Generic Trademarks, the FTC, and the Lanham Act: Covering the Market with Formica

David E. Shipley
GENERIC TRADEMARKS, THE FTC AND THE LANHAM ACT: COVERING THE MARKET WITH FORMICA

DAVID E. SHIPLEY*

A trademark may be "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." The primary function of trademarks is to identify the origin of a product, thereby ensuring that the purchaser of branded merchandise receives goods of consistent quality. Early case law recognized that trademark protection developed essentially to reward successful business enterprises by preventing the venture's goodwill from being pirated by manufacturers of similar goods. Thus, trademark law serves generally as a safeguard that the goods of one manufacturer will not be sold as another's merchandise, that the purchasers of products will not be deceived regarding the item's origin of manufacture, and that economic competition will be fostered through the protection of a business' goodwill.

*B.A., Oberlin College; J.D., University of Chicago. Assistant Professor of Law, University of South Carolina.


2. Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 412 (1915); Canal Co. v. Clark, 80 U.S. 311, 323 (1871); cf. Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 118 (1938) (to establish a trade name, the petitioner "must show that the primary significance of the term . . . is not the product but the producer").


Not all designations qualify for protection by the courts as trademarks or for registration in the Patent and Trademark Office. Various words have been denied protection because they were not distinctive or because they did not distinguish one firm's products from those of other firms. Additionally, generic names, common descriptive terms which denote only the name of a particular genus or class of things or a member of such a class, categorically are denied legal protection because they are commonly descriptive rather than distinctive. They may be common dictionary terms or former trademarks, such as aspirin, cellophane, shredded wheat, yo-yo, escalator, and linoleum, which have been accepted as common names for such products.

Because generic words are a nondistinctive identification of the product itself rather than an indication of its origin of manufacture, they represent the conceptual antithesis of a properly cognizable trademark. Several consequences follow from attributing genericness to a particular word. Such a characterization precludes federal protection.

6. The Seventh Circuit Court of Appeals has stated that "[a] term for which trademark protection is claimed will fit somewhere in the spectrum which ranges through (1) generic or common descriptive and (2) merely descriptive to (3) suggestive and (4) arbitrary or fanciful." Without deciding the precise issue of which end of the spectrum is entitled to the most protection, the court of appeals suggested that: "[a]n arbitrary or fanciful term enjoys the same full protection as a suggestive term but is far enough removed from the merely descriptive not to be vulnerable to possible attack as being merely descriptive rather than suggestive." Miller Brewing Co. v. G. Heileman Brewing Co., 561 F.2d 75, 79 (7th Cir. 1977), cert. denied, 434 U.S. 1025 (1978). The Second Circuit Court of Appeals, however, classified these terms in an ascending order that roughly reflected "their eligibility to trademark status and the degree of protection accorded" to each class: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful. Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976).


8. For an extensive listing of words denied trademark protection due to the possibility of confusing them with an existing trademark, see 3 R. Callmann, Unfair Competition Trademarks and Monopolies § 82.1 (3d ed. 1967).

9. 1 J. Gilson, Trademark Protection and Practice § 2.01, at 2-2 to 2-21, 2-7 to 2-11 (1977). Sections 14(c) and 15(4) of the Lanham Act, 15 U.S.C. §§ 1064(c), 1065(4) (1970), do not refer specifically to the term "generic names"; however, impliedly, "common descriptive name" is synonymous.

10. 1 J. Gilson, supra note 9, § 2.01, at 2-2 to 2-3, 2-7 to 2-11 (1977); see Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976). See also cases cited in note 14 infra.
trademark registration,\textsuperscript{11} prevents a federal trademark registration from becoming incontestable,\textsuperscript{12} and is a ground for cancelling a federal registration at any time.\textsuperscript{13} Moreover, the genericness of a term is a defense to a trademark infringement action.\textsuperscript{14}

Underlying the absence of a legally protectable right to use a generic name is the notion that generic marks distort consumer preferences and depress competition by indirectly restricting the market for the products of competitors who are unable to use the generic name to describe their products.\textsuperscript{15} Thus, if the owner of a generic mark is allowed to monopolize the use of the word, his competitors are deprived of the right to dispose of a similar product through the use of the only description by which the product may be recognized by consumers.\textsuperscript{16}

Four ways generally are available to raise the issue whether a trademark registered with the Patent and Trademark Office has become generic. First, in trademark infringement litigation between private firms, the defendant may allege the genericness of the trade-

\begin{footnotes}
\item[15] \textit{See note 73 infra} & accompanying text.
\item[16] Bayer Co. v. United Drug Co., 272 F. 505, 513-14 (S.D.N.Y. 1921). The exclusive right of use by the trademark owner “must give way to a competitor if that is the only way in which the competitor can get into the market, or adequately describe his goods.” 17 Geo. Wash. L. Rev. 112, 125 (1949); \textit{cf.} Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938) (competitor only obligated to identify its own product clearly); Dupont Cellophane Co. v. Waxed Prods. Co., 85 F.2d 75 (2d Cir. 1936) (infringement suit is based on defendant’s wrong in misleading customers).
\end{footnotes}
mark as a defense.\textsuperscript{17} Second, genericness may be raised affirmatively in a declaratory judgment action.\textsuperscript{18} Third, section 14 of the Lanham Act\textsuperscript{19} provides that any person who believes that he is damaged by the registration of a mark on the ground that it has become generic may file a petition with the Commissioner of Patents and Trademarks to cancel the registration of the mark. Moreover, this section of the Act also authorizes the Federal Trade Commission (FTC) to institute cancellation proceedings on this ground.\textsuperscript{20} The FTC, however, never petitioned to cancel a trademark solely on the ground of genericness until May 31, 1978, when by a unanimous vote of the Commission a petition was filed with the Patent and Trademark Office Trademark Trial and Appeal Board (TTAB) to cancel For-

\textsuperscript{17} See note 14 supra.


\textsuperscript{19} See also 1 J. Gilson, supra note 9, § 8.03[2].

\textsuperscript{20} Section 14 of the Act does not refer explicitly to the cancellation of the registration of "generic" marks. Instead, the Act provides that a cancellation petition may be filed if the registered mark becomes the "common descriptive name" of a product or if the mark has been "abandoned." The former term presumably is synonymous with the term "generic." Furthermore, a mark is deemed to be abandoned "[w]hen any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin." Lanham Act § 45, 15 U.S.C. § 1127 (1970).
mica Corporation’s FORMICA trademark on the ground that it had become generic.\footnote{21}{FTC v. Formica Corp., 382 PAT., T.M. & COPYRIGHT J. (BNA) A-1 to A-3 (June 8, 1978). Rudolf Callmann, a leading authority on trademark law, notes that “[i]t is rather odd to find the Federal Trade Commission in the role of a petitioner before the forum of another governmental agency, the Patent Office.” \textit{4 R. CALLMANN}, supra note 8, § 94.8. Additionally, Callmann states that “it should be remembered, the Commission is still a governmental agency, owing its existence to its enabling act, the Federal Trade Commission Act, and, once again, can initiate such cancellation proceeding only if the public interest so requires.” \textit{Id.} To date, there have been several procedural skirmishes concerning the FTC-Formica proceeding. American Cyanamid Corporation (Formica Corporation’s parent) cancelled its 1963 Lanham Act registration in response to rumors about the FTC’s plan to seek cancellation of the FORMICA trademark, but it retained its registration for FORMICA that had been obtained under the Trademark Act of 1905. \textit{See} 371 PAT., T.M. & COPYRIGHT J. (BNA) A-5 (March 23, 1978); 379 PAT., T.M. & COPYRIGHT J. (BNA) A-2 (May 18, 1978). This action apparently was based on several decisions by the Commissioner of Patents which cast doubt on the FTC’s right to challenge trademarks registered only under the 1905 Act. In May 1978, the FTC filed its petition with the TTAB for cancellation and thereby indicated its belief that it could use § 14 of the Lanham Act to cancel a mark registered under the 1905 Act. \textit{382 PAT., T.M. & COPYRIGHT J. (BNA) A-1} (June 8, 1978). Formica Corporation then moved to dismiss the FTC’s petition, arguing that the Commission lacked statutory authority to bring the cancellation proceeding. The FTC filed an opposition brief, arguing that the re-publication of the 1905 registration under § 12(c) of the Lanham Act, 15 U.S.C. § 1062(c), rendered the mark subject to cancellation as if it were a pure Lanham Act registration. \textit{See} 397 PAT., T.M. & COPYRIGHT J. (BNA) A-4 (Sept. 28, 1978). The TTAB agreed with the FTC regarding the effect of re-publication and denied Formica Corporation’s motion to dismiss. \textit{FTC v. Formica Corp., 200 U.S.P.Q. (BNA) 182 (T.T.A.B. 1978).} The company then asked the Court of Customs and Patent Appeals to grant writs of mandamus and prohibition that would compel the TTAB to vacate its decision and to dismiss the FTC’s cancellation proceeding. The FTC, in turn, moved to dismiss the mandamus petition. The CCPA denied the petition for mandamus and thus refused to interfere with the FTC’s efforts to cancel the FORMICA trademark. \textit{Formica Corp. v. Lefkowitz, 414 PAT., T.M. & COPYRIGHT J. A-1} (Feb. 1, 1979). \textit{See} \textit{Ball, Government Versus Trademarks: Today—Pharmaceuticals, Realemon and Formica—Tomorrow?}, 68 TRADEMARK REP. 471 (1978), for an interesting analysis of the FTC’s proceeding against the FORMICA trademark as part of a continuing and intensifying attack on the entire trademark system by the government.} \footnote{22}{Lanham Act §§ 14(c) and 14(d), 15 U.S.C. § 1064(c),(e) (1970).} \footnote{23}{Section 14 commits the exercise of this power to petition for cancellation to agency
whether a trademark should be cancelled as generic to be raised and argued in disputes between private firms. If in some instances the continued use of a generic trademark results in demonstrable consumer deception or competitive unfairness and no private firm is interested in litigating the issue, the FTC's power under section 5 of the Federal Trade Commission Act to prevent unfair or deceptive business practices provides a sufficient and more appropriate administrative remedy.

** GENERICNESS: CAUSES, EVIDENCE AND THE BURDEN OF PROOF **

The more attractive and successful a trademark, the more desirous competitors will be to convert the mark from a legally protected symbol identifying the origin of the product to one which represents a generic designation of the product itself, thereby rendering the formerly exclusive mark available for all to use. Additionally, after a trademark has entered the marketplace and a strong association is established between the mark and the product, the owner of the validly protectible mark assumes the risk that the mark may lose its distinctive character and degenerate into a generic description. Thus, as the Court of Appeals for the Second Circuit noted in *American Chicle Co. v. Topps Chewing Gum, Inc.*: "That is a peril to which all such advertising [of a trademark] is subject; its very success may prove its failure."

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26. R. Callmann, supra note 8, § 74.2, at 232.

27. Id.

Although arbitrary and fanciful names are considered to be marks worthy of the greatest degree of legal protection, even trademarks embraced by this category may degenerate into generic designations as their distinctiveness fades with the lapse of time and continued public use. "Genericide," the metamorphosis of a distinctive mark into a generic term, ordinarily results from several factors which often are difficult to identify; concomitantly, the deterioration of the trademark may be equally difficult to abate. To some extent the erosion of a mark's distinctiveness usually is attributable to its owner. Thus, the Lanham Act provides that a mark is abandoned and unprotected "[w]hen any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin." Among the acts that may result in the loss of trademark protection are the improper use of the mark by its owner, whether on the product itself or in advertising the product; the failure of the owner to prevent infringements and generic usage; and the failure of the owner to educate the public as to the mark's significance as an indication of source of manufacture or to discourage the misuse of the mark as

"merchants act at their peril in attempting, by advertising, to convert common descriptive names, which belong to the public, to their own exclusive use." Id. at 895 (quoting 132 U.S.P.Q. (BNA) 557 (T.T.A.B. 1962), on reconsideration, 144 U.S.P.Q. (BNA) 775 (T.T.A.B. 1964)).

29. See note 6 supra & accompanying text.
31. 1 J. GILSON, supra note 9, § 2.01, at 2-7; cf. Towne v. Eisner, 245 U.S. 418, 425 (1918) ("A word is not a crystal, transparent and unchanged, it is the skin of a living thought and may vary greatly in color and content according to the circumstances and the time in which it is used.") Mr. Justice Holmes proffered this comment in Towne, which presented the issue of whether the term "income" in the Income Tax Act of October 3, 1913 included stock dividends within the meaning of that Act.
32. 1 J. GILSON, supra note 9, § 2.02, at 2-9.
34. See Dictaphone Corp. v. Dictamatic Corp., 199 U.S.P.Q. (BNA) 437 (D. Or. 1978). The plaintiff's DICTAPHONE trademark was found to be a "strong mark" entitled to protection. The district court noted that the mark had been long used, fought for, sought after, and made stronger by being one of a family of marks. See also King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577 (2d Cir. 1963), in which the appeals court commented on the ineffectiveness of educational campaigns initiated by the plaintiff in an attempt to protect THERMOS from devolving into a descriptive or generic word. Id. at 578. Additionally, the court took notice of the company's failure to take such action soon enough. Id. at 579. See also DuPont Cellophane Co. v. Waxed Prods. Co., 6 F. Supp. 859 (E.D.N.Y. 1934), modified, 85 F.2d 75 (2d Cir.), cert. denied sub nom. E.I. DuPont de Nemours & Co. v. Waxed Prods.
a generic name for the product.\textsuperscript{35}

Ultimately, the distinctiveness or genericness of a particular mark must be determined by reference to its public image.\textsuperscript{36} Judge Learned Hand articulated this fundamental standard for assessing the genericness of a mark: "What do the buyers understand by the word for whose use the parties are contending."\textsuperscript{37} This standard presents factual, rather than legal, determinations involving evidence ostensibly reflecting the subjective meaning the consuming public ascribes to the mark.\textsuperscript{38} Recognized sources of evidence concerning the accepted meaning of a mark include the testimony of members of the purchasing public themselves;\textsuperscript{39} dictionary entries of the word in controversy;\textsuperscript{40} generic use of the mark in trade publications, newspapers, magazines, patents, and other publications of the type relied upon by lexicographers;\textsuperscript{41} expert testimony by lingu-
ists or other language experts; and consumer surveys, if they meet the applicable evidentiary safeguards. The degree to which the trier of fact relies upon any one kind of evidence as opposed to another may vary, as may the weight accorded the particular kinds of evidence introduced.

The party asserting genericness, either as a ground for cancellation or as a defense to a trademark infringement action, bears a burden "to capitalize on the trend of 'consumer products going lighter all over the world,' be it foods, be it whiskeys, be it cigarettes." Furthermore, the appeals court recognized that the term "light" was a common descriptive term in other contexts and that Miller Brewing Company was trying "to capitalize on the trend of 'consumer products going lighter all over the world, be it foods, be it whiskeys, be it cigarettes.'" The party asserting genericness, either as a ground for cancellation or as a defense to a trademark infringement action, bears a burden "to demonstrate by a preponderance of the evidence."
considerable burden of proof regarding this issue. In balancing the conflicting interests of the trademark owner, the party challenging the mark, and the public, courts apparently favor the trademark owner and are reluctant to hold that valuable trademark rights have been lost.\(^\text{47}\) Some courts have been so reluctant to renounce the protection previously accorded to a trademark that they have required the attacking party to demonstrate that "to the consuming public as a whole, the term has lost all of its trademark significance"\(^\text{48}\) and have protected a registered mark absent conclusive evidence of its having become generic.\(^\text{49}\) Other courts, however, have imposed a less burdensome standard, requiring only that a challenger show that the mark is significant to a majority of consumers as a description of the product rather than as an indication of its origin.\(^\text{50}\)

The underlying rationale for imposing such a difficult burden is the fundamental unfairness in penalizing a trademark owner for marketing its brand-name product so successfully that the public comes to associate the mark with the product itself rather than with the producer.\(^\text{51}\) The economic irony in the use of a trademark in

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\(^\text{47}\) See, e.g., Marks v. Polaroid Corp., 129 F. Supp. 243, 270 (D. Mass. 1955), aff'd, 237 F.2d 428 (1st Cir. 1956), cert. denied, 352 U.S. 1075 (1956); B.V.D. Co. v. Montgomery Ward & Co., 16 TRADEMARK REP. 423, 425 (N.D. Ill. 1932) ("The fact that there are many who suppose that 'B.V.D.' is the name of a type of underwear is of no importance except to show the great value of plaintiff's trademark, and it does not authorize another dealer or manufacturer to benefit therefrom.").


But I do conclude at least that Miller should not be held to have lost the legal advantage it once held, unless there is a clear showing by hard evidence that the word "light" as applied to beer is now widely understood by the public to denote a beer with low-caloric content.


\(^\text{50}\) See cases cited in note 47 supra.

\(^\text{51}\) See 3 R. CALLMANN, supra note 8, § 74.2, at 232-33.
marketing a product is that the greater the success of the marketing scheme, in which the use of the trademark has been instrumental, the greater the opportunity for the mark to lose its distinctiveness and therefore its protection. Consequently, some courts acknowledge genericness as a tribute to the business’ marketing skill and view it as the “height of injustice” to impose upon the skillful business a penalty by depriving it of the exclusive rights to the mark it made so popular. In response to this problem, leading authorities in the field of trademark law have argued in support of a standard that approaches an almost irrebuttable presumption in favor of the trademark. At the least, this suggests that any attempt to remove a mark’s protection on the basis of its genericness should be viewed with caution, lest a skillful business be deprived of the fruits of its acumen.

THE EFFECTS OF GENERIC TRADEMARKS AND THE BASIS FOR FTC ACTION

The rationale underlying the decision to declare a trademark “generic,” and thereby to deprive the owner of the right to its exclusive use, is that once a trademark becomes generic it ceases to perform the functions which originally justified its protection. Instead of identifying the product’s manufacturer to the public, the mark has come to be associated in the public mind with a class of goods or services. Commissioner Paul Rand Dixon of the Federal Trade Commission has suggested that in certain cases generic marks may operate to deceive consumers and restrain competition. Therefore, if a trademark has suffered genericide, its registration should be cancelled to permit other businesses to use the mark in

52. H.A. Metz Laboratories, Inc. v. Blackman, 153 Misc. 171, 177, 275 N.Y.S. 407, 414 (1934) (the firm’s success in marketing its product contain the seeds of destruction for its trademark, the device that played a large part in the firm’s success).

53. According to Rudolf Callmann:

Once the mark is introduced and the article to which it refers established, the trademark owner assumes the risk that his distinctive word may degenerate into a common word. “That is a peril to which all such advertising [of a trademark] is subject; its very success may prove its failure.” The courts should hold that it has thus changed character only if there is conclusive evidence thereof and if the particular circumstances make that metamorphosis probable. Otherwise, the most valuable trademarks would soon become publici juris.

54. 1 J. Gilson, supra note 9, § 2.01, at 2-2 to 2-3.

55. Dixon, Remarks, supra note 20, at 5.
order to promote competition and to protect consumers.

Commissioner Dixon argued that protecting a generic trademark seriously impinges upon the ability of the consuming public to decide rationally among an array of similar products. When a formerly valid trademark has suffered genericide but the owner's monopoly on the word is maintained, consumers may be misled as to the word's function. As a result, a buyer may conclude erroneously that the often higher priced, generically named product is of a different character than products which are essentially the same but must be called by a different name. Thus, Commissioner Dixon concluded that consumer well-being actually is diminished when a generic mark is improperly protected. The improper protection of a generic mark may result in four identifiable forms of injury to competing businesses. First, a competing enterprise's share of a particular market is likely to be less than it could be if the firm were not prohibited from using the generic word. Second, competitors may have to make substantial investments in advertising to promote their own trademarks in an attempt to overcome the competitive barrier established by the generic mark. Third, small firms may be forced out of the market if they cannot make the investment in additional advertising and promotion necessary to surmount the anticompetitive influence of the mark. Fourth, monopoly privileges accorded to the common descriptive name for a product may discourage potential competitors from entering that market.

Although Commissioner Dixon conceded that sometimes these problems are redressed by existing private remedies, he further

56. Id. at 6.
57. A clear example of this result was suggested by Commissioner Dixon in his speech before the 100th Annual Meeting of the United States Trademark Association:
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." (This is 1920, after all.)
Pharmacist: "Let's see now, we have some very find Brand X acetylsalicylic 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. at 5.
58. Id.
59. Id. at 6-7.
60. Id. at 7.
61. Id. at 8.
argued that the incentives for competitors to challenge a generic mark often may be outweighed by the costs involved. In these situations, Commissioner Dixon proposed that the FTC should exercise its authority under section 14 of the Lanham Act to petition to cancel generic marks, because the public may benefit from the cancellation of such a mark even though no single competitor has the incentive to challenge it.\footnote{62} 

Shortly after this admonition, in an unprecedented move,\footnote{63} the FTC filed a petition seeking to cancel or restrict Formica Corporation’s trademark FORMICA, solely on the ground that it had become a generic term for decorative plastic laminates.\footnote{64} Although private remedies are available to Formica Corporation’s competitors, the FTC, concluding that the mark is generic, presumably acted in the belief that none of Formica Corporation’s competitors had a sufficient incentive to challenge the mark and that competition was being impaired and consumers were being deceived.\footnote{65}

\footnote{62. Id.}

\footnote{63. This broad authority granted the FTC by § 14 of the Lanham Act to petition for the cancellation of generic trademarks has been ignored almost entirely, perhaps because this power is viewed as superfluous to the powers the Commission enjoys over trademark litigation granted by the Federal Trade Commission Act. See O’Hara, supra note 23, at 614. The FTC has filed only five cancellation petitions since the Lanham Act became effective in 1947. Dixon, Remarks, supra note 20, at 9. Three of the five petitions sought cancellation alleging trademark abandonment as defined in the Act. FTC v. Service Seed Co., Cancellation Proceeding No. 7478 (filed May 2, 1960); FTC v. Danne, Cancellation Proceeding No. 7152 (filed Aug. 5, 1958); FTC v. Elder Mfg. Co., 84 U.S.P.Q. (BNA) 429 (1950). Two petitions were filed to cancel fraudulently obtained marks. FTC v. Bart Schwartz Int’l Textiles, Ltd., 289 F.2d 665 (C.C.P.A. 1961); FTC v. Elder Mfg. Co., 84 U.S.P.Q. (BNA) 429 (1950).}

\footnote{64. FTC v. Formica Corp., 382 PAT., T.M. & COPYRIGHT J. (BNA) A-1 to A-3 (June 8, 1978).}

\footnote{65. Dixon, Remarks, supra note 20, at 10. In 1964, one commentator wrote that the FTC is not likely to employ its authority under the Lanham Act except under the most unusual circumstances, circumstances where it appears that the public is being injured in a direct and demonstrable way and where cancellation will accomplish the desired result. Stockell, supra note 24, at 509. In this regard it is interesting to note that the president of Formica Corporation contends that purchasers of plastic laminates are well aware that FORMICA is one of many competing brands and that, while it has the largest individual market share, more than 60% of all plastic laminates purchased and used in the United States are of other brands. 382 PAT., T.M. & COPYRIGHT J. (BNA) A-2 (June 8, 1978). Among the competing brands are Dart Industry's WILSON-ART, General Electric's TEXOLITE, and Westinghouse's MICARTA. Id.}
Incentives, Costs, and the Free Ride

Arguably, the FTC may protect competition and consumers more effectively than may firms in the private sector because of the substantial resources available to the federal agency. For example, one important advantage which the FTC would have over private firms is its ability to conduct a single consumer survey with respect to several different trademarks. This would enable the FTC to obtain important evidence at a cost considerably below that which a private competitor would pay for a survey concerning one trademark thought to be generic. Similarly, the Commission is not subject to the same financial concerns regarding the high costs of litigation, with the accompanying diversion of resources from research and development, investments, or other profit making activities, which confront a private business in challenging a trademark. Nor is the FTC threatened by possible shareholder challenges to legal expenditures of doubtful value. To this extent FTC action appears justifiable inasmuch as it protects consumer and competitor interests in the absence of sufficient incentives to warrant competitors to act on their own behalf.

However, while the resources available to the FTC for use in challenging generic trademarks may be greater than those available to private businesses, these resources are not unlimited. Because businesses that own trademarks challenged by the FTC may be expected to resist strongly any attempt to cancel those marks, the cost to the agency may greatly outweigh the benefits achieved. This loss will be magnified to the extent that needed funds are diverted from the Commission's other activities.

One of the primary disincentives for invoking the private remedy to liberate a generic mark is the "free ride" phenomenon. Though the challenger must bear the entire cost of the suit himself, if he is successful in challenging the mark, he must share the fruit of the victory, the use of the generic word, among all of the registrant's competitors. A competing firm, therefore, may decide not to chal-
allenge a generic mark because the valuable benefits, often gained at considerable expense, will flow to other competitors who get a "free ride" at the challenger's expense. Arguably, the FTC would be watchful for situations in which competitors may lack incentive to challenge the mark because of this "free ride" problem. In such situations the Commission, through a successful cancellation proceeding, could overcome competitor inertia, minimize consumer deception, and increase market information by allowing substantially similar products to be called by their generic names.

This argument in favor of agency initiated cancellation proceedings overly emphasizes the distincentive engendered by the costs of a challenge and the "free-ride" problem. Trademarks are a vital commercial tool in competitive markets in which many competing brands seek to preempt a share of the market. Competing brands often are advertised heavily, and statistics indicate that few if any market positions remain impregnable as new brands seek the favor of consumers or as existing brands are revitalized. A trademark does not entitle its owner to prohibit the use, manufacture, or sale of any product. Any firm may market a similar product under a different trademark, and comparative advertising techniques are available to each of the competing firms. Although the entrench-

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69. Id. at 12.

70. "Trademarks are intimately tied in with advertising since they provide the identification of the advertised products." Backman, The Role of Trademarks in Our Competitive Economy, 58 TRADEMARK REP. 219 (1968).

71. See generally id. at 219, 221-29. This article contains a number of statistics on trademarks, advertising, and changing market shares.

72. In early 1971, the National Broadcasting Company announced it would accept comparative advertising which identifies competitors or competing products by name. NBC adopted this new policy on a trial basis with the approval of the FTC. The American Broadcasting Company and the Columbia Broadcasting System were then requested by the FTC to voluntarily adopt similar policies permitting advertisers to name competitors and competitive products when making comparative product claims. FTC News Summary, No. 7-1972 (March 16-31, 1972); FTC News, No. 1-0320 (March 20, 1972). On the subject of comparative advertising, see Symposium, Comparative Advertising, 67 TRADEMARK REP. 351 (1977).

Comparative advertising, by referring directly to a competing product's trademark, is a relatively recent development in advertising strategy. The permissible boundaries of this approach to consumer persuasion are not settled. See American Home Prods. Corp. v. Johnson & Johnson, 436 F. Supp. 785 (S.D.N.Y. 1977), aff'd, 198 U.S.P.Q. (BNA) 133 (2d Cir. 1978) (the use in television and printed advertising of certain product superiority claims of ANACIN over TYLENOL enjoined). See generally Note, The Law of Comparative Advertising: How Much Worse is "Better" than "Great", 76 COLUM. L. REV. 80 (1976). Before 1971, the broadcast networks refused to accept such advertising, and, as a result, advertisers were required to compare their products with an anonymous "Brand X" or "a leading brand." In
ment of several firms promoting a class of products with well-
recognized trademarks may make a particular market difficult to
enter without burdensome advertising expenditures, the firms al-
ready in the market may incur equally heavy advertising costs to
maintain their respective market positions. Moreover, a new en-
trant may choose to advertise less and underprice existing firms by
relying on large retail chains to publicize the availability of new low-
priced substitutes. 73

In addition to these economic considerations, a new entrant or an
existing competitor may have an incentive to challenge an allegedly
generic mark because a successful challenge would allow the com-
petitor to take advantage of the trademark owner's advertising,
which created much of the public's original acceptance of and de-
mand for the product. 74 Also, the entrant's advertising costs would
be limited to educating consumers to distinguish its own substituta-
ble brand of the product from those of the trademark owner's and
other competitors. The former owner, similarly, would have to de-
velop a scheme for differentiating its products from those of compet-
itors. The former owner of the mark also would have to incur heavy
advertising costs to maintain its relative share of the market as well
as absorb the cost of litigation. Although the costs to the competitor
of such a challenge would be high, the costs to the generic trademark
owner may be substantially greater.

Thus, the benefits gained by a competitor taking advantage of the

1972, when the FTC announced that ABC and CBS had agreed for a one-year trial period to
accept comparative advertising that named competing products, the Commission was con-
cerned that previous restrictions might prevent the consumer from receiving information that
is relevant and useful in making an informed choice between competing products and in some
cases even mislead or deceive the consumer. FTC News Summary, No. 7-1972 (March 16-31,
1972); FTC News, No. 1-0320 (March 20, 1972). See generally Symposium, Comparative
Advertising, supra. The practice has become permanent, "with several networks adopting
comparative advertising guidelines and clearance procedures for commercials which name
competing products." 1 J. Gilson, supra note 9, § 5.09(2), at 5-66 to 5-67.


74. In Triangle Publications v. Rohrlich, 167 F.2d 969, 978 (2d Cir. 1948), Judge Augustus
Hand noted that "a 'free ride', without more, is in line with the theory of competition," and,
quoting from Justice Brandeis' opinion in Kellogg Co. v. National Biscuit Co., 305 U.S. 111,
122 (1938), stated that "[s]haring in the goodwill of an article unprotected by patent or
trademark is the exercise of a right possessed by all—and in the free exercise of which the
consuming public is deeply interested." 167 F.2d at 978.

This does not mean that a new entrant or competitor can ride on another's goodwill to the
extent of using his trademark, but it does mean that he can sell similar goods as his own and
take advantage of the "goodwill" for the product created by the existing firm(s).
market created by the trademark owner's original advertising would outweigh the costs of challenging the generic mark. Although 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 and disarm it as a significant disincentive to private challenges of the generic name.

The benefits-sharing problem may be minimized through another obvious procedure. Instead of one competitor bearing all the costs of the challenge while having to share the reward with others, a joint action challenging the generic mark could be brought by the competing firms. By retaining common counsel, pooling investigative resources, and sharing the other expenses of the action, the costs of the challenge could be reduced considerably. As a consequence, each competitor would not only share in the benefits but also would bear some portion of the costs. This combined suit may result from joining several individual actions, from initiating a class action, or from permitting a trade association representing several competitors to press the claim. Whatever its procedural form, such a chal-

75. "In the field of free competition it is the aim of every producer to differentiate his goods; indeed, competition cannot function without it. The achievement of it is the fruit of a free economy." 17 GEO. WASH. L. REV. 112, 125 (1948).

76. See, e.g., Gibbs v. Buck, 307 U.S. 66 (1939) (class suit in which the American Society of Composers, Authors and Publishers, on behalf of its members, sued users of musical compositions to enforce class members' rights under the Copyright Act, 17 U.S.C. § 1(e) (1970)); Grand Rapids Furniture Co. v. Grand Rapids Furniture Co., 127 F.2d 245 (7th Cir. 1942), cert. denied, 321 U.S. 771 (1944) (action initiated by the Furniture Manufacturers of Grand Rapids located in Grand Rapids, Michigan, to restrain defendants from using the name "Grand Rapids" in their advertising, alleging that the defendants sought to benefit from the confusion of consumers who bought furniture from the defendant's company, although such furniture was not genuine "Grand Rapids furniture"); Key West Cigar Mfrs. Ass'n v. Rosenbloom, 171 F. 296 (2d Cir. 1909) (several cigar manufacturers interested in obtaining relief against defendant for unfair competition were entitled to join as complainants); Mutation Mink Breeders Ass'n v. Lou Nierenberg Corp., 23 F.R.D. 155 (S.D.N.Y. 1959) (unfair competition action brought under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1970)); Tanners' Council of America, Inc. v. Gary Indus., Inc., 440 F.2d 1404 (C.C.P.A. 1971) (trade association has standing to file an opposition brief to the registration of a trademark that would weaken the sales position of its members). See also Denver Milk Bottle, Case & Can Exchange, Inc. v. McKinzie, 879 Colo. 379, 287 P. 368 (1930) (an incorporated exchange of milk dealers empowered to retrieve lost or stolen milk containers held to be authorized to enjoin nonmember's use of bottles owned by members over nonmember defendant's objection that only the individual members of the exchange could complain of unlawful retention); 4 R. CALLMANN, supra note 8, § 87.1(a)(1), at 18-21; § 98.8(c), at 775.
The Costs of Trademark Protection

The FTC's renewed attention to generic trademarks and its decision to exercise its authority under section 14 of the Lanham Act against generic marks\(^7\) is adverse to the public interest. Owners of successful marks who are concerned about the possibility of an FTC cancellation proceeding, as well as the owners of marks actually challenged by the FTC, will have to incur additional costs in protecting and defending their marks, and these new costs will be passed on to the public.

A trademark owner has a substantial financial interest in protecting its mark and in keeping it from becoming generic.\(^8\) These costs increase as the owner's product becomes accepted and other firms market similar, competing products. Among the measures a company might take to preserve the distinctiveness of its trademark are the following:\(^7\)

1. The firm may use its trademark together with the generic or descriptive name on the product and in advertisements.\(^8\)

2. The consuming public must be informed that the trademark is not the proper name by which to refer to the product in a generic

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\(^7\) See generally 3 R. Callmann, supra note 8, § 74.2, at 240-44; 1 J. Gilson, supra note 9, §§ 2.02[7]; Diamond, How to Use a Trademark Properly, 61 Trademark Rep. 431 (1971); Digges, supra note 34, at 54-56; Mensor, Advertising Practices in Use of Trademarks, Including Policing Thereof, 42 Trademark Rep. 708 (1952); Weigel, supra note 3; 17 Vand. L. Rev. 620 (1964).

Educating the public to use the trademark properly may be accomplished through routine advertising designed specifically for this purpose. In addition, some courts recognize the “family of marks” doctrine as an alternative method for indicating that the trademark is not a proper generic name to use when referring to the product but is merely a symbol which indicates the product’s origin through use on related products by the same manufacturer.

3. The firm must not use or permit the use of its trademark in possessive, plural, or verbal forms.

4. The firm actively should seek to distinguish its trademark

81. 1 J. Gilson, supra note 9, § 2.02[7], at 2-7. Notably, a recent district court opinion stated:

[A]lthough its fame and familiarity have led to some misuse of “Dictaphone” by the general public, the descriptive terms “dictating machine,” “dictation equipment” and the like are well known and used both by Dictaphone’s competitors and by the buyers of dictation equipment. The availability and widespread use of these descriptive terms proves that it is not necessary for others to use “Dictaphone” to make buyers understand what is being sold. Therefore, “Dictaphone” is not generic.


82. 1 J. Gilson, supra note 9, § 2.02[7], at 2-23. For example, Xerox Corporation has placed such advertisements in the American Bar Association Journal. One advertisement in 63 A.B.A.J. 1311 (1977) read:

The months of hacking through seemingly impenetrable jungles and climbing tortuous ice-covered slopes had taken their toll. With the last vestige of his strength, he dragged himself to the entrance of the mountain cave. Forcing his torn and pain-wracked body the last few inches, he collapsed, exhausted at the feet of the great guru. His quest was finally at an end. “Tell me, oh great master, oh seer of visions never dreamed of by the pithy mind of ordinary man,” he croaked, through fever-parched lips. “Tell me the answer.” “The answer, my son,” the great guru whispered, “is that Xerox is a registered trademark of Xerox Corporation and, as a brand name, should be used only to identify its products and services.”

83. Under the “family of marks” doctrine, an enterprise that owns a series of marks which share a common prefix or suffix may prevent another party from using that prefix or suffix to identify his products. The party claiming to have such a “family of marks” must prove that consumers understand that mark to designate the assorted products of the claimant, that is, that the relevant component has taken on a “secondary meaning” denoting the common origin of the claimant’s merchandise and that its use by another will lead to confusion. See Dictaphone Corp. v. Dictamatic Corp., 199 U.S.P.Q. (BNA) 437 (D. Or. 1978); 1 J. Gilson, supra note 9, § 5.03, at 5-23; E. Vandenburgh, TRADEMARK LAW AND PROCEDURE (2d ed. 1968).

84. 1 J. Gilson, supra note 9, § 2.02[7], at 2-28; see Dictaphone Corp. v. Dictamatic Corp., 199 U.S.P.Q. (BNA) 437, 441-42 (D. Or. 1978) (In holding that DICTAPHONE was not generic, the court noted that the “family of marks” doctrine applied because the same “Dicta” or “Dict” prefix had been used on assorted accessories and supplies.).

85. 1 J. Gilson, supra note 9, § 2.02[7], at 2-27.
from the text of an advertisement to indicate to the public the legal status of the mark as a trademark.\textsuperscript{64}

5. The firm must object to the use of the mark as a generic term in dictionaries, essays, scientific articles, trade journals, and by the Patent and Trademark Office.\textsuperscript{67}

6. By timely objection and proper procedure, the firm must act affirmatively to prevent misuse of the trademark by others.\textsuperscript{68} Generally, a trademark owner's constant vigilance for offending uses focuses primarily upon the Patent and Trademark Office, where a complaint may be lodged against the registration of a similar mark or a mark using any part of the owner's trademark in a descriptive manner.\textsuperscript{69} If the allegedly similar mark is registered, the trademark owner who sought the prohibition may have to initiate an infringe-

\textsuperscript{86} Id. at 2-28.

\textsuperscript{87} Although reference to a trademark in such "publications is not conclusive proof of its generic nature," 3 R. Callmann, supra note 8, § 74.2 at 241-42, courts generally regard this evidence as an important factor to consider before making a determination of the issue. Id.; see 1 J. Gilson, supra note 9, § 2.02[2], at 2-15 to 2-19.

\textsuperscript{88} 1 J. Gilson, supra note 9, § 2.02[7], at 2-29; see Bristol-Myers Co. v. Ritt, Macy & Co., 151 F. Supp. 513 (S.D.N.Y. 1957). In Coca-Cola Co. v. Condado Pizza, Inc., 316 PAT., T.M. & COPYRIGHT J. (BNA) A-15 (D.P.R. 1977), the District Court for Puerto Rico issued a permanent injunction barring the substitution of another cola-flavored beverage when restaurant customers called for "Coke" or "Coca-Cola." Judge Torruella concluded that the defendant's failure to disclose the substitution of a cola beverage for "Coke" amounted to unfair competition and trademark infringement of the COCA-COLA mark. Similarly, in Selchow & Righter Co. v. McGraw-Hill Book Co., 387 PAT., T.M. & COPYRIGHT J. (BNA) A-16 (2d Cir. 1978), the Court of Appeals for the Second Circuit refused to disturb a preliminary injunction prohibiting McGraw-Hill from publishing a book entitled the "Complete Scrabble Dictionary" on the ground that if the book were published, Selchow & Righter's SCRABBLE trademark for a word game would lose its distinctiveness and might be rendered generic.

\textsuperscript{89} In Frigidaire Corp. v. Nitterhouse Bros., 63 F.2d 123 (C.C.P.A. 1933), Frigidaire Corporation sought to appeal a ruling by the Commissioner of Patents. In the proceeding before the Commissioner, Frigidaire Corporation, owner of the FRIGIDAIRE trademark, sought to attack the proposed registration of "Frigidized Fish" as a competing mark. The Commissioner held that "the proposed mark 'Frigidized Fish,' was and is descriptive, and was not entitled to registration." Id. at 123. Additionally, the Commissioner held that because "the goods produced by the appellant [Frigidaire Corporation], and those of the appellee [Nitterhouse Brothers] . . . were not goods of the same descriptive properties, . . . the appellant could not, under the law, oppose the registration of the same.” Id. The Court of Customs and Patent Appeals dismissed the appeal, stating that the question of whether the appellant should have been adjudged competent to challenge the proposed registration was rendered moot because the registration was denied. Id. More recently, in Exxon Corp. v. National Foodline Corp., 579 F.2d 1244 (C.C.P.A. 1978), the Court of Customs and Patent Appeals affirmed the summary dismissal by the Trademark Trial and Appeal Board of Exxon Corporation's petition opposing the registration of EXXELLO for an ice cream-making machine.
ment suit. In short, an aggressive policing program should be imple-
ment to challenge infringers and to contest registrations of conf-
usingly similar marks.

When confronted with the issue of whether an existing trademark
is entitled to continued legal protection, various courts have recog-
nized the owner’s action or inaction in protecting the mark as a
critical, if not decisive, factor. These protective measures, though,
normally do not stimulate demand for the firm’s brand-name prod-
and, therefore, because the costs of protecting the trademark
cannot be offset entirely by increased sales, some part of these
costs is likely to be passed on to the consumer through higher prices.

The presence of the FTC as a potential challenger to a firm’s
trademark would increase the costs of trademark protection even
further. The possibility that the FTC might view a particular trade-
mark as generic and therefore initiate cancellation proceedings
would cause a firm to be more vigilant in its efforts to control the
use of its trademark in its own advertising and to litigate more
avidly claims against others who misuse the mark. Presumably,
these increased protection costs would be incurred by all firms with
successful trademarks and then would be passed on to consumers.

90. See 3 R. CALLMANN, supra note 8, § 74.2, at 240.

91. Advertising that scrupulously avoids generic use of a trademark may be less successful
in increasing demand for the trademark owner’s product than generic advertising because the
former is intended to keep the public from asking for, or referring to, a particular kind of
product by a firm’s trademark for that product. For instance, assume that Levi-Strauss &
Company, a leading manufacturer of jeans, advertises in such a manner, carefully avoiding
any generic use of its LEVIS trademark to prevent its mark from becoming descriptive of
jeans. If its advertising is “successful” so that LEVIS does not become the generic word for
jeans, then consumers, instead of shopping for levis, will shop for jeans or denim slacks.
LEVIS jeans might be purchased instead of competitors’ jeans because of their reputation
for quality or their lower price, not because many consumers would think that all jeans are
levi. As a consequence, competitors of Levi-Strauss & Company will be more competitive
than they would be if consumers shopped for levis instead of jeans. Otherwise, due to Levi-
Strauss’ advertising, many consumers seeking the same product might purchase only Levi-
Strauss & Company’s jeans, believing that jeans and levis were different products.

92. An argument can be made to the contrary. If these protective maneuvers are successful,
the trademark remains distinctive, and the product continues to be in demand; then perhaps
these protection costs may lead to higher sales and increased profits over the long run. A firm
may be able to prevent its competitors from using its mark generically and maintain demand
for the product over the years by diligently protecting its mark and vigorously marketing its
product. Hopefully, its protective measures will prevent the consuming public from associat-
ing its trademark with the description of its product. Thus, through protection of its trade-
mark and vigorous marketing, a firm might be able to maintain its market share for a longer
period of time than if it had not engaged in the protective measures.
Thus, protecting against the threat that the FTC will challenge the mark pursuant to its authority under section 14 of the Lanham Act will result in even higher consumer prices; ultimately, the consumer will pay the costs of safeguarding commerce against merely speculative unfair practices.

The Decision to Petition to Cancel

Because of the very real possibility that the cancellation of a firm’s trademark may destroy the business that relies upon it, no registration should be cancelled without careful study of all the facts.93 Even if he is successful on the merits, the owner of an attacked trademark will have to bear the cost of defending his mark, costs which would not have been incurred but for the FTC’s ill-advised decision to petition for cancellation. Thus, the FTC must exercise great caution before deciding to petition to cancel a firm’s mark, for trademark owners will suffer egregious economic harm unnecessarily if the FTC applies for the cancellation of a mark which proves not to be generic.

If a firm decides to pass this cost on to consumers in the form of higher prices, consumers may have to decide whether to pay the increased price or to purchase a less expensive product manufactured by a competitor. Consequently, the trademark owner risks a reduction in his market share through lower sales, and consumers are affected adversely to the extent that they may have to pay a higher price for the product bearing the firm’s trademark or purchase a substitute product of potentially lower quality.

Unfortunately for trademark owners and consumers, the FTC has little incentive to proceed carefully in deciding to file a cancellation


In determining whether to bring a cancellation proceeding against a trademark, the FTC undoubtedly will rely heavily on the opinions of its staff members. Among the factors they might consider are the firm’s efforts over the years in protecting its mark through threats of law suits, actual trademark litigation, and campaigns to educate sellers and consumers about its trademark’s significance as an indication of the product’s source and not as a descriptive name for the product itself. The FTC could look for generic usage of the mark in trade journals, popular literature, and dictionaries as the basis for commencing its action. It could conduct consumer surveys to determine whether or not the mark is used generically, or it could conduct surveys among the trademark owner’s competitors to find out why the mark has not been challenged. See notes 79-89 supra & accompanying text.
petition. Unlike a private firm, the time and expense of prosecuting a cancellation proceeding will not compel the FTC to proceed with caution. Nor is the FTC answerable to stockholders for the high costs incurred in an unsuccessful challenge. Without these concerns the Commission is likely to act more precipitously than a private firm in deciding to challenge an allegedly generic trademark.

Restrictions on Trademark Use and Quality Differences

Ironically, the increased emphasis by the FTC on agency-initiated cancellation suits may enhance rather than reduce consumer deception. Trademarks promote the public interest by providing a method of product identification upon which a consumer may rely in making an informed choice and by enhancing competition by offering manufacturers an incentive to produce higher quality products than their competitors. If protection is no longer afforded the trademark of a manufacturer who produces merchandise genuinely superior to that of his competitors, a trademark owner's competitors are able to pass off inferior products as being of equal quality to those of the trademark owner.

Although admitting that this danger exists if the holder of the generic mark in fact makes a better product, Commissioner Dixon argued that the holder is not deprived necessarily of all rights in the mark. He may continue to use the trademark as the designation of the source of his product even after other companies are allowed to use the mark, in its generic sense, to describe their products. This right is recognized by the courts, who are aware of their power not only to declare a trademark generic in its entirety but also to adjudge the mark only partially generic and to provide for the

94. Smith v. Chanel, Inc., 402 F.2d 562, 566 (9th Cir. 1968). One of the objects of the FTC's renewed attention to generic trademarks is to enable the public to become aware that various brands of certain products are substantially identical, thereby aiding them in making informed choices. Consumer awareness will engender meaningful competition if consumers refuse to pay an unjustified price for the generic trademark owner's product once competitors are free to refer to their products by the generic name, often the descriptive name most familiar to the consumer.

95. Dixon, Remarks, supra note 20, at 12.

96. Id. Restrictions may be imposed as to the mode or place of use, or as to the goods and services in connection with which use is sought. See generally D. ROBERT, THE NEW TRADEMARK MANUAL 82 (1947).

concurrent use of the mark. Consequently, although a competitor is permitted to use the mark, the courts have fashioned restrictive decrees prohibiting competitors from using the mark unless the conditions set forth in the decree are met.

Moreover, section 37 of the Lanham Act confers statutory authority upon the courts to issue concurrent-use decrees. Section 18 of the Act provides that the TTAB has the authority to impose restrictions as part of the cancellation proceeding. The exercise of this power, however, has not gone unchallenged. For example, in *Selfway, Inc. v. Traveler's Petroleum, Inc.*, the Court of Custom and Patent Appeals upheld the TTAB's decision that a concurrent-use determination cannot be made in a cancellation proceeding. Although the court recognized that its all-or-nothing approach may work hardships, "the majority [found] no statutory basis for permitting restriction of a registration in lieu of cancellation." In this divided decision, the dissenters accused the majority of interpreting section 18 in a manner contrary to previous interpretations and in

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98. Section 37 of the Lanham Act provides that, "in any action involving a registered mark the court may . . . order the cancellation of registrations, in whole or in part, . . . and otherwise rectify the register with respect to the registrations of any party to the action." 15 U.S.C. § 1119 (1970).

99. Section 18 of the Lanham Act provides that in cancellation proceedings the Commissioner of Patents and Trademarks "may cancel or restrict the registration of a registered mark, . . . as the rights of the parties . . . may be established in the [cancellation] proceeding." 15 U.S.C. § 1068 (1970) (emphasis supplied).

100. 198 U.S.P.Q. (BNA) 271 (C.C.P.A. 1978). In *Selfway*, the Court of Customs and Patent Appeals noted that:

The provision for cancellation proceedings in § 14 [of the Lanham Act] speaks only of complete cancellation, and it is reasonable to presume that the power to cancel granted in § 18 was intended to be exercised in a § 14 proceeding. Similarly, the only ways a registration can be "restricted" are by placing limitations on the description of the goods, the channels of trade, or the areas of use. We find this functional definition of the term "restrict" used in the § 2(d) proviso in reference to concurrent use proceedings, and it is reasonable to presume that the power to restrict granted in § 18 was intended to be exercised in § 2(d) concurrent use proceeding.

Id. at 276.

101. Id. at 277.
fundamental conflict with the basic purposes of the Lanham Act.\textsuperscript{102} If, under Selfway, the TTAB is unable to restrict the use of a mark in lieu of complete cancellation, the Commissioner's suggested compromise of concurrent-use decrees would be impossible in the context of a section 14 cancellation proceeding instituted by the FTC. Absent a less drastic alternative, the TTAB's cancellation of a mark attacked unnecessarily by the FTC could result in increased consumer deception if competitors of the owner are thereby enabled to pass off inferior goods as equal in quality to those of the owner.

Even assuming arguendo that the TTAB has the authority to restrict rather than cancel an allegedly generic mark, substantial expense will be incurred in adjusting the rights of competing parties, as the history of the THERMOS-brand thermos bottle litigation illustrates. In American Thermos Products Co. v. Aladdin Industries, Inc.,\textsuperscript{103} the plaintiff sued to prevent Aladdin from using the word "thermos" to describe its vacuum bottle containers. The district court held that the term was generic but fashioned a decree limiting the defendant's use of the word. This decree was affirmed by the Second Circuit.\textsuperscript{104} Five years later, Aladdin moved to modify the original decree, arguing that King-Seeley's rights in the THERMOS trademark had deteriorated further.\textsuperscript{105} The district court denied the motion to modify; however, Aladdin appealed to the Second Circuit, which vacated the order and remanded the case.\textsuperscript{106} On remand, the district court modified the original decree to permit much freer use of the term "thermos" by Aladdin.\textsuperscript{107} There is no reason to believe that such difficulties and expenses will be avoided merely because the FTC, rather than a private firm, initiates the litigation attacking a mark as generic.

Moreover, proper restrictions can be imposed on the use of a mark only if the competing firms are parties to the cancellation proceedings, not when the only parties to the proceeding are the FTC and the owner of the allegedly generic trademark. Assume, for instance,

\textsuperscript{102} Id. at 277-80.
\textsuperscript{103} 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).
\textsuperscript{104} King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577 (2d Cir. 1963).
\textsuperscript{106} King-Seeley Thermos Co. v. Aladdin Indus., Inc., 418 F.2d 31 (2d Cir. 1969).
that Formica Corporation concedes that its FORMICA trademark has become the generic name for decorative plastic laminates but asserts that the quality of its product is superior to that of competitors'. Accordingly, Formica Corporation argues that it should be able to continue to use the mark to designate the source of its product while allowing competitors to use the word only to describe the nature of their products. At this point the FTC faces a dilemma. To allow Formica Corporation greater rights in the use of the mark there must be a finding that its plastic laminates are qualitatively distinct from those of its competitors. But the FTC probably lacks the expertise in product design and testing to determine adequately whether such a distinction exists. Just this sort of evidence may be available, however, if the suit were brought by Formica's competitors. Nor could the FTC simply concede Formica's claim of superiority without further testing. To do so would be to perpetuate a misleading distinction if in fact Formica's product was indistinguishable from its competitors'. But, on the other hand, if Formica's product is indeed superior, a failure to allow Formica to distinguish its product may result in consumer deception by allowing competitors to pass off their inferior goods as equal to Formica's product.

Thus, although the FTC would be litigating on behalf of the public welfare—to minimize consumer deception regarding the source or quality of products—this policy cannot be promoted successfully unless the competitors' interests in the generic mark and in the quality of their own products are represented fully. The FTC cannot vindicate these competitor interests. The result is clear: although the economic benefits to be gained by the competitors would not justify the costs of challenging a generic trademark by individual private action, these same costs will be incurred involuntarily as the competitors are drawn into the FTC-initiated litigation to protect their interests and to supply the needed evidence. These needless costs, without the counterbalancing benefits, will be passed along to the consumer. The FTC's involvement becomes superfluous insofar as it does not save the expense of competitor involvement; it becomes unjustifiable to the extent that it results in costly litigation without adequate certainty of savings or other benefits to consumers.
Section 5 of the Federal Trade Commission Act\(^{108}\) declares unlawful any unfair methods of competition and any unfair or deceptive acts or practices in commerce and authorizes the FTC to prevent their use.\(^{109}\) Exercising this power, the FTC has prohibited the use of deceptive trademarks.\(^{110}\) Moreover, the FTC has urged that continued, exclusive use of a trademark which is "virtually generic" and has so dominated the market for a particular product as to deter competition and to create a significant barrier to entry, is an unfair trade practice in violation of section 5.\(^ {111}\) Arguing in favor of cancellation proceedings under section 14 of the Lanham Act, Commissioner Dixon has urged that precisely these undesirable effects result from the continued protection of trademarks which have become generic.\(^ {112}\)

Apparently, therefore, if generic trademarks actually are deceptive or confer an unfair competitive advantage, the FTC may choose either to seek the cancellation of the mark's registration under the Lanham Act or to proceed against the owner of the mark under section 5 of the Federal Trade Commission Act.

The Supreme Court long has recognized that trade names and trademarks "constitute valuable business assets in the nature of good will, the destruction of which probably would be highly inju-


\(^{109}\) Id. § 45(a)(6).

\(^{110}\) See, e.g., Niresk Indus., Inc. v. FTC, 278 F.2d 337 (7th Cir.), cert. denied, 364 U.S. 883 (1960); Charles of the Ritz Distrib. Corp. v. FTC, 143 F.2d 676 (2d Cir. 1944); Marietta Mfg. Co. v. FTC, 50 F.2d 641 (7th Cir. 1931).

\(^{111}\) In In re Borden Inc., No. 8978, reprinted in 406 PAT., T.M. & COPYRIGHT J. (BNA) D-1 (Nov. 30, 1978), the FTC's complaint alleged, \textit{inter alia}, that Borden had violated § 5 of the Federal Trade Commission Act by maintaining "monopoly power and a noncompetitive market structure in the distribution and sale of reconstituted lemon juice . . . [by] erecting entry barriers through extensive trademark promotion and advertising which has artificially differentiated "ReaLemon" from comparable competitive products . . . ." Complaint, In re Borden, Inc., [1973-76 FTC Complaints & Orders] TRADE REG. REP. (CCH) ¶ 20,651. The Commission found that Borden possessed a dominant share of the reconstituted lemon juice market, which it unlawfully maintained by geographic price discrimination. This price discrimination was effected in part through the exploitation of its dominant trademark, REALEMON, a mark which the Commission characterized as "virtually synonomous with processed lemon juice . . . ." 406 PAT., T.M. & COPYRIGHT J. (BNA) at D-5. Similarly, the administrative law judge, Judge Hanscom, found that REALEMON was "virtually the generic name for bottled lemon juice and commands a premium price." In re Borden, Inc., [1973-76 FTC Complaints & Orders] TRADE REG. REP. (CCH) ¶ 21,194.

\(^{112}\) Dixon, Remarks, \textit{supra} note 20, at 7.
rious and should not be ordered if less drastic means will accomplish
the same result.'"\textsuperscript{113} Moreover, other courts have suggested that the
use of a trade name or trademark in advertising is a form of commer-
cial speech protected by the first amendment.\textsuperscript{114} Any prior restraint
on such speech is inherently suspect.\textsuperscript{115} Thus, any action by the FTC
which has the effect of depriving a trademark owner of the use and
control of his mark may raise issues of constitutional dimensions,
requiring a showing of actual harm to consumers or competitors
which outweighs the impact on the owner's rights of speech and
property. At a minimum, the remedy imposed by the FTC must be
limited to that which is absolutely necessary to accomplish the
agency's legitimate purpose.

If the Federal Trade Commission Act and the Lanham Act over-
lap in the protections they afford business and consumers against
the evils of generic trademarks, the remedies provided by the Acts
differ importantly. Section 14 of the Lanham Act provides a single
remedy: the cancellation of the mark's registration.\textsuperscript{116} The resulting
destruction of the mark as the exclusive property of the owner
should be resorted to only if no less drastic means are available to
protect against the alleged harm.\textsuperscript{117} Thus, the remedy available

\textsuperscript{113} FTC v. Royal Milling Co., 288 U.S. 212, 217 (1933); accord, Jacob Siegel Co. v. FTC,
327 U.S. 608, 612 (1946).
\textsuperscript{114} Beneficial Corp. v. FTC, 542 F.2d 611, 619 (3d Cir. 1976), cert. denied, 430 U.S. 983
(1977). See also Address by Professor J. Thomas McCarthy, 99th Annual Meeting of the
United States Trademark Assoc., reported in 330 PAT., T.M. & COPYRIGHT J. (BNA) A-10 to
\textsuperscript{115} New York Times Co. v. United States, 403 U.S. 713, 714 (1971); Carroll v. Princess
Anne, 393 U.S. 175, 181 (1968); Bantam Books, Inc. v. Sullivan, 372 U.S. 58, 70 (1963);
\textsuperscript{116} See note 19 supra.
\textsuperscript{117} In \textit{In re} Borden, No. 8978, \textit{reprinted in} 406 PAT., T.M. & COPYRIGHT J. (BNA) D-1
(Nov. 30, 1978) (opinion of the Commission), the administrative law judge's order included
a requirement that, for a period of 10 years, Borden grant a license to any person or business
entity to use the name REALEMON and the REALEMON label design on containers of
reconstituted lemon juice. The licensees were required to disclose the identity of the manufac-
turer or distributor on such labels, to meet reasonable quality control standards to assure that
lemon juice produced and sold by the licensee under the REALEMON label was equal in
quality to Bordens, and to pay to Borden a limited royalty for use of the label. \textit{In re} Borden,

The majority of the Commission, however, reversed this portion of Judge Hanscom's order:
While an order requiring licensing or suspension of a trademark may be ordered
as a means of dissipating illegally used or acquired monopoly power, we are
mindful that the remedy is a severe one, and should be imposed only where less
drastic means appear unlikely to suffice . . . .
under the Lanham Act will be inappropriate in all but the most egregious cases of actual deception or unfairness.

In contrast with the limited remedy available to the FTC under the Lanham Act, the Commission’s power to shape appropriate remedies under section 5 of the Federal Trade Commission Act is “ample to deal with the evil at hand.” 118 This power is not limited to the simple cease and desist order 119 but rather resembles “the authority of courts to frame injunctive decrees . . . .” 120 Therefore, in responding to deceptive or unfair effects of a trademark which allegedly has become generic, section 5 empowers the FTC to shape a narrow remedy, protecting both the trademark owner’s speech and property rights and the public interest in maintaining fair, undeceptive business practices. 121

The alternative remedies available to the FTC under section 5 to combat the harmful effects of an allegedly generic trademark include:

(1) restrictions on the use of a trademark; for example, the owner may be ordered to use the trademark in connection with only a

406 PAT., T.M. & COPYRIGHT J. (BNA) at D-10. Thus, although the Commission recognized that the evils connected with a “virtually generic” trademark may be remedied appropriately under § 5 of the Federal Trade Commission Act, it also recognized that the imposition of any remedy that deprives the trademark owner of the exclusive use and control of his mark is “severe” and should be resorted to only if no less drastic remedy is available.

In Borden, the Commission’s attention was focused upon the defendant’s unfair monopoly practices, caused in part by the active abuse of a dominant and “virtually generic” trademark. These anticompetitive actions, and not the status of the defendant’s trademark, were condemned. Despite the nearly generic nature of that mark and the clear evidence of actual abuse and resulting harm, the Commission refused to interfere with the defendant’s right to the exclusive use of that mark. Clearly inconsistent with this position is the FTC’s decision to seek the cancellation of allegedly generic trademarks under § 14 of the Lanham Act. The focus in a proceeding under that Act is upon the status of the trademark as a common descriptive term, not on its actual anticompetitive effects or upon the owner’s actions. As a result of a finding of genericness, a penalty at least as severe as that eschewed in Borden is imposed irregardless of whether actual anticompetitive effects exist or can be shown. Clearly, if Borden may be permitted to retain exclusive control of its trademark despite demonstrable injury and abuse, it is inconsistent to deprive another owner of his mark merely because his otherwise commendable industry has resulted in his mark’s status as a household word.


119. Warner-Lambert Co. v. FTC, 562 F.2d at 757.

120. Id. (citing Pan American World Airways, Inc. v. United States, 371 U.S. 296, 311-12 (1963)).

121. See Jacob Siegel Co. v. FTC, 327 U.S. 608, 611-13 (1946).
certain percentage of his annual sales of the particular product,\textsuperscript{122} or he may be prohibited from using the mark in any advertising for a designated period of time;\textsuperscript{123}

(2) corrective advertising;\textsuperscript{124} for example, requiring the owner to stress that his product is but one of several similar products available;

(3) compulsory licensure of the trademark to competitors;\textsuperscript{125}

(4) prohibiting the use of the mark by the owner as a designation of the source of the product, allowing its use only as a generic description of the product;

(5) prohibiting the owner from instituting infringement suits against competitors who use the mark as a descriptive term;\textsuperscript{126} and

(6) dedication of the mark to the public.\textsuperscript{127}

Other remedies may be shaped by the FTC to accommodate the peculiar circumstances of each case. In addition to these less onerous remedies, the FTC is required to meet a concomitantly lighter burden of proof under section 5. The FTC need not show actual deception but only a "likelihood or propensity of deception . . . ."\textsuperscript{128} Thus, unlike section 14, section 5 allows the FTC to reach not merely egregious cases but also those cases involving a lesser degree of harm. Section 5, therefore, makes available to the FTC the


\textsuperscript{123} For example, in his separate opinion in In re Borden, Inc., No. 8978, \textit{reprinted in 406 Pat., T.M. & Copyright J. (BNA) D-1} (Nov. 30, 1978), Chairman Pertschuk suggested that the FTC could remedy the anticompetitive effect of Borden's "virtually generic" trademark, REALEMON, by enjoining the use of the mark for a fixed period. Id. at D-11.


\textsuperscript{125} This remedy, ordered by the administrative law judge in Borden, see note 10 supra, has been the subject of considerable debate. See, e.g., Dobbs, \textit{Compulsory Trademark Licensing as a Remedy for Monopolization}, 26 Cath. U. L. Rev. 589 (1977); Palladino, \textit{Compulsory Licensing of a Trademark}, 26 Buffalo L. Rev. 457 (1977); Scherer, \textit{The Posnerian Harvest: Separating Wheat from Chaff}, 86 Yale L.J. 974 (1977).


remedial and procedural\textsuperscript{129} flexibility necessary to meet the Supreme Court's mandate that "orders . . . go no further than is reasonably necessary to correct the evil and preserve the rights of competitors and [the] public\textsuperscript{130} and to preserve the interests of the trademark owner protected by the first amendment.

Additionally, in a proceeding against allegedly generic trademarks under section 5, the procedural and evidentiary focus is upon the deceptive or unfair competitive effect of the mark. In contrast, in an action brought under section 14 of the Lanham Act, the issue is whether the mark is generic; the important issue of whether continued use of the mark is unfair or deceptive need never be reached. Under section 5, this issue is addressed directly and may be determined without importing evidence concerning the superfluous question of genericness.

Thus, to the extent that the issue of genericness is not litigated adequately by private parties, whether because of cost disincentives or otherwise, the FTC should limit its investigation to the issues that purportedly underlie the problem of genericness: deception and competitive unfairness. Precisely this focus is afforded by section 5. Moreover, section 5 permits the FTC to design a remedy narrowly, affecting the trademark owner's property and speech rights no more than absolutely necessary to prevent the feared harm. The lack of similar flexibility under section 14 of the Lanham Act makes the FTC's decision to seek a remedy under that section indefensible.

CONCLUSION

Under section 14 of the Lanham Act the Federal Trade Commis-

\textsuperscript{129} Importantly, the FTC does not enjoy any procedural advantages in prosecuting a cancellation proceeding under § 14 of the Lanham Act that would enable it to protect competition and consumers more effectively than a suit brought by a competing firm. The Commission is required to file and to prosecute its petition before the TTAB, the same forum in which the competitor must file. Lanham Act § 17, 15 U.S.C. § 1067 (1970); 37 C.F.R. §§ 2.111 to 2.113 (1977). Similarly, the Commission is bound by the same procedural rules that control a private suit, usually the Federal Rules of Civil Procedure unless otherwise provided in the Code of Federal Regulations. 37 C.F.R. §§ 2.116 to 2.128 (1977). The Commission also is subject to substantially the same burden of proof as the private litigant in attempting to demonstrate to the TTAB that a particular mark should be cancelled. See notes 46-53 supra & accompanying text.

\textsuperscript{130} FTC v. Algoma Lumber Co., 291 U.S. 67, 81 (1934); Beneficial Corp. v. FTC, 542 F.2d 611, 617 (3d Cir. 1976), cert. denied, 430 U.S. 983 (1977); Resort Car Rental Systems v. FTC, 518 F.2d 962, 964 (9th Cir. 1974), cert. denied, 423 U.S. 827 (1975); Montgomery Ward & Co. v. FTC, 379 F.2d 666 (7th Cir. 1967).
sion may seek to cancel\textsuperscript{131} a registered trademark on the ground that the mark has become generic.\textsuperscript{132} Although the FTC has been so empowered since the Lanham Act became effective in 1947,\textsuperscript{133} no petition to cancel solely on the ground of genericness had been filed until May 31, 1978, when the FTC sought to cancel Formica Corporation’s FORMICA mark.\textsuperscript{134} From all indications, petitions to cancel other allegedly generic trademarks will be filed by the FTC in the near future.\textsuperscript{135}

The FTC’s renewed attention to its cancellation powers under the Lanham Act is an unnecessary and inappropriate intrusion by a governmental agency into the marketplace. Adequate remedies are readily available to private, competing businesses if a generic mark is distorting consumer preferences. Moreover, the shift in FTC policy is inappropriate because it may result in higher prices for many consumer products, seriously damage successful businesses, and cause consumers to be deceived about qualitative differences between competing products.

Normally, consumer interests and competition would be served better if the FTC abstained from initiating generic trademark litigation and permitted market forces to determine whether a mark should be challenged as generic by an injured competitor. Action by the FTC may be appropriate, however, in those limited instances in which the continued use of a generic mark clearly is harmful to the welfare of consumers and to free enterprise. In such instances, the FTC should act within its authority under section 5 of the Federal Trade Commission Act to prevent unfair or deceptive business practices. Unlike section 14 of the Lanham Act, the Federal Trade Commission Act clearly provides the Commission with the procedural and remedial flexibility necessary to resolve the delicate issues implicated by any challenge to the validity of a trademark.

\textsuperscript{132} Id. § 1064(c).
\textsuperscript{133} Section 46(a) of the Lanham Act provided that the law would take effect one year from July 5, 1946. Historical Note—Effective Date, 15 U.S.C. §§ 1051, 1127 (1970).
\textsuperscript{134} See note 21 supra & accompanying text.
\textsuperscript{135} This conclusion is based on Commissioner Dixon’s statements that the FTC currently is devoting renewed attention to this area and that the Commission is looking at the question of generic trademarks in the belief that in certain cases the use of such marks can be harmful to the welfare of consumers and the free enterprise system. Dixon, Remarks, supra note 20, at 12-13. See also 371 PAT., T.M. & COPYRIGHT J. (BNA) A-5 (March 23, 1978).