those who support a continued role for the FTC argue, however, that if these potential challengers choose not to proceed, consumers and competition can still benefit from the initiative of a public counsel.<sup>198</sup>

## 2. Disincentives For the Private Litigant

History has shown that private litigants are capable of challenging allegedly generic marks. There remains, however, the possibility that a trademark that the public perceives to be the name of a product will not be challenged. During the controversy concerning the FTC's authority under the Lanham Act, several factors have been identified that might deter a competitor from raising the issue.

The first possible deterrent to a private party is the expense involved in

---

tion on the grounds of genericness. Such a survey has been estimated to cost between \$20,000 and \$100,000. See *Hearings, supra* note 9 (statement of John Brezina at 7); *id.* (remarks of Alfred Dougherty in response to questioning) (unofficial transcript on file with the *Fordham Law Review*).

195. See Lanham Act § 14, 15 U.S.C. § 1064 (1976).

196. The class action device will not militate against this conclusion because attorney's fees are usually paid from the recovery. See generally Note, *Attorney's Fees, Unclaimed Funds, and Class Actions: Application of the Common Fund Doctrine*, 48 *Fordham L. Rev.* 370, 374-76 (1979). Because there are no damage awards in a cancellation proceeding, the costs would still have to be borne by the petitioners.

197. Cf. H.R. Rep. No. 499, 94th Cong., 1st Sess. 6-8, reprinted in [1976] U.S. Code Cong. & Ad. News 2572, 2575-78 (discussion of the ineffectiveness of consumer initiated litigation in the area of antitrust violations).

198. See *Hearings, supra* note 9 (statements of John Brezina at 7-8, Alfred Dougherty at 14); FTC Letter, *supra* note 18, at 31; Dixon Speech, *supra* note 26, at 467; Dougherty Speech, *supra* note 18, at 5-6; McCarthy Speech, *supra* note 30, at 17-18.

litigating the genericness issue.<sup>199</sup> As discussed above, the most effective means of proving genericness is through the use of consumer surveys.<sup>200</sup> It has been estimated, however, that the cost of a survey that is properly conducted to meet the procedural formalities and strict standards of objectivity required by the courts<sup>201</sup> may range from \$20,000 to \$100,000.<sup>202</sup> In addition, one trademark attorney has noted that this cost increases because of "counter-surveys, deposition testimony and all sorts of efforts to tear apart the other fellow's survey, in addition to all of the other litigation steps."<sup>203</sup>

Competitors may also be deterred by what economists call the "free rider" problem. This phenomenon is aptly illustrated by the example of a lighthouse. Although a lighthouse is beneficial to a fisherman's business, no single fisherman will pay to build it because once constructed, the other fishermen will use the lighthouse and receive a "free ride" at the builder's expense.<sup>204</sup> Similarly, this rationale might be applicable to the case of an allegedly generic mark.<sup>205</sup> It is plausible that no single competitor will attack the mark because the litigation would be costly and complex; it may not be successful; and, if it is successful, all other competitors will be able to use the word without contributing to the successful challenger's efforts.

Even if the monetary costs of the challenge and the fear of the "free ride" do not deter a competitor from initiating a private suit, the resulting business costs may outweigh the benefits that accrue to the challenger upon an adjudication of genericness. For example, when each firm in an industry possesses a respectable percentage of the market, and the firm with the largest

199. *Hearings*, *supra* note 9 (statements of John Brezina at 6-7, Alfred Dougherty at 14, 15); Dixon Speech, *supra* note 26, at 466-67; Dougherty Speech, *supra* note 18, at 5; McCarthy Speech, *supra* note 30, at 16.

200. *See* note 55 *supra*.

201. The admissibility of survey evidence is governed by the following rules: "The offeror has the burden of establishing that a proffered poll was conducted in accordance with accepted principles of survey research, *i.e.*, that the proper universe was examined, that a representative sample was drawn from that universe, and that the mode of questioning the interviewees was correct. He should be required to show that: the persons conducting the survey were recognized experts; the data gathered was accurately reported; the sample design, the questionnaire and the interviewing were in accordance with generally accepted standards of objective procedure and statistics in the field of such surveys; the sample design and the interviews were conducted independently of the attorneys; and the interviewers, trained in this field, had no knowledge of the litigation or the purposes for which the survey was to be used. Normally this showing will be made through the testimony of the persons responsible for the various parts of the survey." Report of the Judicial Conference Study Group on Procedure in Protracted Litigation, Handbook of Recommended Procedures for the Trial of Protracted Cases, 25 F.R.D. 351, 429 (1960) (footnotes omitted).

202. *Hearings*, *supra* note 9 (statement of John Brezina at 7); *id.* (remarks of Alfred Dougherty in response to questioning) (unofficial transcript on file with the *Fordham Law Review*).

203. *Id.* (statement of John Brezina at 7).

204. McCarthy Speech, *supra* note 30, at 16-17 (paraphrasing P. Samuelson, Economics 49 n.3, 160 (10th ed. 1976)). McCarthy states further that the fishermen will look to the government to build the lighthouse. "That's what government is for: to do the things that need to be done for everyone's benefit but for which no one person will pay the whole expense, because no one person can charge for it." *Id.* at 17.

205. *Hearings*, *supra* note 9 (statement of Alfred Dougherty at 14); Dixon Speech, *supra* note 26, at 467; Dougherty Speech, *supra* note 18, at 5-6; McCarthy Speech, *supra* note 30, at 16-17.

share owns an arguably generic trademark, the other firms may permit the market leader to retain its mark, its share, and even a possible price premium for its product. They fear that passage of the mark into the public domain will allow new competition to emerge that might, on balance, result in increased costs to the existing competitors.<sup>206</sup> This hypothesis might partially explain the failure of any of these competitors to challenge the FORMICA trademark. Alfred Dougherty has said that

[t]he plastic laminate industry . . . is highly concentrated. . . . Despite continuing market growth, there has been no new entry in almost 25 years, and import competition is non-existent. However much it might benefit competitors to be able to use the word 'formica', it would equally invite new entry and stimulate competitive activity in the market. Underscoring . . . this point, a trade journal reported the industry's concern that cancellation of the trademark would set off a 'price war' and make the industry 'super-competitive'. In the same journal, an editorial observed that Formica Corporation had customarily provided a 'price umbrella' for its industry rivals. Competitors might rationally prefer to cluster under such an umbrella, rather than take action which might promote its removal.<sup>207</sup>

Nevertheless, some critics of the FTC's action dismiss these deterrents as nonexistent.<sup>208</sup> In a recent article,<sup>209</sup> David Shipley argues that the benefits of successfully litigating the issue of genericness outweigh the costs because the competitor can take "advantage of the market created by the trademark owner's original advertising."<sup>210</sup> He asserts that a successful cancellation proceeding would result in "advertising costs [to the competitor that are] limited to educating consumers to distinguish its own substitutable brand of the product from those of the trademark owner's and other competitors."<sup>211</sup> Obviously, if a firm perceives these benefits there will be no need for government action. Although this scenario may occur in most cases, it is quite conceivable that a competitor may not view the benefits as Professor Shipley believes it should. A small firm might not wish to expend resources in litigation that may not succeed,<sup>212</sup> or a firm might foresee a higher resultant cost after a successful suit.<sup>213</sup>

To refute the notion of the "free rider" problem, Professor Shipley argues that

---

206. *Hearings, supra* note 9 (statement of Alfred Dougherty at 16-17); Dougherty Speech, *supra* note 18, at 5. It should be remembered that under this set of facts, no legal wrongdoing has occurred. It is merely an example of a company's perception that inaction is in its best interest.

207. *Hearings, supra* note 9 (statement of Alfred Dougherty at 17) (footnotes omitted).

208. See, e.g., Kleinman, *Trademark Genericide: Of Miller's Brew and "Let There Be Light,"* 38 (1979) (unpublished manuscript on file with the *Fordham Law Review*). Kleinman calls these "debatable economic assumptions, which appear to have been ransacked from someone's antitrust nightmare." *Id.*

209. Shipley, *supra* note 13.

210. *Id.* at 16-17.

211. *Id.* at 16.

212. The fact that an adjudication of genericness is difficult to obtain cannot be overemphasized. See notes 53-57 *supra* and accompanying text. Even if a competitor believes there is a good chance of success, the possibility of failure will surely be taken into account when calculating the costs and possible benefits of such a challenge.

213. This would be the case under the set of facts proffered by Dougherty. See notes 206-07 *supra* and accompanying text.

[a]lthough the benefits of a successful challenge of a generic trademark will be shared by all competitors, these competitors still must incur substantial advertising costs to establish their brands. These advertising costs minimize the effects of the benefits-sharing problem [the "free ride"] and disarm it as a significant disincentive to private challenges of the generic name.<sup>214</sup>

This reasoning, however, does nothing to disarm the "free-rider" problem. The essence of the "free rider" concept is that the challenger might be deterred from acting because competitors will share the benefits of the resources he has expended to prosecute the cancellation proceeding. Even though these competitors will have to make expenditures to promote their respective brands, the petitioner is still not compensated for his efforts on their behalf.<sup>215</sup>

Shipley also points out that the "free-rider" problem can be minimized if competitors join together and pool their resources to challenge an allegedly generic trademark,<sup>216</sup> or if a trade association initiates the proceeding.<sup>217</sup> Although this will minimize or eliminate the problem, two further factors must be considered. First, joint action will occur only if each of the competitors believes that it will benefit from an adjudication of genericness. Second, despite the obvious utility of such a procedure, this course of action has been rarely undertaken.<sup>218</sup>

A competitor might not be dissuaded from raising the issue of genericness in most instances, but such a situation can exist. The argument that "if there is

---

214. Shipley, *supra* note 13, at 17 (footnote omitted).

215. Under this scenario, each competitor must spend X dollars to promote its respective brand. The one who successfully litigated the issue of genericness, however, will have had to spend Y dollars in order to finance the challenge, in addition to his expenditure of X dollars.

216. Shipley, *supra* note 13, at 17-18.

217. *Id.*

218. Perhaps competitors have not attempted joint action because of the fear that it will prompt a counterclaim for violation of the antitrust laws. *Hearings, supra* note 9 (statement of Alfred Dougherty at 15). *But see* Pennex Prods. Co. v. Becton Dickinson & Co., 78 Civ. 2239 (S.D.N.Y., filed May 15, 1978) (Mercurochrome case). At the hearings on H.R. 3685, John Brezina outlined the facts of this case which has not as yet been concluded. MERCUROCHROME is the registered trademark for a first-aid antiseptic. *Hearings, supra* note 9 (statement of John Brezina at 4). Since the 1920's, the mark has been licensed to various smaller companies that were allowed to use the name on the product when selling to consumers. *Id.* In 1978, however, the licenses were terminated, and the rights to market the product with the MERCUROCHROME trademark were vested in one company. *Id.* at 6. Following the termination of the licenses, five of the former licensees brought a declaratory judgment action, alleging in part, that the trademark MERCUROCHROME has degenerated into a generic term. *Id.* at 6. Although this is an example of competitors "pooling" their resources, Brezina takes the position that in this type of situation, considerations of economy and justice would be better served by an FTC initiated cancellation proceeding. *Id.* He argues that "[t]he owners of the registration of MERCUROCHROME virtually control the outcome [of the case]. They can litigate vigorously, watching the expenses of both parties go up. If they analyze the situation and if things look like they are going badly for them, they can simply offer the plaintiffs a license for whatever consideration is necessary to cement the deal. The plaintiffs would be happy to take it to end the litigation expenses." *Id.* at 7. If such a settlement occurs, the non-party competitors will suffer detriment because they are unable to use a term that is arguably generic. Presumably, they too would have to initiate a suit in order to obtain the same treatment afforded to their litigating counterparts. Brezina argues that this time and effort will be saved if the FTC initiates a proceeding when this type of situation occurs again. *See id.* at 7-8.

economic harm in the continued use of a trademark, there must be a countervailing economic incentive on the part of private industrial users to challenge the registrant"<sup>219</sup> fails to recognize the possibility that the economic harm is imposed mainly upon the consumer who, as a practical matter, would be unable to mount such a challenge. "It is not logical to state that because no competitor has successfully challenged the registration of an arguably generic term, . . . consumers do not use it as a generic term."<sup>220</sup> Nor is it logical to conclude that the public interest is not being affected because no competitor has challenged the mark. The initiative of a public counsel might be a means of obtaining benefits even though competitors have chosen not to raise the issue of genericness.

### C. *Petitioning to Cancel on the Grounds of Genericness: The FTC's Objectives*

The FTC's renewed interest in its authority under the Lanham Act does not result merely from a desire to protect the integrity of the trademark register. Rather, it appears that the Commission's objective is to limit the exclusive right to use a trademark if such action can increase competition and benefit consumers.<sup>221</sup> For example, in the *Formica* case, the FTC foresees a ten to fifteen million dollar savings for consumers if competitors are permitted to use the word "formica" as the generic name for plastic laminate products.<sup>222</sup>

It does not appear, however, that the FTC will use this remedy hastily, unnecessarily, or in an attempt to harass trademark owners. Before initiating a cancellation proceeding, the FTC will conduct a preliminary survey to determine whether there is a high degree of generic usage of the term coupled with a limited perception of the word's trademark significance.<sup>223</sup> This would be the *sine qua non* of the decision to proceed because without evidence of the generic use of a trademark, an FTC challenge will be fruitless.<sup>224</sup>

Moreover, the FTC has enumerated additional criteria to guide the selection of situations in which a successful cancellation proceeding can provide public benefits even though competitors have chosen not to raise the genericness issue.<sup>225</sup> The FTC has focused on the extent to which a trademark may

219. *Hearings, supra* note 9 (statement of Andrew Maguire at 9).

220. McCarthy Speech, *supra* note 30, at 17.

221. See *Hearings, supra* note 9 (statement of Alfred Dougherty at 20); Dixon Speech, *supra* note 26, at 468; FTC, Background on Generic Trademarks and Formica 2 (on file with the *Fordham Law Review*) [hereinafter cited as Background on Formica]. See generally Craswell, *Trademarks, Consumer Information, and Barriers to Competition*, Policy Planning Issues Paper (1979) (on file with the *Fordham Law Review*).

222. *Hearings, supra* note 9 (statement of Alfred Dougherty at 23-25); Background on Formica, *supra* note 221, at 2. The FTC maintains that Formica can command a price premium because 40% of FORMICA plastic laminates are purchased by the general public, many of whom believe the word is the generic name for the products. The FTC believes that this premium will be reduced or eliminated if Formica's competitors are able to describe their products with the word "formica." Background on Formica, *supra* note 221, at 2.

223. See *Hearings, supra* note 9 (statement of Alfred Dougherty at 20); FTC Letter, *supra* note 18, at 31; Background on Formica, *supra* note 221, at 1.

224. See note 55 *supra* and accompanying text.

225. At the hearings on H.R. 3685, Alfred Dougherty noted that "the recent publicity regarding the Commission's Lanham Act proceeding has prompted complaints to us from small businesses in at

function as a barrier to intelligent purchasing decisions as well as on the anti-competitive effects of the allegedly generic mark. First, if there is a distinct and well understood name for the product other than the trademark, the FTC might not proceed<sup>226</sup> because "[t]he use of generic terms as a trademark is a problem only if this prevents other sellers (or their customers) from adequately describing their products."<sup>227</sup> Second, the product and performance characteristics of the item must be difficult to perceive from a simple visual inspection.<sup>228</sup> For example, when a consumer can easily ascertain that a competitor's product performs the same functions as the one bearing the allegedly generic trademark, the seriousness of the trademark's role as an information barrier is considerably lessened. Third, the FTC will determine whether the product commands a price premium.<sup>229</sup> Such a premium might indicate a significant information gap because "[i]t could easily be that, if consumers were fully informed . . . they would not have such a strong preference and would not be willing to pay such a premium."<sup>230</sup> Finally, if the owner does not occupy the leading market position in the industry and if the trademark is apparently not acting as an entry barrier, the FTC will probably not initiate a cancellation proceeding.<sup>231</sup> The existence of these guidelines indicates that the FTC will proceed cautiously with cancellation proceedings<sup>232</sup> and that it will raise the issue of genericness only if such action "would help to significantly minimize consumer deception and increase market place information."<sup>233</sup>

---

least ten industries burdened by allegedly generic marks. The complainants have recounted the market impairment created by the marks and the difficulties attendant upon a private challenge and have all sought Commission assistance." *Hearings, supra* note 9 (statement of Alfred Dougherty at 26). See also Interview with Paul Daw, Assistant Regional Director of the FTC, Denver, Colo., and John Evans, Attorney for the FTC in the *Formica* case, in Washington, D.C. (Oct. 17, 1979) (transcript on file with the *Fordham Law Review*). In response to questioning by the House Subcommittee, Dougherty stated that when such a request is made, the FTC will utilize these criteria before determining whether to initiate a cancellation proceeding. *Hearings, supra* note 9 (remarks of Alfred Dougherty in response to questioning) (unofficial transcript on file with the *Fordham Law Review*).

226. *Hearings, supra* note 9 (statement of Alfred Dougherty at 20); FTC Letter, *supra* note 18, at 31.

227. Craswell, *supra* note 221, at 51 (emphasis omitted).

228. *Hearings, supra* note 9 (statement of Alfred Dougherty at 20); FTC Letter, *supra* note 18, at 31. Mr. Dougherty has noted that " 'yo-yo,' although [adjudicated generic in a private suit] might not have met this criterion." *Hearings, supra* note 9 (statement of Alfred Dougherty at 20).

229. *Hearings, supra* note 9 (statement of Alfred Dougherty at 20); FTC Letter, *supra* note 18, at 32.

230. Craswell, *supra* note 221, at 16; see notes 37, 222 *supra* and accompanying text.

231. *Hearings, supra* note 9 (statement of Alfred Dougherty at 20); FTC Letter, *supra* note 18, at 32. Although a heavily advertised brand will usually not prevent new entry into the market, see R. Posner, *Economic Analysis of Law* 227-28 (2d ed. 1977), the existence of a generic trademark might do so because it is difficult to advertise a product without describing it by the name that the public knows. See notes 31-34 *supra* and accompanying text. The FTC believes that the absence of new entry into the plastic laminate industry results in part from the genericness of the FORMICA trademark. See *Hearings, supra* note 9 (statement of Alfred Dougherty at 20); Background on Formica, *supra* note 221, at 2; notes 206-07 *supra* and accompanying text. But see *Hearings supra* note 9 (statement of Andrew Maguire at 7).

232. See McCarthy Speech, *supra* note 30, at 18-19.

233. Dixon Speech, *supra* note 26, at 469. Commissioner Dixon also noted that the FTC was not "spending large quantities of time hunting for trademarks to attack." *Id.*

Despite the existence of an apparently rational and well balanced program, the FTC has been subject to extensive criticism for its initiative in the *Formica* case. The first area of concern involves the motives of the FTC and the propriety of using section 14 to achieve its objectives.<sup>234</sup> Some opposition

234. It has been stated that using § 14 in this manner is neither "good sportsmanship, good statesmanship [nor] good government." *Hearings, supra* note 9 (statement of Andrew Maguire at 8) (quoting an address by Seymour Kleinman (June 6, 1979)). Another argument propounded by the supporters of the new legislation to limit the FTC's authority under the Lanham Act is that this power is superfluous to the FTC's power under § 5 of the Federal Trade Commission Act, 15 U.S.C. § 45 (1976), to challenge trademarks that are used to deceive the public or impede competition. *Hearings, supra* note 9 (statements of Seymour Kleinman at 4, Thomas Luken at 3, Thomas Ward at 5); Shipley, *supra* note 13, at 27-32. Section 5 declares that unfair methods of competition and unfair or deceptive acts or practices are unlawful, FTC Act § 5(a)(1), 15 U.S.C. § 45(a)(1) (1976), and it authorizes the FTC to eliminate these practices if such an effort is in the public interest. *Id.* § 5(b), 15 U.S.C. § 45(b) (1976). This section has been utilized to limit or forbid the use of trademarks. *See, e.g.,* Charles of the Ritz Distribs. Corp. v. FTC, 143 F.2d 676 (2d Cir. 1944) (order to cease using the trademark REJUVENESCENCE in advertisements for cosmetic creams because the name implied that the cream could restore the look of youth); *In re* Standard Sewing Equip. Corp., 51 F.T.C. 1012 (1955) (order to manufacturer to clearly indicate the company's name when it used the trademark UNIVERSAL because the mark alone tended to mislead the public as to the origin, manufacturer and sponsorship of the sewing machine); *In re* Real Prods. Corp. & Realflex Prods. Corp., 21 F.T.C. 714 (1935), *aff'd*, 90 F.2d 617 (2d Cir. 1937) (order to cease and desist from using the trademark CHAMPION for automotive products because the term had been used as a trade name for the same products by another company); *FTC v. Paul Balme*, 4 F.T.C. 410 (1922), *aff'd*, 23 F.2d 615 (2d Cir.), *cert. denied*, 277 U.S. 598 (1928) (FTC holding that the use of the name "Oreal" on henna hair dye products was an unfair method of competition and an attempt to appropriate the good will of one who had used the term "L'Oreal" on the same products for many years); *FTC v. Royal Baking Powder Co.*, 4 F.T.C. 1 (1921), *aff'd*, 281 F. 744 (2d Cir. 1922) (order to cease and desist from using the mark DR. PRICE'S CREAM BAKING POWDER unless "cream" was replaced by "phosphate" because customers were deceived that it was a cream baking powder rather than the inferior quality phosphate powder). *See generally* Carretta, *The F.T.C., Trademarks and Public Interest*, 45 Trademark Rep. 865 (1955); Millstein, *The Federal Trade Commission and the Excision of Trademarks*, 55 Trademark Rep. 805 (1965); Stockwell, *Federal Trade Commission and Trademarks*, 54 Trademark Rep. 500 (1964). The only limitation on this type of remedy is that before "excising" or prohibiting the use of a trademark, the FTC must be certain that a less drastic remedy such as qualifying language will not eliminate the deception. *Jacob Siegel Co. v. FTC*, 327 U.S. 608, 612 (1946); *FTC v. Royal Milling Co.*, 288 U.S. 212, 217 (1933). The FTC, however, has never utilized § 5 solely to declare that a trademark owner has lost the exclusive right to use the mark because it degenerated into a generic term, and it is apparent that those who argue that the FTC possesses ample authority under § 5 do not envision its use in this manner. *Formica's* supporters are concerned that the Commission has not charged the company with any wrongdoing. *See Hearings, supra* note 9 (statements of Thomas Luken at 3, Andrew Maguire at 1-2, Thomas Ward at 3). In effect, they argue that before the FTC should be allowed to adjust a trademark owner's rights, it should allege and prove wrongdoing that either inhibits competition or injures consumers. *See Hearings, supra* note 9 (statements of Seymour Kleinman at 4, Thomas Luken at 3, Andrew Maguire at 11, Thomas Ward at 5). The suggestion that the FTC should be required to prove wrongdoing, however, is unjustified because the law has treated generic trademarks as voidable for nearly a century. Continued protection could result in public confusion and place competitors at an unfair disadvantage in the marketplace. To concentrate on the fact that the FTC has not alleged any wrongdoing in the *Formica* case unnecessarily diverts attention from the central issues. Whether a public counsel should be authorized to litigate the issue of genericness, and whether the public can benefit by such an initiative, are the questions that should be answered before limiting the FTC's power under the Lanham Act. Moreover, the FTC might be able to initiate a § 14 type of



stems from the perception that the FTC is attempting to eradicate the function of trademarks in the market place. Critics argue that to achieve this end, the FTC is using a two-pronged attack, compulsory licensing as a remedy for antitrust violations<sup>235</sup> and petitioning to cancel registrations on the grounds of genericness.<sup>236</sup> Even if this characterization of the FTC's motive is correct, however, compulsory licensing<sup>237</sup> should be distinguished from cancellation and the merits of each procedure should be considered separately.

In the case of compulsory licensing, the FTC is asserting that consumers prefer to buy Brand X and that the preference has contributed to the trademark owner's acquisition and maintenance of monopoly power. Accordingly, to reduce competitors' promotional costs and to dissipate this monopoly power, Company X will be forced to license its trademark to any competitor willing to produce a product of equivalent quality.<sup>238</sup> The rationale that justifies an adjudication of genericness, however, is inapposite. Such a decision merely indicates that a word no longer functions as a trademark because consumers associate the term with the product, rather than with the producer.<sup>239</sup> A significant number of purchasers might be buying the product, not because of a genuine preference for that particular brand, but rather, because their decision making is hindered by an artificial linguistic barrier.<sup>240</sup> Although compulsory licensing is used "to tell consumers what they should

proceeding under the authority granted by § 5. An adjudication of genericness essentially means that the significant majority of the product's purchasers believe that the word lacks trademark significance, and that they are under the impression that the term denotes the name of the product. See note 55 *supra* and accompanying text. Because this deception is essential to an adjudication of genericness, it can be argued that such a proceeding falls squarely within the parameters of § 5. If the FTC initiated such action, however, the opposition would probably be greater than the present reaction to the Formica litigation, see Interview with Paul Daw, Regional Director of the FTC, Denver, Colo., and John Evans, Attorney for the FTC in the *Formica* Case, in Washington, D.C. (Oct. 17, 1979) (transcript on file with the *Fordham Law Review*), because, among other things, the FTC is required to meet a burden of proof under § 5 that is lower than that required in a cancellation proceeding under the Lanham Act. See Milstein, *supra*, at 813; Shipley, *supra* note 13, at 30. See generally *FTC v. Colgate-Palmolive Co.*, 380 U.S. 374, 385 (1965); *FTC v. Standard Educ. Soc'y*, 302 U.S. 112, 116-17 (1937); *Kalwajty v. FTC*, 237 F.2d 654, 656 (7th Cir. 1956), *cert. denied*, 352 U.S. 1025 (1957).

235. Although the FTC has attempted to use compulsory licensing, it has not yet succeeded in doing so. See *In re Borden, Inc.*, 92 F.T.C. 669, 775, 808 (1978) (administrative law judge ordered compulsory licensing of the REALEMON trademark but the majority of the FTC commissioners believed that although this could be an appropriate remedy, an order prohibiting exclusionary pricing would suffice to dissolve Borden's monopoly power).

236. See *Hearings*, *supra* note 9 (statement of Seymour Kleinman at 10); *id.* (remarks of Thomas Ward in response to questioning) (unofficial transcript on file with the *Fordham Law Review*); Kleinman, *supra* note 208, at 38-39. See generally note 13 *supra*.

237. On the subject of compulsory licensing, see Craswell, *supra* note 221, at 26-49; Dobb, *Compulsory Trademark Licensure as a Remedy for Monopolization*, 26 *Cath. U.L. Rev.* 589 (1977); McCarthy, *Compulsory Licensing of a Trademark: Remedy or Penalty?*, 67 *Trademark Rep.* 197 (1977); Palladino, *Compulsory Licensing of a Trademark*, 26 *Buffalo L. Rev.* 457 (1977).

238. See *In re Borden, Inc.*, 92 F.T.C. 669, 774-76 (1978); Craswell, *supra* note 221, at 20, 24-25; McCarthy Speech, *supra* note 30, at 4-8.

239. See pt. I(A)(2) *supra*.

240. See Craswell, *supra* note 221, at 55-56; notes 35-37 *supra* and accompanying text.

think or buy,"<sup>241</sup> raising the issue of genericness "merely presents the [question]: what in fact do consumers think?"<sup>242</sup>

An adjudication of genericness is not a means to restructure a particular market completely.<sup>243</sup> It merely removes an artificial barrier by allowing other competitors to describe their products by the name the public knows.<sup>244</sup> Competition among brands will resume and consumers who actually prefer the former trademark owner's product will be able to identify it and continue to purchase it.<sup>245</sup> This procedure, unlike compulsory licensing, is a traditional method of redefining trademark rights so that they reflect the reality of the market place.<sup>246</sup> It does not destroy our system of trademark protection and it is doubtful whether it will do so in the future. If such a proceeding benefits the public, the FTC should not be condemned for its new policy against generic trademarks.

Nevertheless, opponents of the FTC action maintain that if the FORMICA registration is cancelled, neither competitors nor consumers will benefit<sup>247</sup> and thus, the action represents a misallocation of the FTC's resources. In particular, the opponents have argued that allowing generic use of FORMICA by competitors will invite the entry of unscrupulous businessmen who will use the generic term to deceive consumers about an inferior product.<sup>248</sup> It must be remembered, however, that although they are allowed to use the generic term, competitors will be required to adequately describe the source of their respective products.<sup>249</sup> If a company attempts to make a quick profit by selling an inferior product, consumers will most likely recognize the ploy and penalize the manufacturer by refusing to buy the product. Professor Scherer, therefore, doubts that manufacturers will be inclined to proceed in this manner because "[r]ecognition that one's product is identified by maker and that a bad consumer experience will mean lost repeat sales should generate significant quality-control incentives."<sup>250</sup> The possibility remains that con-

241. McCarthy Speech, *supra* note 30, at 11.

242. *Id.*

243. Craswell, *supra* note 221, at 54 ("Of course, the same factors which make cancellation a less complicated remedy [than compulsory licensing] also make it a less sweeping one.")

244. See Craswell, *supra* note 221, at 54 ("Cancellation is designed only to eliminate the burden on firms who have no other way to describe their products, and whose customers (or potential customers) have no convenient way of asking for any product but the trademarked brand."); notes 30-34 *supra* and accompanying text.

245. See Craswell, *supra* note 221, at 54; Dixon Speech, *supra* note 26, at 469.

246. See pt. I(A)(2) *supra*.

247. See *Hearings, supra* note 9 (statements of Thomas Luken at 2, Thomas Ward at 5-6); Margulies, *supra* note 13. Representative Luken has stated that because Formica's competitors oppose the FTC's challenge, Formica does not possess an unfair advantage in the market and thus, there is no justification for the FTC's action. *Hearings, supra* note 9 (statement of Thomas Luken at 2). The FTC maintains, however, that the existing competitors in the plastic laminate market are content to maintain the status quo because it is in their best interests to do so. See notes 206-07 *supra* and accompanying text. Luken's argument fails to take into account the possibility that the trademark is acting as an entry barrier or that consumers might benefit from an adjudication of genericness. See *Hearings, supra* note 9 (statement of Thomas Luken at 2).

248. *Hearings, supra* note 9 (statement of Thomas Ward at 5-6); Margulies, *supra* note 13.

249. See note 128 *supra* and accompanying text.

250. Scherer, *supra* note 24, at 998.

sumers will be faced with search or learning costs,<sup>251</sup> but this does not preclude the potential for consumer benefit to result from cancellation. If purchasers are paying more for a product because of a generic trademark, allowing use of the term as the name of the product will better equip the consumer to make intelligent decisions. Ultimately, the costs and benefits of the cancellation proceeding should be weighed in order to determine whether any initial confusion is offset by public benefit in the form of increased competition and lower prices.<sup>252</sup> It is premature, however, to assert that neither consumers nor competitors will benefit if the FTC prevails in the *Formica* case and that the Commission has abused its discretion by taking this initiative.

#### CONCLUSION

The present Congressional response to the FTC's initiative in the *Formica* case may stem from what Professor McCarthy calls the "religious war" concept that nothing the FTC does can be proper,<sup>253</sup> and thus, its powers should be curtailed. Whatever one thinks of the FTC's other programs, however, the use of its Lanham Act authority should be distinguished and considered in the context of a less turbulent environment. If Congress is concerned about the FTC's use of section 14, it should monitor the effects of the *Formica* case. If FTC initiated cancellation proceedings prove to result in relatively few public benefits, or if the FTC consistently fails in its attempts to obtain adjudications of genericness, Congress can limit or cut off funds for such proceedings in the same manner as the House has done in the pending FTC authorization bill. Alternatively, if Congress has become disenchanted with the FTC, the possibility of placing another government agency in the role of public counsel to petition for cancellation under the Lanham Act should be considered. Congress should take no action, however, until it has carefully studied the facts. At present, enactment of either H.R. 3685 or H.R. 2313 is inappropriate because the underlying rationale of this well established remedy indicates that the public might be injured by the continued grant of exclusive trademark rights for a word that has degenerated into a generic term.

*John M. Fietkiewicz*

---

251. Craswell believes that if there are search or learning costs, "they are likely to be small." Craswell, *supra* note 221, at 55.

252. The FTC should recognize the need for such analysis. For example, Craswell suggests that "it would . . . be useful to monitor the price of the trademark owner's product, to make sure that it really is reduced by cancellation. . . . [This] will at least identify those extreme cases where the trademark owner must engage in so much advertising to reestablish his reputation that prices end up rising rather than falling. This will give the Commission some evidence of the effects of cancellation, and better inform the use of that remedy in the future." Craswell, *supra* note 221, at 56 (footnote omitted).

253. McCarthy Speech, *supra* note 30, at 15.