Boston College Law Review

Volume 6 | Issue 1 Article 17

10-1-1964

Unfair Competition—Preemption by Federal Patent Law.—Sears, Roebuck & Co. v. Stiffel Co.; Compco Corp. v. Day-Brite Lighting, Inc

Vincent A. Siano

remain quite scarce. However, it seems probable that most states, if not all, will adopt statutes similar to the federal tax lien statute, thus giving each state's tax lien priority over the federal lien when the state makes its assessment first. This might eventually lead to congressional declaration of a superiority of the federal lien.

ROBERT M. STEINBACH

Unfair Competition—Preemption by Federal Patent Law.—***Sears, Roebuck & Co. v. Stiffel Co.;***[1] ***Compco Corp. v. Day-Brite Lighting, Inc.***[2]— The Supreme Court recently decided two cases which will affect the area within which the states may employ their laws of unfair competition. In the first, Sears, Roebuck & Co. marketed a pole lamp substantially identical to a patented lamp[3] which Stiffel Co. had previously placed on the market. Stiffel immediately began an action in the United States District Court for the Middle District of North Carolina, which was transferred to the Northern District of Illinois,[4] charging Sears in the first count with patent infringement, and in the second, with unfair competition in that the sale of the Sears lamp resulted in consumer confusion. The district court, invalidating the patent for want of invention,[5] decided for Sears on the first count; but observing that the Sears lamp could cause consumer confusion and had, in fact, already caused such confusion, found for Stiffel on the second count. The Court of Appeals for the Seventh Circuit affirmed, and the Supreme Court granted certiorari. HELD: The law of unfair competition may not be used to prohibit the copying of an article which is unprotected by federal law and which is in the public domain.

In the second case, Day-Brite Lighting, Inc. sold a patented[6] lighting fixture which had a distinctive cross-ribbed light reflector. Subsequently, Compco Corporation's predecessor[7] placed a very similar fixture on the market. Day-Brite then began an action for patent infringement, also charging that Compco had copied the distinctive reflector, which the public had come to associate with Day-Brite as the manufacturer, so as to confuse and deceive purchasers, and thus constitute unfair competition. The district court held Day-Brite's patent invalid, but found Compco guilty of unfair competition despite the absence of fraudulent practices on the ground that the fixture identified Day-Brite as its source and the presence of a similar fixture on the market was likely to cause, and had in fact caused, public confusion. The Court of Appeals affirmed, and the Supreme Court granted certiorari.

---

[1] 376 U.S. 225, rehearing denied, 376 U.S. 973 (1964).

[2] 376 U.S. 234 (1964).

[3] The pole lamp was protected by design and mechanical patents.

[4] The district courts have original jurisdiction in any civil action based upon unfair competition if joined with a substantial and related claim under federal copyright, patent or trademark laws. 62 Stat. 931 (1948), 28 U.S.C. § 1338(b) (1948).

[5] See 66 Stat. 797 (1952), 35 U.S.C. § 101 (1958).

[6] Day-Brite's fixture was protected by a design patent.

[7] Compco Corporation had acquired the Mitchell Lighting Co. prior to the filing of the complaint in the district court.

HELD: A state may not prevent the copying of a federally unprotected article which is in the public domain even though a particular feature of that article has come to identify its source, *i.e.*, has acquired a secondary meaning.

Prior to these decisions there had grown up a substantial body of law aimed at the elimination of public deception stemming from the piratical practices of those seeking a share of a particular market.[8] Under this law of unfair competition as originally formulated, the mere copying of an article unprotected by patent or copyright would not be actionable, unless the added ingredient of public deception were present.[9] This deception could result from the copier's attempt to take advantage of the popularity of the originator's goods by "palming off" his copy as the product of the originator.[10] It could also result from the copying of an article which had already acquired a secondary meaning, *i.e.*, an identification by the public of the article with the originator and reliance on this identification, at least in part, in their purchase.[11] This secondary-meaning doctrine, however, is limited in its application by the distinction drawn between an item's functional and nonfunctional aspects; since the originator's article will be protected only in those features which are termed nonfunctional.[12] With a view to the basic common law policy of the freest competitive markets, the definition of the term functional has been expanded—and thus protection restricted—to include not only those features which are utilitarian and essential, but also those which contribute to the marketability of the article.[13]

This "orthodox" view of the law of unfair competition is not, however, the only one. There is another view—the doctrine of misappropriation.[14] This doctrine received its greatest impetus from the Supreme Court's decision in *International News Serv. v. Associated Press*.[15] It has as its ostensible objective the protection of "property rights," although the precise meaning of property right is not quite evident.[16] Actually the doctrine is concerned with the fairness or unfairness of a particular activity. Its objective seems to be the formulation of a minimum standard of business ethics without regard to

---

[8] Crescent Tool Co. v. Kilborn & Bishop Co., 247 Fed. 299 (2d Cir. 1917).

[9] Swank, Inc. v. Anson, Inc., 196 F.2d 330 (1st Cir. 1952); Chas. D. Briddell v. Alglobe Trading Corp., 194 F.2d 416 (2d Cir. 1952); Jessar Mfg. Corp. v. Berlin, 380 Pa. 453, 110 A.2d 396 (1955).

[10] Sinko v. Snow-Craggs Corp., 105 F.2d 450 (7th Cir. 1939).

[11] Sinko v. Snow-Craggs Corp., supra note 10; Crescent Tool Co. v. Kilborn & Bishop Co., supra note 8; French Am. Reeds Mfg. Co. v. Park Plastics Co., 20 N.J. Super. 325, 90 A.2d 50 (1952). See Restatement, Torts § 741 (1938).

[12] Pagliero v. Wallace China Co., 198 F.2d 339 (9th Cir. 1952).

[13] J. C. Penny Co. v. H. D. Lee Mercantile Co., 120 F.2d 949 (8th Cir. 1941); Zippo Mfg. Co. v. Rogers Imports, Inc., 216 F. Supp. 670, 694 (S.D.N.Y. 1963). See Note, 64 Colum. L. Rev. 544 (1964).

[14] See Sell, The Doctrine of Misappropriation in Unfair Competition, 11 Vand. L. Rev. 483 (1958); Callmann, He Who Reaps Where He Has Not Sown: Unjust Enrichment in the Law of Unfair Competition, 55 Harv. L. Rev. 595 (1942).

[15] 248 U.S. 215 (1918).

[16] The right protected by the misappropriation doctrine has been characterized as a relational right, i.e., ". . . the basis of the decision[s] is to be found in the relation between the parties, rather than in a general property right of the complainant." Callmann, op. cit. supra note 14, at 597.

the presence or absence of public deception. The Court in the *International News Service* case, in answering the defendant's contention that the news, once published by the Associated Press, had become public property, stated, "[T]he fault in the reasoning lies in applying as a test the right of the complainant as against the public, instead of considering the rights of complainant and defendant, competitors in business, as between themselves."[17] The Court went on to state that the defendant had endeavored to sell as its own, the news which the Associated Press had gathered by the expenditure of its labor, skill and money, and that defendant ". . . [was] endeavoring to reap where it [had] not sown."[18]

The Supreme Court, by its decisions in the *Sears* and *Compco* cases, has sounded the death knell for the states' application of the doctrine of secondary meaning, or any other prohibitory doctrine, to prevent copying in the area of article simulation on the ground of federal preemption in the field. The gist of the decisions is that the states, although they may require such precautionary measures as labeling to eliminate or minimize public confusion or deception, and may impose liability upon those who intentionally deceive the public by "palming off" their copies as the original, may not prohibit the copying of those articles and features of articles which are in the public domain,[19] and which are not federally protected. The Court expresses the opinion that to allow the states to do so would be to allow the states to defeat the federal objective of rewarding invention by the granting of a limited monopoly in the hope of fostering further inventive talent.[20] The Court's pronouncement amounts to a statement that a state's prohibition, on any doctrinal basis, against copying a nonfederally protected or protectable article which has found favor among the public, prevents the entry of a potential competitor into a particular segment of the economy and thus extends state protection where federal law says none should exist.

In view of the fact that the *Sears* and *Compco* decisions specifically do not foreclose the states from imposing liability for "palming off," and in view of the present legal definition of functional, *i.e.*, all features which contribute to the marketability of an article,[21] and in view of the fact that the property interest protectable by the doctrine of misappropriation is something other than the "right" to use an item in the public domain for one's own commercial advantage, the *Sears* and *Compco* decisions are not as far reaching as would appear at first glance.

First, since the states still retain the power to impose liability for "palming off," it would be unrealistic to believe that they could not effectively prevent copying if it were to be done for the purpose of "palming off."

[17] International News Serv. v. Associated Press, supra note 15, at 239.

[18] Id. at 239.

[19] There are numerous expressions in both opinions to the effect that the states may not put out of the public's reach what federal law has put within it.

[20] The Court states: "To allow a State by use of its laws of unfair competition to prevent the copying of an article which represents too slight an advance to be patented would be to permit the State to block off from the public something which federal law has said belongs to the public." Sears, Roebuck & Co. v. Stiffel, supra note 1, at 231-32.

[21] See cases cited supra note 13.

Therefore, this practice could not result in any economic advantage for the copier. Secondly, very little ornamentation which goes into a consumer product does not contribute to the marketability of that product, and it is precisely this type of ornamentation which the law of unfair competition regards as nonfunctional and will protect against copying. Thus the area of nonfunctional characteristics which the states could have protected against copying, and from which the *Sears* and *Compco* decisions have now banished state power, was quite small and relatively unimportant. Thirdly, the limitation upon the power of the states is only operative when the article is in the public domain, *i.e.*, when no one person can acquire an exclusive right to use, sell, or otherwise control a particular item. Since the right to use the item in the form in which it publicly exists belongs equally to all,[22] under most circumstances no one person could acquire a protectable "property interest" under the doctrine of misappropriation, and thus the doctrine affords little protection in this particular area. Perhaps the doctrine has its greatest application in the area of artistic and literary performances,[23] where it seeks to prevent, not the copying of the idea behind the performance, but rather the unauthorized appropriation of the performance itself. Thus the "property interest" of the performer in his performance is recognized and protected[24] in much the same way as unpublished artistic and literary creations are protected by the doctrine of common law copyright.[25] It is unlikely that the *Sears* and *Compco* decisions meant to preclude the states from affording protection in this area. To do so would open the door to a host of piratical practices in the recording, movie and other performance industries. In fact, it has already been held that the *Sears* and *Compco* decisions do not affect this type of protection.[26]

In conclusion, very little change can be expected in a state's application of its law of unfair competition as a result of the *Sears* and *Compco* decisions.

---

[22] The situation here is the same as exists upon the expiration of a federal patent or copyright. At that time, the article, as it was protected by the patent or copyright, passes into the public domain. Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938); G. Ricordi & Co. v. Haendler, 194 F.2d 914 (2d Cir. 1962).

[23] Ettore v. Philco Television Broadcasting Corp., 229 F.2d 481 (3d Cir.), cert. denied, 351 U.S. 926 (1956); Waring v. WDAS Broadcasting Station, Inc., 327 Pa. 433, 194 Atl. 631 (1937). It should be noted that federal copyright protection is unavailable for phonograph records or other sound recordings. 37 C.F.R. § 202.8(b) (Supp. 1959).

[24] See cases cited supra note 23.

[25] The common-law gives to a man a protectable "property right" in the unpublished products of his creative mind. This right is essentially a prepublication right. Mazer v. Stein, 347 U.S. 201 (1954). The right is divested by the placing of the creation in the public domain by publication without reservation and without obtaining a statutory copyright. Public Affairs Associates, Inc. v. Rickover, 284 F.2d 262 (D.C. Cir. 1960). See Note, 108 U. Pa. L. Rev. 699 (1960). It has already been held that the *Sears* and *Compco* decisions did not affect common-law copyright. Edgar H. Wood Associates, Inc. v. Skene, 1964 Mass. Adv. Shs. 647, 197 N.E.2d 886 (1964); Columbia Broadcasting System, Inc. v. Documentaries Unlimited, Inc., —— Misc. ——, 248 N.Y.S.2d 809 (Sup. Ct. 1964).

[26] Capitol Records, Inc. v. Greatest Records, Inc., 32 U.S.L. Week 2686 (N.Y. Sup. Ct. June 22, 1964); Flamingo Telefilm Sales, Inc. v. United Artists Corp., 32 U.S.L. Week 2579 (N.Y. Sup. Ct. May 1, 1964).

The states still retain the ability to protect the public from "palming off" through the imposition of liability for so doing. Undoubtedly, the two decisions will have their greatest impact upon those states which apply the functional-nonfunctional distinction in protecting consumer products; but even here the area eliminated from the scope of state power has limited significance. Finally, the effect of the *Sears* and *Compco* directive upon those states which apply the doctrine of misappropriation should be negligible, because the area to which that directive refers is that of the public domain. Since there is no unfairness in the copying of an item in the public domain, there can be no "property interest" to be protected by the doctrine of misappropriation.

VINCENT A. SIANO