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EQUITABLE PROTECTION OF BUSINESS AND BUSINESS RIGHTS.

By William Q. de Funiak*

The right to carry on a lawful business is recognized in equity as a property right or as a substantial right having a pecuniary value which is in the nature of a property right.\(^1\) Indeed, since most of us cannot be fortunate enough to carry on an independent business or own a business with a physical plant of some kind but must depend upon our labor or employment in the business of someone else, the power of an individual to earn a living or to exercise a trade, calling or profession is equally a property right. It is a property right which has as much value and importance to the individual as the right to carry on a lawful business has to the one owning a business. This has also come to be recognized in equity.\(^2\) Accordingly, pursuant to the principles applied in equity, a wrongful interference with the carrying on of a lawful business or with the exercise of a lawful trade, calling or profession is an injury to property which may be enjoined where the recovery of damages for the wrongful interference does not provide an adequate remedy.

If the wrongful interference, as is usually the case, is continuing so as to require successive actions for damages, none of which will in itself serve to bring about a discontinuance of the wrong, or the extent of the pecuniary loss caused is impossible of ascertainment, and the injury may be described as irreparable, it is clear that the remedy at law is inadequate and

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\(^1\) See Walsh, Treatise on Equity (1930), Secs. 41, 44; Pound, Equitable Relief Against Defamation (1916) 29 Harv. L. Rev. 640.


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the case is one for the exercise of equitable restraints. Not only can equity prevent the continuation of the wrong which will result in irreparable injury to or complete destruction of the business, it can also, to the extent that it is feasible in the particular case, award damages for the injury so far incurred or require an accounting for profits made by a competitor through his wrongful acts, according to the practice in the jurisdiction. Although not within the scope of this work, it may be noticed that under the Federal Trade Commission Act, resort may be had to the Federal Trade Commission to obtain restraint of unfair methods of competition by those engaged in interstate commerce. This restraint is accomplished by the Commission, after a hearing, issuing what is known as a "cease and desist" order.

Injuries to the carrying on of a lawful business, to which most of the cases relate, may involve direct injuries committed by noncompetitors or direct or indirect injuries of various sorts committed by competitors. It is immaterial whether the wrong results from a desire to profit in a competing business or merely from a desire to injure the plaintiff. The term "unfair competition" is used to designate, under a general head, the various sorts of wrongful interferences or acts by competitors. However, it is frequently extended to cover any acts, whether by a competitor or noncompetitor, which injure a business or business rights. Since the successful operation of a lawful business or earning a living may depend upon the exclusive possession and use of trade secrets, patents, copyrights, trademarks, and matters of similar nature, the unauthorized appropriation and use of or wrongful interference with any of these incidents or assets of a business to its detriment warrants equitable intervention. It becomes immaterial whether any one of these various things is describable as property in itself. The wrong in using, appropriating or interfering with them is an injury to the right to

3 See Walsh, TREATISE ON EQUITY (1930), Sec. 44.
4 See Nims, DAMAGES AND ACCOUNTING PROCEDURE IN UNFAIR COMPETITION CASES (1946) 31 CORN. L. Q. 431.
5 U.S. Code, Title 15, Sec. 45.
6 While involving action for damages rather than for equitable relief, the case of Tuttle v. Buck, 107 Minn. 145, 119 N.W. 946 (1909), is worthy of notice. Defendant, a wealthy banker, set up a rival barber shop and ran it at a loss for the express purpose of destroying the plaintiff's business.
7 See Callman, WHAT IS UNFAIR COMPETITION (1940) 28 GEORGETOWN L. J. 585.
carry on a lawful business or to earn a living and that right supplies the property right or substantive right which is so frequently said to be a requisite of equity jurisdiction.

CRIMINAL ACTS

In the succeeding part of this article are instances of acts which are crimes and also injuriously affect the carrying on of a business or the earning of a living. Since these instances are not all-inclusive, it is deemed advisable at this point to state the principles which govern in such situations.

It is well settled that equity does not interfere by injunction to prevent the commission of criminal acts, on the ground alone of their criminality. The enforcement of the criminal laws is ordinarily left to be effectuated by criminal procedure. But where the commission of a criminal act will cause irreparable injury to property or property rights or to substantial rights having a pecuniary value which are in the nature of property, and the criminal proceeding will only be effective to impose punishment for the criminal act after its commission, equity will interpose to prevent its commission and the consequent irreparable injury. Thus, acts which are crimes but which, if permitted to occur or to continue, will cause irreparable injury to the carrying on of a business or to the right to earn a living, will be enjoined. The criminal act may be one committed or about to be committed by a noncompetitor but nevertheless for the direct purpose of injuring the plaintiff's business or his right to earn a living. If the criminal act is committed by a competitor it amounts to unfair competition. The situation may be such

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8 E.g., operating without license or franchise in competition with holder of franchise or license; libelous statements injurious to business.
9 See cases in notes following. That no special injury was suffered by plaintiff from competing automobile dealer keeping open in violation of Sunday law, see Motor Car Dealers' Ass' n v. Fred S. Haines Co., 128 Wash. 267, 222 P. 611, 36 A.L.R. 493 (1924).
10 Examples of this situation occur in labor disputes, as for instance where picketing is accompanied by illegal acts injurious to employer's business.
12 See annotation, Right to enjoin rival or competitor from illegal acts or practices amounting to a crime, 52 A.L.R. 79.
that the plaintiff cannot successfully combat the competition except on the plane where it has been pitched by the defendant and this he cannot attempt without himself becoming a violator of the law. Or the situation may be such that the business of the plaintiff is being strangled by a criminal monopoly or combination or other acts in restraint of trade. Where the delays and burdens inherent in the prosecution of the criminal acts threaten irreparable injury before the prosecutions can even be instituted, much less brought to a successful conclusion, equity affords the only speedy and effective relief. This may be particularly true where the number of offending competitors is so great as to render the institution of criminal proceedings exceedingly difficult and time-consuming.

COPYRIGHTS

A copyright may be defined, somewhat generally, as the exclusive right one has to print, publish and sell a production of the mind, whether a writing, musical composition, drawing, design or the like. While it was declared at one time in England that the right one had in his production or composition was a right of property at common law, independent of statute, this was shortly thereafter denied, and this would seem to be consistent with the legal history of the subject which shows that it developed under statutory protection, in so far as there is a protectible right after general publication.
In this country we recognize both a common law copyright and a copyright by statute. They are, however, fundamentally distinguishable and together make up one whole. At common law, an author is recognized as having a property right (which is transferable) in his production until he dedicates it to the public by a general publication. He is entitled to the aid of equity to prevent the unauthorized use or publication of his property by another prior to his own dedication of it by a general publication. It will be seen that he is assured the exclusive right of first general publication. The production of the mind must be actually reduced to concrete form. Otherwise it is a mere idea or abstract idea, which presents another question dealt with below. Once he has dedicated it to the public by a general publication, the author thereupon loses his common law property right and anyone may thereafter copy, publish and sell the production or composition, in the absence of further protection provided by statute.

by law with general supervision of publishing and dealing in books. With some exceptions, publishers registered their books with the Company which saw to it that no one else infringed on their exclusive right of publication and multiplication. Subsequent developments brought about the enactment of the Copyright Act of 1709. See Holdsworth Press Control and Copyright in the 16th and 17th Centuries (1920) 29 Yale L. J. 841. See also articles by Rogers, Some Historical Matter Concerning Literary Property (1908) 7 Mich. L. Rev. 101; A Chapter in the History of Literary Property: The Booksellers' Fight for Perpetual Copyright (1911) 5 Ill. L. Rev. 551.


See Kelley, Rights of Authors and Artists Outside the Copyright Law (1919) 5 Corn. L. Q. 48; Walsh, Equity, Sec. 42.

This common law copyright is incorporated into the statutes of some states. See Cal. Civ. Code, sec. 980 et seq.

* See cases cited, supra, n. 19. What constitutes a dedication to the public or a general publication is not always easily determinable. It is settled that delivery or presentation of the product of the mind before a limited or selected group or class is not a dedication to the public. If delivered or presented at a meeting open to the general public, there is a dedication or general publication. As to reading report before professional society, see New Jersey State Dental Soc. v. Dentacura Co., 57 N.J. Eq. 539, 41 A. 672 (1898); delivering lecture, Nutt v. National Institute, 31 F. 2d 236 (1929); displaying dress design, Fashion Originators Guild v. Federal Trade Commission, 114 F. 2d 80 (1940), aff'd 312 U.S. 457, 61 S. Ct. 703, 85 L. Ed. 949 (1941), noted (1941) 35 I.L.L. L. Rev. 546, (1940) 27 Va. L. Rev. 230; musical composition, Arnstein v. Edw. B. Marks Music Corp., 32 F. 2d 275 (1936); reading script over radio, Uproar Co. v. National Broad-
It is at this point of general publication that the statutory copyright becomes effective. Under the federal laws governing copyright, the author upon compliance therewith obtains the exclusive right for a limited period to publish his production or, as it is sometimes expressed, the right to multiply copies to the exclusion of others. This exclusive right or monopoly granted by statute is naturally a valuable asset in a commercial sense. It may be protected by equitable remedies against infringement or plagiarism where remedy by way of damages is inadequate. Since it is usually very difficult to determine at law to what extent there has been injury or loss from infringement or plagiarism, equitable relief may be particularly called for. The relief may include restraint of further publication and sale of the infringing work and likewise an accounting of all profits made through the infringement and the surrender of the infringing copies and the means of making them. This relief must be sought in the federal courts since the state courts do not have jurisdiction of suits arising under the federal copyright laws.

Even though an author avails himself of the protection of the federal copyright laws, his general publication remains a surrender of his common law property right. Upon the expiration of the statutory period of protection, his common law property right does not revive. Even without a general publication, the copyrighting of one's literary property under the federal statute is said to constitute an election to protect one's right of property by means of the remedies afforded by the


Bobbs-Merrill Co. v. Straus; Loew's, Inc. v. Superior Court, supra, n. 19.

See MERWIN, PRINCIPLES OF EQUITY, p. 460. Discussion of the various types of infringements of exclusive rights obtained under the federal copyright laws is not within the scope of this article. Reference may be had to general treatises on the subject. See also Calman, Copyright and Unfair Competition (1940) 2 LA. L. REV. 648; Driscoll, Copyright Infringement (1942) 11 FORDHAM L. REV. 63; Young, Copyright Law (1940) 28 KY. L. J. 447; Linck, Copyright Law Applied to Radio Broadcasting (1943) 19 NOTRE DAME LAW. 13.

U.S. Code, Title 17, Sec. 25.

See CYCLOPEDIA OF FEDERAL PROCEDURE (2d ed.), Secs. 102, 241-245; Loew's, Inc. v. Superior Court, supra, n. 19.

Bobbs-Merrill Co. v. Straus, supra, n. 19.
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statute and to be a surrender of one's common law property right and the protection afforded by it.26

PATENTS

Although the word "patents" has other meanings, it is used here in its more usual meaning of those instruments by which the United States secures to inventors for a limited period the exclusive use of their own inventions.27

As in the case of literary property, the inventor who has reduced his idea to concrete form, as a diagram, design, or the like, has a common law property right therein which is protectible in equity against unauthorized use prior to any general publication or marketing of the invention. The federal patent laws, as in the case of the federal copyright laws, afford him protection thereafter. Since the exclusive right or monopoly secured by the patenting under the federal statutes is a substantial right having a pecuniary value, equitable relief may be resorted to for the purpose of restraining infringements of this right to the irreparable injury of the patentee or his assignees. Remedy by way of damages is inadequate where the infringement is continuing and successive actions for damages would be necessitated, none of which would be effective, of course, to bring the infringement to a close. Equitable relief may also include an accounting for the profits.28 The relief must be sought in the federal courts for the state courts are excluded from jurisdiction of cases arising under the patent laws.29

If question arises as to the validity of the plaintiff's patent, that question can be disposed of by the court,30 whatever may have been the rule in the past or in England requiring establishment of the validity of the patent in a prior action at law.31

26 Loew's, Inc. v. Superior Court, supra, n. 19, noted (1941) 15 So. Cal. L. Rev. 104.
27 Moore, Cyc. Law Dict. (3d ed.).
29 See Cyclopaedia of Federal Procedure (2d ed.), Secs. 102, 241-245.
30 Effect of procedural fusion of law and equity in federal courts, see Cyclopaedia of Federal Procedure (2d ed.), Sec. 781 et seq.
31 As to former rule, see Walsh, Equity, Sec. 43, citing Chafee, Cases on Equitable Relief Against Torts (1924), p. 67, and Ames,
Upon final decree granting a permanent or perpetual injunction against infringement of the patent, permanent or perpetual means until the expiration of the patent.  

In this country it is immaterial that the owner of the patent right is not exercising his rights under the patent. Non-use by the patentee does not justify use of the patent by another, even though he is willing to pay a reasonable value as fixed by a court for a license to use the patent. On the other hand, if the patentee is using his patent to the detriment of the public interest, for example to create a monopoly or to restrain competition, equity will not afford him relief against an infringement.

**Franchises of Licenses**

In the sense that a franchise or license is a special privilege or grant by the government to a person or corporation to carry on some business, occupation or profession which is not a matter of common right, it is usually considered by equity as a right of property or as a substantial right having a pecuniary value which is in the nature of a property right. This is true even though the franchise or license is not an exclusive one. One who wrongfully interferes with the exercise of the franchise or license or unlawfully competes with the franchise or license

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Cases on Equity (1904), p. 629, n. 1. Exceptions existing under former rule, see McCoy v. Nelson, 121 U.S. 484, 7 S. Ct. 1000, 30 L. Ed. 1017 (1887).

2 Merwin, Principles of Equity, p. 444. Effect of near approach of time of expiration or expiration pending suit, see 40 Am. Jur., Patents, Sec. 178.


Liquor dealer's license not property so as to be within jurisdiction of equity, see State ex rel. Zeller v. Montgomery Circuit Court, (Ind. 1945) 62 N.E. 2d 149, noted (1946) 46 Col. L. Rev. 301.
holder to his injury may be restrained in equity where there is no other adequate remedy. It will be noticed that the wrong is either in the nature of unfair competition or is in the nature of a nuisance or trespass.

Where the franchise or license is an exclusive one, any competition is necessarily without authority of law and may be classified as wrongful. It is obvious that it must cause damage or injury to the franchise holder. Where the wrong is continuing it is undoubtedly one which will result in irreparable injury for which damages alone will not be adequate. Likewise, a resort to a criminal proceeding may not provide a sufficiently prompt and efficacious remedy which will prevent irreparable injury. Even though the franchise or license is not exclusive, the franchise or license holder may enjoin one who competes against him without authority or unlawfully, where he can show that he suffers irreparable injury or special damage therefrom for which there is no other adequate remedy. For example, although those competing against him may be doing so unlawfully, they may be so numerous and the circumstances may be such that the prosecution of criminal actions against them may not be so speedy or so efficacious as the equitable remedy.

Although there is modern authority that one holding a non-exclusive franchise cannot enjoin unauthorized competition, this


Franchise or license to practice law or other profession is a property right protectible against infringement causing irreparable injury. Seifert v. Buhl Optical Co., supra, n. 11; Unger v. Landlords' Management Corp., 114 N.J. Eq. 68, 168 A. 229 (1933), noted (1933) 18 MINN. L. REV. 227; Fitchette v. Taylor, 191 Minn. 592, 254 N.W. 910 (1934); Devorken v. Apartment House Owners Ass'n, 38 Oh. App. 265, 176 N.E. 577 (1931). But see Steinberg v. McKay, 3 N.E. 2d 23 (Mass. 1936).

See annotations, Right to enjoin practice of profession or conduct of business without license, 81 A.L.R. 292, 92 A.L.R. 173.


41 See Puget Sound, etc., Co. v. Grassmeyer, supra, n. 37.
will usually be found to be based on the fact that no actual or irreparable injury was shown, or on the fact that the right is reserved, by statute, in the state, through a proper representative, to enjoin unauthorized operation by public service companies, ultra vires acts of corporations, or the like.\textsuperscript{42}

Whether or not a franchise is exclusive, the franchise holder is entitled to injunctive relief against one unlawfully obstructing the franchise holder in the performance of its functions or continuously committing trespasses, to the irreparable injury of the franchise holder.\textsuperscript{43}

**TRADE SECRETS**

A trade secret is some secret compound, process, formula, device, list or data, or the like, used in a business and known only to the owner and to such employees to whom it must be made known in order to use it.\textsuperscript{44} Whether trade secrets are, in themselves, property has been the subject of dispute.\textsuperscript{45} However that may be, they do have a definite value as incidents of the business in which they exist and are used. To the extent that they add to and increase the profits from the business, the wrongful use of them by another injures the owner of the business in his right to carry on a lawful business without wrongful or unreasonable interference. Since a continued wrongful use or wrongful interference cannot be adequately compensated by money damages, equity will enjoin disclosure\textsuperscript{46} or use\textsuperscript{47} in


That state statutes clearly did not reserve right in state but expressly gave right to one injured to sue for injunction, see Denver & R.G.W. Ry. Co., supra, n. 39, pointing out that in any event state statutes cannot restrict jurisdiction of federal court to grant injunction in proper case.

\textsuperscript{43} Boise Street Car. Co. v. Van Avery; Moundsville Water Co. v. Moundsville Sand Co., supra, n. 38.

\textsuperscript{44} Moore, Cyc. Law Dict. (3d ed.); 43 C.J.S., Injunctions, Sec. 148; Walsh, Principles of Equity, Sec. 45. See also Rest., Torts, Sec. 757, comment b.

\textsuperscript{45} See McClintock, Hornbook of Equity (1936), Sec. 147; Walsh, Principles of Equity, Sec. 45; Note, (1919) 19 Col. Law Rev. 233.

\textsuperscript{46} Riess v. Sanford, 47 Cal. App. 2d 244, 117 P. 2d 694 (1941) (species and source of supply of cactus spines used in manufacture of cactus phonograph needles).

\textsuperscript{47} Riess v. Sanford, supra, n. 46; Simmons Hardware Co. v. Waible, 1 S.D. 488, 47 N.W. 814, 11 L.R.A. 267, 36 Am. St. Rep. 755 (1891) (secret price code).
such cases and, where necessary to give complete relief, order
the restoration or return of the means of knowledge possessed
by the wrongdoer, or require an accounting for profits or allow
damages, according to the practice in the jurisdiction.

Where disclosure or use by former employees is sought to
be enjoined, varying grounds have been given to justify equity
jurisdiction. In some cases, the ground is said to be existence
of a property right in the trade secret, in others the ground
is said to be the breach of contract by the employee, where he
has agreed to secrecy, in others it is said to be the employee’s
breach of trust or confidence. The last mentioned seems to be
the preferred view today. Frequently, of course, a combina-
tion of several of these grounds has been said to exist. However,
as already pointed out, it is the injury to the carrying on of
a lawful business, resulting from the wrongful disclosure or
use of the trade secret, that is the basis of the equitable relief.
The breach of contract or of confidence or trust is important in
determining whether the disclosure or use is wrongful.

Just as an employee or former employee may be enjoined,
a third person who is seeking to induce an employee to disclose
a trade secret in violation of his contract with his employer
or in breach of confidence, or who is using a trade secret so
acquired, will be enjoined. Likewise, one to whom the secret

See Simmons Hardware Co. v. Waibel, supra, n. 47.
See annotation, Right of employer to have former employee
deliver up information obtained during employment, 93 A.L.R. 1223.
See Nims, DAMAGES AND ACCOUNTING PROCEDURE IN UNFAIR COMPETITION CASES (1946) 31 CORN. L. Q. 431.
See McClain, INJUNCTIVE RELIEF AGAINST EMPLOYEES USING CONFIDENTIAL INFORMATION (1935) 23 KY. L. J. 248; BASIS OF JURISDICTION FOR PROTECTION OF TRADE SECRETS (1919) 19 COL. L. REV. 293.
The trade secret as itself a property right, see Peabody v. Norfolk, 98 Mass. 452, 96 Am. Dec. 664 (1868); Simmons Hardware
Co. v. Waibel, supra, n. 47.
Enforcement of negative covenants in contracts of employment
or enjoining their breach is not within the scope of this article.
Horn Pond Ice Co. v. Pearson, 287 Mass. 256, 166 N.E. 640 (1929); Vulcan Detinning Co. v. American Can Co., 72 N.J. Eq. 237,
67 A. 339 (1907).
See BISHAM, PRINCIPLES OF EQUITY (10th ed.), Sec. 427; McCLEINTOCK, HORNBOOK OF EQUITY, Sec. 147.
See O. & W. Thum Co. v. Tlocynski, 114 Mich. 149, 72 N.W. 140 (1897), noted (1897) 11 HARV. L. REV. 262.
is revealed in confidence pending licensing negotiations with him will be enjoined from making an unauthorized use of the secret. But one who purchases a trade secret in good faith without knowledge that it is imparted to him in violation of a contract or in breach of confidence will not be enjoined from making use of the secret. It is also to be noticed that the purchaser in good faith of a trade secret has the same right to have it protected that his vendor had.

**Ordinary Knowledge of Business; Names of Customers**

It is necessary to distinguish a trade secret from knowledge gained by an employee which he is free to carry away and use for himself or in employment by another. Where the knowledge is such as he would have acquired in any other employment of the same nature, being common to all businesses of that type, or where the knowledge is such that anyone could discover it by mere process of observation, he is entitled to make use of it for his own benefit or for the benefit of a new employer, even though this use interferes to some extent with his former employer's business. In this respect, the matter causing the greatest conflict among the courts relates to the acquisition of knowledge of or the names of customers. To what extent, if at all, can the employee make use of this knowledge or of these names to solicit their business for himself or for his new employer in the absence of any contract not to do so?

Where the customers are known to all those engaged in the same type of business and are customarily solicited by all those engaged in that business, the employee has obviously obtained no secret information or data by reason of his contact with these customers and carries into another employment no information not already known. This is particularly true in the case of a

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58 Sandlin v. Johnson, 141 F. 2d 660 (1941).
60 Cincinnati Bell Foundry Co. v. Dodds, 19 Oh. Wkly. Law Bul. 84, 10 Oh. Dec. 154, (1887) per Taft, J.
62 See annotations, Right in absence of express contract to enjoin former employee from soliciting complainant's customers, 23 A.L.R. 423, 126 A.L.R. 758.
salesman employed by a wholesaler to call on the retail dealers.\textsuperscript{63} Similarly, where customers call at the premises of the employer and the employer has the opportunity to become personally acquainted with these customers himself or to become acquainted with them through his other employees and to hold their interest and their patronage through the exercise of his own personality and fair dealing or through the personality and fair dealing of his other employees generally, he is at no disadvantage as compared with an employee who has had contact with the customers and then leaves and seeks to obtain their patronage. The competition for their patronage is on a reasonably equal basis.\textsuperscript{64} However, the situation is entirely different where the employer has a secret list of customers which is an advantage to him in his business and the employee, having no or very little personal contact with these customers, takes away a copy of this list without permission and begins soliciting their business.\textsuperscript{65}

Another variation, that causing the most difficulty, is where the employee has charge of a laundry or milk route, or the like, and is the only one who is in personal touch with the customers who do not know and are not known by the employer personally and are not known by competitors of the employer. Can the employee, upon leaving his employment, solicit these customers for himself or for a new employer? Some courts hold that the employee can solicit the customers where he takes with him no written list of the customers,\textsuperscript{66} others that he can do so even if he takes such a written list with him,\textsuperscript{67} others that he cannot do so where he takes a written list or even though he takes no such written list.\textsuperscript{68} The majority of the cases follow

\textsuperscript{64} See Boone v. Krieg, 156 Minn. 83, 194 N.W. 92 (1923) (where employee took no copy of list of customers with him).
the view first expressed. Whatever view is taken by a particular
court depends primarily upon whether it considers the informa-
tion as to the customers to be of a confidential nature or whether
it considers the information such as to be normally available to
or ascertainable by anyone and not of a confidential nature.69

INTERESTS IN IDEAS

In the case of an idea which may have value and utility if
applied or used in a business, but which has not yet been so
applied or used, we come to a matter of some difficulty. Is
there a property right in the idea so as to make it the proper
subject of negotiation and sale? Is there a property right in it
so as to warrant resort to equity to prevent its use by one to
whom it has been revealed for the purpose of interesting him in
its purchase and who thereupon appropriates and uses it without
payment of compensation?70 It is undoubted that uniformly
in the past and widely at the present time it has been considered
that there is no property right in a mere idea. Once uttered it
has been said to be usable by anyone as part of the stock of com-
mon knowledge.71 In itself it cannot be copyrighted or
patented.72 But it has come to be considered in many juris-
dictions that if it is revealed in confidence or pursuant to con-
tract, its originator may have ground for seeking to protect his
interest in it. The breach of trust or the existing contract right

receiving patronage of the customers. New Method Laundry Co.
v. McCann, 174 Cal. 26, 161 P. 990 (1916); Foster v. Peters, 47 Cal.
App. 2d 203, 117 P. 2d 726 (1941); Brenner v. Stavinsky, 184 Okla.
509, 88 P. 2d 613 (1939) (dictum). If he takes a list, he can be
539, 213 P. 285 (1923).

69 See annotation, 126 A.L.R. 758.
70 See comment, Property in ideas; ideas as subject of contracts
(1946) 31 Corn. L. Q. 382.

71 In Bristol v. Equitable Life Assur. Co., 132 N.Y. 264, 30 N.E.
506 (1892), the court, without denying that there may be property
in an idea, declared that upon disclosure it becomes the acquisition
of whosoever receives it, unless some contract should regulate or
guard its disclosure.

72 Affiliated Enterprises, Inc. v. Gantz, 86 F. 2d 597 (1936).

Of course, where an idea has been reduced to some concrete
form, as in the shape of a literary production or the like, it then
comes within the protection of the common law as a property right
and may qualify as subject to patent or copyright under the federal
laws.
provides a basis for equity jurisdiction, even if it be considered that the idea itself is not property.\textsuperscript{73}

In the former situation equity has intervened to prevent the breach of trust and confidence.\textsuperscript{74} However, the breach of trust and confidence must be clearly alleged\textsuperscript{75} and proven.\textsuperscript{76} In the latter situation, that of contract, the requirement has been developed that the idea must be new, unusual and valuable. If one of these elements is lacking, the contract will not be enforced or its violation prevented.\textsuperscript{77} Moreover, there is frequently the difficulty of proving the contract.\textsuperscript{78} Many of the cases, of course, are not suits for equitable relief but to recover compensation for the use of the idea revealed in confidence or pursuant to contract. However, injunction may frequently be an appropriate remedy where it is sought to prevent the defendant from making an unauthorized use of the idea. And where the idea has been made the basis of a patent or copyright in the defendant's name after the idea has been obtained by him through breach of confidence or contract, the originator may seek to have a constructive trust impressed thereon in his favor and, as well, an accounting for profits.\textsuperscript{79}


\textsuperscript{74} See Booth v. Stutz Motor Car Co., 56 F. 2d 962 (1932).

\textsuperscript{75} Even here, some courts have held that only if the idea is the subject of a contract can it be protected. Haskins v. Ryan, 75 N.J. Eq. 330, 78 A. 566 (1908); Stein v. Morris, 120 Va. 390, 91 S.E. 177 (1917).

\textsuperscript{76} Although an employer-employee relationship could certainly supply the necessary relationship of trust or confidence, it has been held that the employee has a prior duty to disclose his idea to his employer without charge. Keller v. American Chain Co., (1930) 255 N.Y. 94, 174 N.E. 74. Cf. Nat. Dev. Co. v. Gray, 316 Mass. 240, 55 N.E. 2d 783 (1944).

\textsuperscript{77} Bristol v. Equitable Life Assur. Co., supra, n. 71.

\textsuperscript{78} See Moore v. Ford Motor Car Co., 43 F. 2d 685 (1930), aff'ing (1928) 28 F. 2d 529.


TRADEMARKS AND TRADENAMES—USE BY COMPETITORS

A trademark is some arbitrary name, symbol or device affixed to goods for the purpose of identifying them as the goods of a particular manufacturer or producer or of one whose established business is the selection and sale of an article of a certain standard and quality. A tradename, somewhat more broadly, is the name used to designate the particular business of an individual, corporation, partnership or the like, but it may also designate specific goods or articles of merchandise. The same fundamental principles of law and equity are applicable to both trademarks and tradenames despite any technical distinctions between them.

When a trademark or tradename has been used in business and the goods have become known to the public and sought for and purchased under that particular mark or name, the trademark or tradename becomes a valuable adjunct or incident of the business. Its value to the user in connection with an existing business is in the nature of a property right. If a competitor uses the mark or name he deceives the public into buying his goods in the belief that they are those of the original user of the trademark or tradename, to the competitor’s own advantage and to the consequent loss of business by the original user.

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62 Direct Service Oil Co. v. Honzay, 211 Minn. 361, 2 N.W. 2d 434, 148 A.L.R. 1 (1941).


65 It is thus distinguishable from a patent which gives a monopolistic property right without user; there is no property right in a trademark or tradename not used in connection with an existing business. United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 39 S. Ct. 48, 63 L. Ed. 141 (1918).

“It is well established that a trade-mark or trade-name cannot be licensed or assigned except as an incident to the sale of the business and good will in connection with which it is used.” Purity Cheese Co. v. Frank Ryser Co., 57 F. Supp. 102 (1944). (If it could be sold or transferred as a distinct property in itself it might be used to designate articles entirely different in origin or character from those to which it was originally given and thus the public would be deceived. Author.)

66 While, among the older cases, various equitable grounds were instanced as reasons for granting equitable relief, particularly the fraud practiced on the public (see Chadwick v. Covell, 151 Mass.
This wrongful appropriation of the property right of another to his injury is an act of unfair competition. Although action of a legal nature, for damages, can be brought, it is obvious that this remedy is inadequate. The injury flows from the continued invasion of the property right and only equitable relief can restrain this continued invasion. Equity can also, of course, to the extent that it is feasible in the particular case, award damages for the injury so far incurred or require an accounting of profits made by the competitor through his wrongful use of the trademark or tradename, according to the practice in the particular jurisdiction.

Except as may be provided by statutes authorizing or permitting registration of trademarks and tradenames, an ex-

190, 23 N.E. 1068, 6 L.R.A. 839, 21 Am. St. Rep. 442 (1890), at a later date it became common to deny that fraud on the public is ground for equitable relief and, instead, that the real reason is the invasion of a property right, i.e., the exclusive right to the use of the trademark or tradename, to the injury of the original user. See G. & C. Merriam & Co. v. Saalfield, 198 Fed. 369 (1912); Italian Swiss Colony v. Italian Vineyard Co., supra, n. 80. There has now been a return to recognition of the fraud on or deceit of the public as an important factor in warranting equitable relief, but on the basis that this fraud or deceit or, at least, creation of confusion in the public mind is causing or will cause loss to the business of the original user. This may be so even without actual intent on the defendant's part to cause loss to the plaintiff. See Hartman v. Cohen, 350 Pa. St. 41, 38 A. 2d 22 (1944), noted (1944) 30 Iowa L. Rev. 120, (1944) 43 Mich. L. Rev. 409. See also cases in following notes.

"Allen & Wheeler Co. v. Hanover Star Milling Co., supra, n. 84 ("the common law of trademarks is but a part of the broader law of unfair competition"). See Glenn, Pre-emption in Connection with Unfair Trade (1919) 19 Col. L. Rev. 29; The Relation of the Technical Trademark to the Law of Unfair Competition (1916) 29 Harv. L. Rev. 753.

The actual spelling or number of letters or syllables is not determinative. If there is similarity in ordinary speech, that may be sufficient. LaTouraine Coffee Co. v. Lorraine Coffee Co., 157 F. 2d 115 (1946).

"To establish infringement, plaintiff need show only that the name adopted by defendants is so similar to its trade-mark as to be likely to cause confusion among reasonably careful purchasers. Defendants urge that there has been no showing of actual instances of confusion; but no such evidence is required." LaTouraine Coffee Co. v. Lorraine Coffee Co., supra, n. 86.


The statutes of one's own state should be examined. Frequently they do not change the rule that use as well as selection must be present.
exclusive right in a trademark or tradename is not acquired instantly, by mere selection. It must be used long enough to become identified in the public mind with the article or business to which it is affixed. But what is the territorial extent of this public knowledge as related to sales of goods, articles or services to which the mark or name is affixed? The rule has been laid down that the use of the mark or name in one area or territory confers no right to prevent its subsequent use by one in the same business in an area or territory where the prior user has not been selling the goods, articles or services to which his mark or name is affixed. As the United States Supreme Court put it, 'the trademark “of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article.”' Such a rule is based, obviously, on the fact that in the latter territory the public is unaware of the goods, articles or services of the prior user doing business elsewhere and, thus, does not identify or associate the mark or name with his goods, articles or services. However, it is now well recognized that one who first appropriates a trademark or tradename may enjoin its use by a subsequent user even in an area or territory where the senior appropriator is not selling his goods, articles or services, if the public there, or even any appreciable portion of the public, identifies or associates the mark or name with the business of the senior appropriator. This has variously or cumulatively been put upon such grounds as that the senior appropriator's good reputation is known in the area or territory.


*Allen & Wheeler Co. v. Hanover Star Milling Co.*, *supra*, n. 84; *Griesdieck Brewery Co. v. Peoples Brewery Co.*, 56 F. Supp. 600 (1944); *Yellow Cab Co. v. Sachs*, 191 Cal. 238, 216 P. 33, 28 A.L.R. 105 (1923); *Direct Service Oil Co. v. Honzay*, *supra*, n. 82; *Rest., Torts*, Sec. 732, comment a.

No attempt is made in this article to discuss what constitutes an area or territory. See cases, annotation, 148 A.L.R. 12, at p. 104 et seq.

*United Drug Co. v. Theodore Rectanus Co.*, *supra*, n. 84.

Registration of a trademark under the Federal Trademark Act does not alter the rule or extend the rights delimited by equitable principles. *Griesdieck Brewery Co. v. Peoples Brewery Co.*, *supra*, n. 91.
where he does not operate and the subsequent appropriator is seeking to take advantage of that reputation for his own profit, that the subsequent appropriator is acting in bad faith to deceive the public, that the senior appropriator's reputation may suffer injury, or that there is some inimical design, as to forestall expansion of the senior appropriator's business to the area or territory.\textsuperscript{93}

A trademark or tradename must be a proper one. It is therefore necessary, in adopting one, to select one which no one else will thereafter have an equal right to use.\textsuperscript{94} An entirely original or invented name, word, device or symbol, known as a pure or technical trademark, may answer this requirement.\textsuperscript{95} Ordinarily, no name which is merely descriptive of the qualities of an article can be appropriated as a trademark or tradename.\textsuperscript{96} Likewise, ordinarily, words and phrases in common use cannot be appropriated.\textsuperscript{97} Nevertheless, words of description or ordinary use may, from long and exclusive use, come to be so associated or identified in the public mind with the source or origin of the goods to which they are affixed that they have what is...


\textsuperscript{94}See Franklin Knitting Mills v. Fashionit Sweater Mills, 297 Fed. 217 (1923).

Abandonment of trademark, see note (1935) 22 Va. L. Rev. 102.

\textsuperscript{95}E.g., the word "Kodak". But compare invention of word, such as "aspirin" or "cellophane", used in connection with a patented article and becoming of common usage so as to be available to anyone when the patent expires. Bayer Co. v. United Drug Co., 272 Fed. 505 (1921); Dupont Cellophane Co. v. Waxed Products Co., 85 F. 2d 75 (1936).

\textsuperscript{96}Whole Grain Wheat Distributing Co. v. Bon Marche, 154 Wash. 455, 282 P. 914 (1929); Rest., Torts, Sec. 721.

Applied even where the name as used by defendant was falsely descriptive of his product. American Washboard Co. v. Saginaw Mfg. Co., 103 Fed. 261 (1900). It is hard to see what equities exist in the defendant's favor in such a situation.

Foreign word, see Italian Swiss Colony v. Italian Vineyard Co., supra, n. 80.


\textsuperscript{97}Purity Spring Water Co. v. Redwood Ice Co., 203 Cal. 286, 263 P. 810 (1928); Rest., Torts, Sec. 721.
termed a "secondary meaning", so that their subsequent use by another on a similar product will be enjoined.\(^8\)

While a mere color or shape of a container cannot be appropriated as a trademark,\(^9\) an original combination of several things or words may constitute a protectible trademark.\(^10\)

Although it has formerly been stated that no one can acquire an exclusive right to a merely geographic name, certain exceptions have been developed. When one has truly applied the name of his town or district to his goods and they have become known by that name, he will be protected as against one whose goods are produced elsewhere and which have falsely affixed to them the same name in order that they may pass as the goods made by the original user of the name.\(^10\)\(^1\) Even where the subsequent use is by a competitor who has established himself in the same town or district, the subsequent user may be enjoined from using the same geographic name because it has acquired a "secondary meaning" or, at least, required to distinguish his goods from those of the first user so that the public may not be deceived and the first user injured.\(^10\)\(^2\)

A kindred question arises as to how far one may use his own name as a trademark or tradename so as to be protected against the use of the same or a similar name by another.\(^10\)\(^3\) It is conceded that a person cannot acquire an exclusive right to the use of his mere name as against another of the same name. A second

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\(^9\) "To entitle a private party to equitable relief, there must be wrong added to incidental confusion in the use of similar names, such as fraud, deception, or palming off, or the name which has sought to protect must have acquired a secondary meaning." General Industries Co. v. 20 Wacker Drive Bldg. Corp., 156 F. 2d 474 (1946).


\(^10\) Lusta-Foame Co. v. Wm. Filene's Sons Co., 66 F. Supp. 517 (1946); Rest., Torts, Sec. 724.


\(^10\) See annotations, Right, in absence of self-imposed restraint, to use one's own name for business purposes to detriment of another using the same or similar name, 47 A.L.R. 1189, 107 A.L.R. 1279.

In respect of corporations, see annotations, 115 A.L.R. 1241, 66 A.L.R. 948.
comer in the field has the right to use his name to identify his business or goods so long as he does not thereby deceive the public or others to the detriment of the first user. However, if the second comer resorts to any further imitation or to any artifice whatever, calculated to represent his goods as being those of the first user, he will be enjoined. Indeed, if the name of the prior user has become so well associated in the public mind with his goods that confusion is unavoidable, the court may require the second comer to distinguish or identify his goods in such way that the confusion or mistake will be prevented.

One will, of course, be protected against the use of his name by persons not bearing the name. In such case, assumption of his name is without any pretence of right. Protection will also be accorded against one not of the same name who makes a point of employing or associating with him someone of the same name as the prior user, in order to take advantage of the good will and reputation of the prior user.

A trademark may be infringed without imitating it, as where a dealer in response to requests for a particular trademarked article of plaintiff hands over another's product, or where a dealer removes identifying labels, marks or the like from

106 Where defendant's use of his own name was motivated by desire to divert business from plaintiff and he could not use his own name without inevitably confusing public, his use of his name was absolutely enjoined. Hoyt Heater Co. v. Hoyt, 68 Cal. App. 2d 523, 157 P. 2d 657 (1945), noted (1946) 59 HARV. L. REV. 140.
111 In Enoch Morgan's Sons' Co. v. Wendover, 43 Fed. 420, 10 L.R.A. 283 (1890), plaintiff, who made a soap known as "Sapolio", proved that on several occasions customers who asked for Sapolio were handed the soap of a different maker which was marked "Pride of the Kitchen" and was not in a package not resembling that of plaintiff's soap.
112 As to products of another placed in container bearing plaintiff's mark or name, see annotation; 50 A.L.R. 285.
the plaintiff's goods and sells them as the product of another or as his own product. In this respect, litigation frequently results from the sale of repaired or reconditioned goods. The dealer may be removing the trademark and selling the reconditioned or repaired goods as his own or another's product, or he may be leaving the trademark on the goods but selling them as, or in a manner to lead to the belief that they are, new goods.

It is an essential of a valid trademark that it contain no false statement as to the character of the article itself, or as to the person by whom or the place where it is made. No property right can be asserted in such a false statement and it would be contrary to public policy for equity to lend its aid to one who is deceiving the public. It is not necessary that the deception should inhere in the trademark itself. If misleading words or symbols are used in connection with it, the trademark will not be protected. Similarly, the use of a trademark or tradename in connection with a business which is in its nature illegal or contrary to public policy will not be protected in equity.

Trademarks and Tradenames—Use by Noncompetitors

Formerly, since the term "unfair competition" was considered to presuppose actual competition of some kind, equitable relief was not available against one who used another's trademark or tradename on distinctly different articles, goods or

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111 Injunction granted to prevent infringement of trademark by one dealing in repaired goods, but dealer permitted to identify origin of goods. Champion Spark Plug Co. v. Sanders, 56 F. Supp. 782, 787 (1944), noted (1944) 34 Georgetown L. J. 118.
112 Champion Spark Plug Co. v. Sanders, supra, n. 111.
114 Applied in case of a "fruit" pudding sold under the name of "Puddine" which, as analysis showed, contained no fruit. Clotworthy v. Shepp, 42 Fed. 62 (1890).
115 Affiliated Enterprises v. Gantz, 86 F. 2d 595 (1936); Affiliated Enterprises v. Gruber, 86 F. 2d 958 (1936). In these cases, plaintiff sought to establish protectible property right in use of term "Bank Night" in connection with a scheme which court considered in nature of a lottery. Incidentally, in 1938, plaintiff discontinued operations when a fraud order was issued against it by the Post Office Department.
PROTECTION OF BUSINESS 283

There being no actual competition it was evidently believed that there could be no loss of business to the prior user of the mark or name which would supply the property injury which in some form is so frequently said to be a necessary element of equity jurisdiction.

Probably one of the earliest, if not the earliest, American departure from this view is to be found in a case involving the famous inventor, Thomas A. Edison. Edison sought to enjoin the unauthorized use of his name and picture on a drug manufactured and sold by the defendant. Obviously hard pressed to find precedent to justify the giving of equitable relief, the court touched upon such matters as whether there was a property right in a name or a picture or in reputation, as well as upon the right of privacy, without obtaining any fully satisfactory justification therefrom for relief. Analysis of the court's opinion shows its decision to give equitable relief to be based on the view that one's name and reputation come to have a pecuniary value in connection with one's business, in the nature of a property right, and that reasonable probability of future injury results from the unauthorized use of a name, even by a noncompetitor.

When it is considered that the prior user of a mark or name has no control over the subsequent user's methods of doing business or the quality of the goods, articles or services that he dispenses, it is plain that the prior user is at the mercy of one who may discredit the mark or the name in the mind of the public, whose dissatisfaction or ill will may thereupon attach to every article with that mark or name. Moreover, it is necessary to consider that the subsequent user, though a noncompetitor, is usually intentionally and deliberately attempting to profit himself, in deceit of the public, by appropriating to his own benefit the good will and the business value of an established mark or name. So far as the equities are concerned, they are all on the

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116 This seems to be stated as the rule in Nims, UNFAIR COMPETITION (2d ed.), Sec. 221; WALSH, TREATISE ON EQUITy, Sec. 46.
117 Edison v. Edison Polyform Mfg. Co., 73 N.J. Eq. 136, 67 A. 392 (1907), wherein the injunction extended to the use of Edison's name in the name of the defendant company. Compare Edison v. Thomas A. Edison, Jr., Chemical Co., 128 Fed. 957 (1904), where injunction was denied against use of name "Edison," though defendants were admittedly injuring Edison's business reputation. The court did not recognize the right to enjoin "defamation" injurious to business.
side of the prior user. It is now well settled that, even though there is no actual market competition, where one passes off his goods, services or his business as the goods, services or business of another, equity will intervene to protect the good will and business reputation of the latter from any injury liable to be caused thereby.#n

So far as concerns the territorial extent of protection in the case of subsequent use by a noncompetitor, it will be found that the same rules govern as in the case of a subsequent use by an actual competitor.#n

It will have been noticed that even where subsequent use of a mark or name is by a noncompetitor, nevertheless both parties are engaged in business or commerce of some kind. It is the probability of pecuniary damage to the business of the first user which justifies equity in giving relief. Can there be any pecuniary damage resulting from the use of the mark or name of one not engaged in business for profit? According to what may be described as a leading case of some years ago, the answer is in the negative. Vassar College sought to enjoin the Loose-Wiles Biscuit Company from using its name and a crude imitation of its college seal on boxes of chocolates which the defendant sold under the name of "Vassar Chocolates". The court declared that there was no such property right in its name and insignia, in the nature of a business right, to which any injury was done so as to entitle it to injunctive relief. The injury, if any, was described as being psychological rather than real and the plaintiff was said to be oversensitive.#n

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See annotation, Actual competition as necessary element of trademark infringement or unfair competition, 148 A.L.R. 12; Note (1925) 38 Harv. L. Rev. 370.

120 See e.g., Tillman & Bendel v. California Packing Corp. 63 F. 2d 498 (1933), certiorari denied 290 U.S. 638, 54 S. Ct. 55, 78 L. Ed. 554 (1933). And see supra, text and note 93.

Nevertheless, the same factors and the same probabilities are present in such a case as in the case where both parties are engaged in business for profit. The reputation of the plaintiff may suffer, the public may conceivably be deceived, the defendant may be deliberately attempting to profit himself from the established reputation and good will of the plaintiff. The plaintiff, though engaged in nonprofit activities, is usually dependent on continued public support and patronage, on continued public good will. Injury to the plaintiff’s reputation or otherwise can decrease public support and patronage to actual pecuniary loss on the part of the plaintiff. And since the activities of the plaintiff will usually be educational, religious or otherwise in the public benefit, the public may suffer an incalculable loss through diminution of the nonprofit activities. This is by far the better view and is the modern view.121

DESIGN OR APPEARANCE OF GOODS; BUSINESS SYSTEM

Closely akin to the matter of trademarks and tradenames is that of design or appearance of goods. Where goods of a certain design or appearance, although not protected by patent, in course of time become identified in the public mind with their manufacturer or source, the one responsible therefor is entitled to equitable relief against another who subsequently simulates the design or appearance for the purpose of deceiving the public to his own benefit.122 Where the deception is flagrant or where it is accompanied by other deceptions, such as the use of the same mark or name or a similar mark or name, the defendant may be enjoined from further simulation.123 Frequently, however, it

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121 E.g., Academy of Motion Picture Arts & Sciences v. Benson, supra, n. 118.
123 As in the case of trademarks, the first user of a particular design must have had it on the market for a sufficient length of time for the public to become familiar with it as his product. Rathbone, Sard & Co. v. Champion Steel Range Co., 189 Fed. 26, 37 L.R.A. (N.S.) 258 (1911). Ephemeral dress design, see Cheney Bros. v. Doris Silk Corp., 35 F. 2d 279 (1929), certiorari denied 281 U.S. 728, 50 S. Ct. 245, 74 L. Ed. 1145 (1930); noted (1930) 30 Col. L. Rev. 135, (1930) 43 Harv. L. Rev. 330, (1930) 16 Va. L. Rev. 617.
is considered sufficient relief to require the defendant to mark or identify his goods with sufficient clarity to show that they are not those of the plaintiff. Indeed, one may usually avoid charges of unfair competition made by a first comer by adequately marking or distinguishing his goods. While some cases hold to the contrary in respect to such voluntary marking, it will usually be found that in such cases the marking was not actually sufficient or in good faith.

It is immaterial that the simulation on the part of the manufacturer or wholesaler of the goods will not deceive retail dealers and that as to them no deception is attempted or practiced. If the former designedly enables the retail dealer to palm off the simulated goods or articles as those of the plaintiff, it is an act of unfair competition on the part of the manufacturer or wholesaler. He who induces another to commit fraud and furnishes the means is equally guilty.

With reference to a business system, the design or shape of an article frequently continues to be important. The point is that the first comer in the field has built up the probability of future demand for a given article and subsequently a competitor produces, usually at a cheaper price and perhaps of inferior quality, parts which will fit into the article or system devised and established by the first comer. Examples are the

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125 Crescent Tool Co. v. Kilborn & Bishop Co., supra, n. 124.
126 In Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 59 S. Ct. 109, 83 L. Ed. 73 (1938), it was held that reasonable means were taken to distinguish the defendant's goods, where it sold shredded wheat biscuits of the same shape as those of the plaintiff but they were of a different size, there was a different number of biscuits in the carton, and the carton was dissimilar and carried slightly different name.
127 In Yale & Towne Mfg. Co. v. Alder, 154 Fed. 57 (1907), the defendant copied all the external details of plaintiff's Yale lock but put the word "Yap" on it in place of the word "Yale" and placed its name and address on the shackle in the same sized letters used by plaintiff. It will be noticed that the simulation was accompanied by a name that might be easily misread as "Yale".
See annotation, Right to enjoin competitor from selling his produce to dealers with whom plaintiff has exclusive contract or in such form as to enable dealers to palm off competitor's produce on customers as that of plaintiff, 84 A.L.R. 472.
manufacture and sale of a system of sectional bookcases over a long period of time whereupon, after the establishment of a demand therefor, a second comer in the field produced and sold sectional bookcases of the same styles and sizes which could be used to extend those already bought from the originator of the system;\(^1\)\(^2\) and the manufacture of a toy construction set, named "Meccano", sold in various units, any one of which would fit into and expand any of the others, whereupon, after a demand was established therefor, a second comer manufactured and sold at a cheaper price a similar toy under a different name but of the same dimensions which could be fitted into units of the first comer.\(^1\)\(^2\) The decisions were not entirely harmonious. In the first example, although there was found to be an intent on the defendant's part to deceive the public into thinking they were buying the plaintiff's goods, equitable relief was denied. The right of any one to produce goods and articles of a similar nature, not the subject of patent, was asserted, despite the deception. In the second example, the deliberate attempt to palm off the defendant's goods as those of the plaintiff warranted injunctive relief. The better view is undoubtedly that a second comer is entitled to get the benefit of the demand created by the first comer, so long as he does not intend to deceive the public by passing off his goods as those of the first comer. If he is proceeding in good faith and clearly marks his goods to show unmistakably that they are his and not the goods of the first comer he may compete without equity's intervention.\(^1\)\(^3\)

Although advertising may create popular demand for articles of a particular nature, shape, size or form, it appears that advertising alone does not entitle the advertiser to prevent a competitor from beating him to the market and capitalizing on this demand.\(^1\)\(^3\) This can hardly be justified as an equitable view where the advertiser has first originated the idea, has expended money on preparations for production and has expended money on his advertising campaign and another unfairly attempts to capitalize on the advertising to pass his goods off as

\(^1\) Globe-Wernicke Co. v. Macey, 119 Fed. 696 (1902).
\(^3\) See, e.g., Flagg Mfg. Co. v. Holway, supra, n. 124.
those advertised. Where both come into the field, in good faith, at approximately the same time, it is another matter.

**INTERFERENCE WITH CONTRACTUAL RELATIONS**

Where the plaintiff, in the course of carrying on a lawful business, enters into a contract with another and a stranger to the contract deliberately seeks to induce the other contracting party to breach the contract or otherwise seeks to interfere with the contract to the irreparable injury of the plaintiff, the stranger may be enjoined from interfering with the plaintiff’s business or with his rights under the contract, if a remedy by way of damages is not adequate and complete. Not only is the right to carry on a lawful business free from wrongful interference a right of property or a substantial right in the nature of a property right, but the contract, with the rights thereunder, is a property right. Accordingly, the property element is more than adequately present to justify equitable consideration.\(^{132}\) The contracts may be those entered into with employees, or with customers or with manufacturers or wholesalers, in short contracts lawfully and properly entered into for the purpose of furthering the business. It is immaterial that the contract is terminable at will, even though terminable at the will of the one induced to breach it.\(^{133}\)

Where a competitor of the plaintiff seeks to induce the breach of or interfere with the plaintiff’s contracts with others, it becomes an act of unfair competition, as where the competitor seeks to induce customers of the plaintiff to breach their contracts with the plaintiff and deal instead with the competitor,\(^{134}\)


The fact that in some jurisdictions there is said to be no right of action for damages against one maliciously inducing breach of a contract other than for employment and that the action for damages resorted to must be against the party to the contract who breaches it, provides ground for equitable relief, since there is no remedy at law, at all, against one pursuing a deliberate or malicious course of conduct to the irreparable injury of the plaintiff. Origin and growth of action at law for damages, see Sayre, *Inducing Breach of Contract* (1923) 36 Harv. L. Rev. 663.


or where the competitor seeks to induce one to breach a contract he has made with the plaintiff which gives the latter an exclusive right or agency.\textsuperscript{135} Where the act or acts complained of will result in irreparable injury to the plaintiff, as will assuredly be the case where the conduct represents a continued course of action, equity will enjoin the act or acts.\textsuperscript{136} The plaintiff, of course, must not himself come into court with unclean hands, as where he himself has been inducing customers to breach their contracts with the defendant,\textsuperscript{137} or where he is carrying on a business which is a fraud on the public,\textsuperscript{138} or where the contract is entered into for the purpose of restraining competition or creating a monopoly, against the public interest.\textsuperscript{139}

So far as interference with contracts enters the field of labor law or disputes, the matter is not within the scope of this article. But it is proper to notice that a competitor may be enjoined from a continued course of conduct of inducing employees of the plaintiff to breach their contracts of employment, to the irreparable injury of the plaintiff.\textsuperscript{140} Or in the case of an employee whom the defendant has already induced to breach his contract,

\begin{footnotes}
\begin{enumerate}
\item\textsuperscript{136} In Montgomery Enterprises v. Empire Theatre Co., 204 Ala. 566, 86 So. 880, 19 A.L.R. 987 (1920), it does not specifically appear that defendant induced the breach of an exclusive contract that plaintiff had for "first run" motion pictures, but defendant was enjoined from knowingly profiting from such breach by showing such pictures.
\item\textsuperscript{137} See cases cited in two preceding notes.
\item\textsuperscript{138} American Law Book Co. v. Edward Thompson Co., \textit{supra}, n. 134.
\item\textsuperscript{139} American University v. Wood, 294 Ill. 186, 128 N.E. 330 (1920).
\item\textsuperscript{140} Dr. Miles Medical Co. v. John D. Park & Sons Co., 220 U.S. 373, 31 S. Ct. 376, 55 L. Ed. 502 (1911); Fairbanks, Morse & Co. v. Texas Electric Service Co., 63 F. 2d 702 (1933). Cf. Kinner v. Lake Shore, etc., R. Co., 69 Oh. St. 339, 69 N.E. 614 (1903), where, if any, of the plaintiff, was said to have no connection with subject matter of the action and thus not a bar.
\item An interesting example of this was the attempt to enjoin the Pasquel brothers, operators of a Mexican baseball league, and their alleged agent, from inducing baseball players under contract with the plaintiff to breach their contracts and go to Mexico to play baseball. See Brooklyn Nat. League Baseball Co. v. Pasquel, 66 F. Supp. 117 (1946), wherein action was dismissed.
\end{enumerate}
\end{footnotes}
the defendant may be enjoined from employing him. The employee himself may be enjoined from working for another in violation of his contract with the plaintiff where the employee's services are of an unusual or unique nature and he has negatively covenanted not to work for another during the period of his contract with the plaintiff.

Since the employee's power to earn a living is as important to him as the carrying on of a lawful business is to the owner of the business, the employee has a right recognized as a property right which is entitled to protection by injunction against one seeking to interfere with the employee's contract of employment to the irreparable injury of the employee. The employee's own conduct, of course, may be such as to render him guilty of coming into court with unclean hands and so not entitled to equitable relief.

**Defamation**

As in the past, equity does not at the present time, except as modified by the doctrine of the right of privacy, enjoin the publication of defamatory matter which affects merely the personal reputation and personal character of the plaintiff. However, we are concerned here with whether equity will enjoin publication of defamatory matter relative to the business of the plaintiff or to his financial standing and so directly injurious to him in his property.

In England when the matter became one of first impression, it was pointed out that the business of a merchant is the most valuable kind of property that he can have. A libel which would injure his business reputation was declared to be an injury to his property and equity had jurisdiction to protect him in his property by enjoining the threatened publication. Subsequently, the correctness of this view was denied, and still

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2. Lumley v. Wagner, supra, note 141.
later was expressly overruled in Prudential Assurance Co. v. Knott, frequently cited and relied on in American decisions. Nevertheless, there has been a return to the first view expressed, under authority of the English Judicature Act of 1873, and courts in England in the exercise of equitable powers enjoin not only libelous publications but also oral slanders which injuriously affect one's business.

In this country the courts for very long and with unanimity refused to enjoin the publication of defamatory matter even where it was clearly injurious to the plaintiff's business or business reputation. The chief ground for refusal was that the constitutional guaranties of freedom of speech and freedom of the press would be interfered with or infringed. Another ground, however, was the very force and weight of precedents which had so long declared that equity did not enjoin defamatory matter injurious to one's reputation that the courts were inclined to feel that this principle was settled even where injury to business appeared.

This American view which was once so firmly established has been whittled away in some jurisdictions and attacked outright in others. Some courts have declared that where libelous matter is an incident or part of an attack directed against the plaintiff's business or is part of a plan to injure the plaintiff's business, the publication can be enjoined along with the

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147 (1875) 10 Ch. App. 142.
150 But once the plaintiff had established in an action at law that the publication was libelous, he could then obtain an injunction against further publication of it or similar matter which was shown to be injurious to him in his business. Flint v. Hutchinson Smoke Burner Co., 110 Mo. 492, 19 S.W. 804, 16 L.R.A. 243, 33 Am. St. Rep. 476 (1892).
152 For excellent collection of cases, see annotation, Injunction as remedy in case of trade libel, 148 A.L.R. 853.
other incidents or parts.\textsuperscript{152} This has been especially true in labor disputes where the false statements enjoined were said by the court to be part of a plan to injure the employer's business.\textsuperscript{153} The further view has been arrived at that, whatever the view as to non-enjoinability of the publication of defamatory matter injurious to personal reputation which may also be injurious to property or business, where the defamatory matter is deliberately directed at the business itself or the articles, goods or services dealt in and is thus classifiable as unfair competition by a competitor or as an unjustifiable and wilful attempt at injury by a noncompetitor, injunction will issue against the publication.\textsuperscript{154} Thus it has become well established that defamatory or false statements directed at the business or business rights of the plaintiff will be enjoined where such statements are issued for the purpose of persuading or inducing customers or the public generally not to do business with the plaintiff,\textsuperscript{155} or for the purpose of intimidating them from doing business with the plaintiff.\textsuperscript{156} Some courts, in enjoining, as injurious, false state-


\textsuperscript{153} See Beck v. Railway Teamsters Protective Union, supra, n. 152.

\textsuperscript{154} In Magill Bros. v. Building Service Employees International Union, 20 Cal. 2d 506, 127 P. 2d 542 (1942), the false and misleading statements were on signs carried by pickets. The view of the court seems to be that if the union members had sat at home and issued the false statements there would have been nothing to enjoin; but combining the publication of the false statements with picketing warranted injunctive relief.


\textsuperscript{155} Emack v. Kane, 34 Fed. 46 (1888); Shoemaker v. South Bend Spark Arrester Co., 135 Ind. 471, 35 N.E. 260, 22 L.R.A. 332 (1893). See also American Mercury v. Chase, 13 F. 2d 224 (1926), noted (1926) 25 Micn. L. Rev. 74, where statements were made in good faith by one not a competitor.
ments which are directed against a business or its products, have termed the wrong a "disparagement of property" and by thus avoiding the use of such terms as "libel", "slander", or "defamation", have neatly evaded many of the difficulties presented by precedent as represented in the older cases. Others designate the wrong a "trade libel" to differentiate it and to justify giving equitable relief.\textsuperscript{158}

There is no sound reason why the publication or making of defamatory statements, whether written or oral, should not be enjoined where injurious to property rights, including the right to carry on a lawful business and, as well, the right to earn a living.\textsuperscript{159} The gradual arrival at this point of view by the American courts brings about uniformity in equity's protection of property rights, particularly of the right to carry on a lawful business.\textsuperscript{160}

\textbf{Miscellaneous Business Rights; Modern Developments}

The growth and complexity of our economic life have introduced many new assets or incidents of value into various businesses. Indeed, a business today may be altogether based on new facilities or processes not formerly existent. These are


\textsuperscript{158} See, e.g., Black & Yates, Inc. v. Mahogany Ass'n, Inc., 129 F. 2d 227, 148 A.L.R. 841 (1941), and annotation, p. 853.

\textsuperscript{159} "We are quite willing to repudiate the 'waning doctrine that equity will not restrain the trade libel'. We are further willing to do so directly and without hiding behind the other equitable principles put forward in some of the cases." Black & Yates, Inc. v. Mahogany Ass'n, Inc., \textit{supra}, n. 158.

"The defendant relies upon Boston Diatite Co. v. Florence Mfg. Co. (see \textit{supra}, n. 150), wherein it was held that equity jurisdiction does not extend to cases of libel or slander or of false representations as to character or quality of the plaintiff's property or as to his title thereto which involve no breach of trust or of contract. ... But later cases have held that equity will take jurisdiction where there is a continuing course of unjustified and wrongful attack upon the plaintiff motivated by actual malice, and causing damage to property rights as distinguished from 'injury to the personality affecting feelings' ... even though false statements and false announcements are the means or among the means employed, and that in such cases there is no adequate remedy at law." Menard v. Houle, \textit{supra}, n. 154. To same effect, Carter v. Knapp Motor Co., \textit{supra}, n. 154.
as much entitled to equitable protection as the better known or older incidents or assets. Illustrations of a recognition of this are found in the many recent cases involving radio, motion pictures, news services, as well as in cases in the field generally of art, literature and music. These matters are worthy of separate treatment in themselves and will not be treated here.

An odd case is that in which a newspaper conducting a puzzle contest for purpose of increasing its circulation enjoined professional puzzle solvers from soliciting participants to buy purported solutions, on ground of wrongful interference with right to conduct lawful business. Philadelphia Record Co. v. Leopold; 40 F. Supp. 346 (1941).


Similarly, as to rights in quotations collected by trading exchange, see Moore v. New York Cotton Exchange, 270 U.S. 593, 46 S. Ct. 367, 70 L. Ed. 750, 45 A.L.R. 1370 (1926).

See annotation, Application of principles of unfair competition to artistic or literary property, 19 A.L.R. 949.

Distinctive style of nationally known orchestra leader as subject of exclusive radio contract, see Waring v. Dunlea, 26 F. Supp. 338 (1939); Waring v. WDAS, 327 Pa. St. 433, 194 A. 631 (1937).