

1-1969

Trademark Infringement

William Robert Urga

Follow this and additional works at: https://repository.uchastings.edu/hastings_law_journal

 Part of the [Law Commons](#)

Recommended Citation

William Robert Urga, *Trademark Infringement*, 20 HASTINGS L.J. 1132 (1969).

Available at: https://repository.uchastings.edu/hastings_law_journal/vol20/iss3/10

This Article is brought to you for free and open access by the Law Journals at UC Hastings Scholarship Repository. It has been accepted for inclusion in Hastings Law Journal by an authorized editor of UC Hastings Scholarship Repository.

XI. Trademark Infringement

A. Accounting of Profits—Maier Brewing Co. v. Fleischmann Distilling Corp., 390 F.2d 117 (9th Cir. 1968).

Relying upon the theory of unjust enrichment, the Ninth Circuit in *Maier Brewing Company v. Fleischmann Distilling Corporation*¹ held that the lack of direct product competition did not prevent an award of an accounting of profits in a trademark infringement suit.²

Fleischmann Distilling Corporation sought injunctive relief and damages³ for purported trademark infringement and unfair competition against both Maier Brewing Company for manufacturing and Ralph's Grocery Company for distributing beer under the label "Black & White." Since 1948,⁴ Fleischmann Corporation has been the sole importer and distributor for "Black & White" label Scotch whisky, which is manufactured abroad by James Buchanan & Company.⁵ The name "Black & White" was registered as a trademark for Scotch whisky in 1908 in the United States Patent Office⁶ and was renewed in 1948 under the Lanham Act.⁷ Sales have exceeded 100 million bottles in the United States,⁸ and, during the period from 1951 to 1957, over 500,000 cases were sold in California.⁹ Over one-half of the sales in California were in Los Angeles County, location of both Ralph's Grocery Company chain and Maier Brewing Company.¹⁰ Maier Brewing Company manufactured and sold low price beer under a variety of labels,¹¹ one of which, "Black & White,"¹²

¹ 390 F.2d 117 (9th Cir.), *cert. denied*, 391 U.S. 966 (1968).

² 390 F.2d at 124; see Note, *An Accounting of Profits for Trade-Symbol Infringement Based Upon a Theory of Restitution*, 1963 WASH. U.L.Q. 243.

³ *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 196 F. Supp. 401 (N.D. Cal. 1961), *rev'd*, 314 F.2d 149 (9th Cir.), *cert. denied*, 374 U.S. 830 (1963).

⁴ The trial court indicated Fleischmann has been the sole importer since 1938. 196 F. Supp. 401.

⁵ *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 150 (9th Cir.), *cert. denied*, 374 U.S. 830 (1963).

⁶ 314 F.2d at 151.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.* at 158 n.11 (21 separate labels).

¹² The name "Black & White" had been used in 1935 by the St. Claire Brewing Co. of San Jose, California, but after the threat of suit, the name was abandoned in 1938. *Id.* at 153.

was sold exclusively to Ralph's Grocery for use in their 32-store grocery chain.¹³

Initially the trial court denied an injunction, holding that there could be no real competition between the plaintiff's Scotch whisky and the defendant's beer.¹⁴ The district court concluded that such a lack of competition precluded any confusion as to the source of origin of the product in the minds of consumers. On the first appeal, the Ninth Circuit reversed and remanded the case and ordered the district court to grant an injunction and to consider the plaintiff's right to an accounting.¹⁵ The court found that there was a likelihood of confusion in the minds of consumers as to who produced the product,¹⁶ and that Maier deliberately took advantage of the popularity of the name "Black & White" Scotch.¹⁷ The instant appeal was from the awarding of an accounting of profits against both Maier Brewing Company and Ralph's Grocery Company.¹⁸

After determining that the district court properly exercised federal jurisdiction,¹⁹ the Ninth Circuit was confronted with the alter-

¹³ *Id.* at 151.

¹⁴ *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 196 F. Supp. 401 (N.D. Cal. 1961), *rev'd*, 314 F.2d 149 (9th Cir.), *cert. denied*, 374 U.S. 830 (1963).

¹⁵ *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149 (9th Cir.), *cert. denied*, 374 U.S. 830 (1963).

¹⁶ 314 F.2d at 151. Determining the likelihood of confusion as to source is more like determining a question of law than a finding of fact. *E.g.*, *Continente v. Continente*, 378 F.2d 279, 281 (9th Cir. 1967); *Baker v. Simmons Co.*, 307 F.2d 458, 464-65 (1st Cir. 1962); *Sleeper Lounge Co. v. Bell Mfg. Co.*, 253 F.2d 720, 723 (9th Cir. 1958); *McCormick & Co. v. Manischewitz Co.*, 206 F.2d 744, 746 (6th Cir. 1953); *Miles Shoes, Inc. v. R.H. Macy & Co.*, 199 F.2d 602, 602-03 (2d Cir. 1952).

¹⁷ *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 157, 158 n.11 (9th Cir.), *cert. denied*, 374 U.S. 830 (1963).

¹⁸ A second appeal by the defendants from an award of attorney's fees was dismissed as premature. A third appeal, taken by the defendants under district court authorization before final judgment, reversed the awarding of attorney's fees. *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 359 F.2d 156, 165 (9th Cir. 1966), *aff'd*, 386 U.S. 714 (1967).

¹⁹ In a civil action arising under any federal statute relating to trademarks, the federal courts have jurisdiction. 28 U.S.C. § 1338 (1964). Infringement of common law trademarks not arising out of any Act of Congress related to trademarks does not confer federal jurisdiction over the case unless other requisites are met. *E.g.*, *Fry v. Layne-Western Co.*, 282 F.2d 97, 99 (8th Cir. 1960); *Allen v. Barr*, 196 F.2d 159, 161 (6th Cir. 1952); *Magic Foam Sales Corp. v. Mystic Foam Corp.*, 167 F.2d 88, 90 (6th Cir. 1958). The Federal Trade-Mark Act (Lanham Act), 15 U.S.C. §§ 1051-1127 (1964), provides that federal courts have original and appellate jurisdiction for any actions arising under it. 15 U.S.C. § 1127 (1964). Therefore, notwithstanding the fact the defendant's business was wholly intrastate, the court concluded it had jurisdiction because the goods were used in commerce as defined in section 1127 of the Act. *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d

native either of following the traditional view of granting an accounting only if there is direct product competition between the trademark registrant and the infringer,²⁰ or of adopting a modern view of unjust enrichment and granting an accounting when in fact there is no direct product competition. Therefore, the court, in deciding which theory to follow, had to determine if the remedies available under the Lanham Act,²¹ adopted to provide a uniform trademark law for all owners of trademarks engaged in interstate commerce,²² were satisfactory in view of today's complex business conditions. The Lanham Act provides: "When a violation . . . [has] been established in any civil action arising under this chapter, the plaintiff shall be entitled . . . subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action."²³

Historically, the applications of the remedies available under the Lanham Act and its predecessor, the Trademark Act of 1905,²⁴ have been far from satisfactory. The trademark registrant has always had a remedy at law for damages for trademark infringement; however, this remedy has often proved to be inadequate.²⁵ For this reason, equity, in a proper case, has taken jurisdiction to provide an adequate remedy for the trademark owner.²⁶ In an equity proceeding, there may be a suit for an injunction²⁷ and possibly a suit for an accounting²⁸ on the theory that the accounted for profits will substitute for the owner's lost sales.²⁹ However, in such equity ac-

117, 120 (9th Cir. 1968); *accord*, *Drop Dead Co. v. S.C. Johnson & Son, Inc.*, 326 F.2d 87, 93-94 (9th Cir. 1963). *See also* *Mandeville Farms v. Sugar Co.*, 334 U.S. 219, 234 (1948).

²⁰ This was the position of the Ninth Circuit previously. *Horlick's Malted Milk Corp. v. Horluck's, Inc.*, 59 F.2d 13, 17 (9th Cir. 1932); *see* Comment, *Monetary Awards for Unfair Competition in California*, 34 S. CAL. L. REV. 283 (1961).

²¹ 15 U.S.C. §§ 1051-1127 (1964).

²² *See* S. REP. NO. 1333, 79th Cong., 2d Ses. 1-2 (1946).

²³ 15 U.S.C. § 1117 (1964).

²⁴ Act of Feb. 20, 1905, ch. 593, § 19, 33 Stat. 724.

²⁵ *See, e.g.*, *Simmons Co. v. Royal Bedding Co.*, 5 F. Supp. 946 (W.D. Pa. 1933); 2 H. NIMS, *THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS* § 423 (4th ed. 1947).

²⁶ *Midwest Plastics Corp v. Protective Closures Co.*, 285 F.2d 747 (10th Cir. 1960); *Metropolitan Life Ins. Co. v. Metropolitan Ins. Co.*, 277 F.2d 896, (7th Cir. 1960); *see* *American Dirigold Corp. v. Dirigold Metals Corp.*, 125 F.2d 446, 452 (6th Cir. 1942) (dictum).

²⁷ 15 U.S.C. § 1116 (1964).

²⁸ *Hamilton Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 259 (1916); *National Lead Co. v. Wolfe*, 223 F.2d 195 (9th Cir.), *cert. denied*, 350 U.S. 883, (1955); *Aladdin Mfg. Co. v. Mantle Lamp Co. of America*, 116 F.2d 708, 715, 718 (7th Cir. 1941).

²⁹ *See, e.g.*, *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*,

tions, the granting of an injunction does not entitle the trademark registrant to an accounting of profits as a matter of right.³⁰ An accounting is at the discretion of the court³¹ and will be denied if injunctive relief satisfies the equities of the case.³²

Heretofore, a great majority of the cases decided under the trademark laws have taken a very narrow interpretation of the remedy of an accounting. The courts have limited such a recovery only to cases where there has been direct competition between the trademark owner and the infringer.³³ This traditional view has been grounded on the theory that in the absence of direct product competition there could be no confusion as to the origin of noncompeting products, and, therefore, no diversion of sales from the trademark owner.³⁴

Nevertheless, a minority of cases has circumvented the direct competition requirement. First, some courts have allowed an accounting where there was purchaser confusion as to the source of the product.³⁵

316 U.S. 203, 206 (1942); *Dad's Root Beer Co. v. Doc's Beverages, Inc.*, 193 F.2d 77, 83 (2d Cir. 1951). See also *Monsanto Chem. Co. v. Perfect Fit Prods. Mfg. Co.*, 349 F.2d 389, 392 (2d Cir. 1965), *cert. denied*, 383 U.S. 942 (1966).

³⁰ *E.g.*, *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 131 (1947); *Borg-Warner Corp. v. York-Shipley, Inc.*, 293 F.2d 88, 95 (7th Cir.), *cert. denied*, 368 U.S. 939 (1961); *Morgenstern Chemical Co. v. G.D. Searle & Co.*, 253 F.2d 390, 394 (3d Cir.), *cert. denied*, 358 U.S. 816 (1958).

³¹ *E.g.*, *Monsanto Chem. Co. v. Perfect Fit Prods. Mfg. Co.*, 349 F.2d 389, 392 (2d Cir. 1965); *National Van Lines v. Dean*, 237 F.2d 688, 694 (9th Cir. 1956); *Dad's Root Beer Co. v. Doc's Beverages, Inc.*, 193 F.2d 77, 83 (2d Cir. 1951), *aff'g* 94 F. Supp. 121 (S.D.N.Y. 1950).

³² *E.g.*, *Highway Cruisers, Inc. v. Security Indus., Inc.*, 374 F.2d 875, 876 (9th Cir. 1967); *Fuller Prods. Co. v. Fuller Brush Co.*, 299 F.2d 772, 777 (7th Cir.), *cert. denied*, 370 U.S. 923 (1962); *Borg-Warner Corp. v. York-Shipley, Inc.*, 293 F.2d 88, 96 (7th Cir.), *cert. denied*, 368 U.S. 939 (1962); *National Van Lines v. Dean*, 237 F.2d 688, 694 (9th Cir. 1956); *Consumers Petroleum Co. v. Consumers Co.*, 169 F.2d 153, 164 (7th Cir. 1948), *cert. denied*, 335 U.S. 902 (1949); see Comment, *Monetary Awards for Unfair Competition in California*, 34 S. CAL. L. REV. 283 (1961).

³³ *Morgenstern Chem. Co. v. G.D. Searle & Co.*, 253 F.2d 390, 394 (3d Cir.), *cert. denied*, 358 U.S. 816 (1958); *McCormick & Co. v. B. Manischewitz Co.*, 206 F.2d 744, 747 (6th Cir. 1953); *Admiral Corp. v. Penco, Inc.*, 203 F.2d 521 (2d Cir. 1953) (dictum); *Triangle Publications, Inc. v. Rohrlich*, 167 F.2d 969, 973-74 (2d Cir. 1948); *Horlick's Malted Milk Corp. v. Horluck's, Inc.*, 59 F.2d 13, 17 (9th Cir. 1932); *Rosenberg Bros. & Co. v. Elliott*, 7 F.2d 962, 967 (3d Cir. 1925); *Vogue Co. v. Thompson-Hudson Co.*, 300 F. 509, 513 (6th Cir. 1924), *cert. denied*, 273 U.S. 706 (1926).

³⁴ *E.g.*, *Rosenberg Bros. & Co. v. Elliott*, 7 F.2d 962, 967 (3d Cir. 1925); *Vogue Co. v. Thompson-Hudson Co.*, 300 F. 509, 513 (6th Cir. 1924), *cert. denied*, 273 U.S. 706 (1926).

³⁵ *Admiral Corp. v. Price Vacuum Stores*, 141 F. Supp. 796 (E.D. Pa. 1956); *Lou Schneider, Inc. v. Carl Gutman & Co.*, 69 F. Supp. 392 (S.D.N.Y. 1946); see *Century Distilling Co. v. Continental Distilling Corp.*, 205 F.2d 149 (3d Cir.), *cert. denied*, 346 U.S. 900 (1953).

For example, in one case,³⁶ the court granted an accounting where the defendant, by using the name "Admiral" on its vacuum cleaners and sewing machines, induced prospective customers into believing they were purchasing goods manufactured by Admiral Corporation. However, Admiral Corporation, a producer of many household appliances, did not make sewing machines or vacuum cleaners. In spite of this fact, the court found that consumers were deceived into buying goods thinking they were manufactured by someone other than their true producer.³⁷

Secondly, some courts have evaded the direct competition requirement by finding that a lack of direct geographic competition does not prevent an accounting.³⁸ For example, in *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*,³⁹ the Second Circuit granted an accounting of profits for sales in all five of the defendant's clothing stores, even though the defendant was not directly competing with the plaintiff's clothing stores in one market locality.⁴⁰ The courts in these geographic competition and confusion-as-to-source cases, while not ignoring the direct competition requirement, seem to have based recovery⁴¹ on the equitable principle of unjust enrichment.⁴² The trademark infringer was treated as a trustee holding profits garnered through the improper use of a trademark belonging to a *cestui que trust*.⁴³

The leading case clearly following the unjust enrichment rationale and awarding an accounting, where there was a lack of direct

³⁶ *Admiral Corp. v. Price Vacuum Stores*, 141 F. Supp. 796 (E.D. Pa. 1956) (defendant bankrupt and no appeal followed).

³⁷ *Id.* at 800.

³⁸ *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538 (2d Cir. 1956) (no direct competition in defendant's store in Philadelphia, Pennsylvania); *Blue Bell Co. v. Frontier Refining Co.*, 213 F.2d 354 (10th Cir. 1954) (no direct competition in retail gasoline sales in Idaho and Utah); *Dad's Root Beer Co. v. Doc's Beverages, Inc.*, 193 F.2d 77 (2d Cir. 1951) (no direct competition in New York City market).

³⁹ 234 F.2d 538 (2d Cir. 1956).

⁴⁰ Defendant contended the New Rochelle, New York, store should not be included since the store was established prior to formal notice of infringement. In addition the Philadelphia store should be excluded because the plaintiff did not have a competing store in the area. *Id.* at 545.

⁴¹ See Note, *An Accounting of Profits for Trade-Symbol Infringement Based Upon a Theory of Restitution*, 1963 WASH. U.L.Q. 243, 254, stating that "the underlying theory has been obscured, if explicated at all."

⁴² *Blue Bell Co. v. Frontier Refining Co.*, 213 F.2d 354, 363 (10th Cir. 1954).

⁴³ E.g., *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 259 (1916) (dictum); *Baker v Simmons Co.*, 325 F.2d 580, 582-83 (1st Cir. 1963); *Blue Bell Co. v. Frontier Refining Co.*, 213 F.2d 354, 363 (10th Cir. 1954); *Dad's Root Beer Co. v. Doc's Beverages, Inc.*, 193 F.2d 77, 82 (2d Cir. 1951).

product competition, is *Monsanto Chemical Company v. Perfect Fit Products Manufacturing Company*.⁴⁴ In this case, Perfect Fit purchased "Acrilan" fiber from Monsanto and falsely advertised that their mattress pads were 100 percent Acrilan-filled when, in fact, the pads contained less than 25 percent Acrilan. Monsanto was awarded an injunction and an accounting of profits even though the parties were not in direct competition. The court reasoned that "the justification for an *accounting* is found in the principles of unjust enrichment traditionally applicable where property is used for profit without the owner's permission . . ."⁴⁵ However, in *Monsanto*, the Second Circuit was concerned with a flagrant trademark violation by a trademark pirate who on at least three previous occasions had practiced similar schemes of product advertising deception.⁴⁶ Consequently, the court had no difficulty in awarding an accounting under section 1117⁴⁷ on the theory of unjust enrichment.

The Ninth Circuit, on the other hand, has taken the *Monsanto* principle one step further and has found that the purpose of the Lanham Act,⁴⁸ as applied to the facts in *Fleischmann*,⁴⁹ embraces the right to an accounting under section 1117 of the Code when the infringement was not as flagrant as in *Monsanto*. The Ninth Circuit in *Fleischmann*, in determining Maier's intent to infringe on the registered mark, found only that Maier Brewing Company officials *knew* there was a popular brand of Scotch under the "Black & White"

⁴⁴ 349 F.2d 389 (2d Cir. 1965) (direct competition not a prerequisite for an accounting), *cert. denied*, 383 U.S. 942 (1966), *overruling* *Admiral Corp. v. Penco, Inc.*, 203 F.2d 517 (2d Cir. 1953), *and* *Triangle Publications, Inc. v. Rohrich*, 167 F.2d 969 (2d Cir. 1948).

⁴⁵ *Monsanto Chem. Co. v. Perfect Fit Prods. Mfg. Co.*, 349 F.2d 389, 392 (2d Cir. 1965) (emphasis added); *accord*, *Red Devil Tools v. Tip Top Brush Co.*, 50 N.J. 563, 236 A.2d 861 (1967) (granted injunction but not accounting, stating that injunction satisfied the equities of the case).

⁴⁶ *Monsanto Chem. Co. v. Perfect Fit Prods. Mfg. Co.*, 349 F.2d 389, 396-97 (2d Cir. 1965).

⁴⁷ 15 U.S.C. § 1117 (1964).

⁴⁸ S. REP. No. 1333, 79th Cong., 2d Sess. 1-2 (1946).

⁴⁹ 390 F.2d 117 (9th Cir. 1968). The lack of competition in *Monsanto* was found as between a producer of a registered, brand name raw material and a manufacturer using this raw material in his product. 349 F.2d at 390. The lack of competition in *Fleischmann* was found as between two manufacturers selling noncompeting goods to the public. 390 F.2d at 120. This factual difference, however, has no relevance in protecting the property rights of the trademark owner in these two trademark infringement cases. The important factors in both cases were the lack of direct product competition and the intent of the infringer. The fact that in *Monsanto* the plaintiff was a manufacturer of raw materials, and not a manufacturer of finished products as in *Fleischmann*, does not make the possibility of recovery of profits more difficult. The underlying principles are the same in either type of situation.

label,⁵⁰ that the label was not registered with the Alcohol Control Board as a beer label,⁵¹ and that Maier proceeded to adopt the label without consulting a lawyer.⁵² Nevertheless, in *Fleischmann* the court affirmed the award of an accounting.⁵³ The court reasoned that to condition the remedy of an accounting under section 1117 upon a showing of direct product competition was inadequate and that the unjust enrichment rationale better suited the purposes of the trademark laws.

Following the purpose of the Lanham Act, which "has as its object[ive] the protection of trade-marks, securing to the owner the good will of his business and protecting the public against spurious and falsely marked goods,"⁵⁴ the Ninth Circuit has now extended the scope and usefulness of this remedy beyond *Monsanto* to include situations more closely akin to cases of innocent infringement. The court has now given to the trademark owner a satisfactory remedy where there is no direct competition and no outrageous infringement, but there is intentional use of the registered mark. Such an extension of the unjust enrichment theory has evaded the previous attitude of the judiciary that an accounting of profits could only be used as a means of preventing further acts of infringement to other registered marks and to compensate the owner of the infringed mark for lost sales *directly* attributable to the infringement. In its place, the unjust enrichment concept has contributed to the development of a method for compensating the trademark owner for sometimes unprovable damage to his reputation and the resulting *indirect* adverse effect on the sales of the registered trademark products. Thus, the decision in *Fleischmann* has thrust the Ninth Circuit into the forefront in offering protection to trademarks registered under the Lanham Act.

In analyzing the problems of compensation for trademark infringements, Judge Byrne, writing for the Ninth Circuit, pointed out that nationwide news media, mass communications and vast amounts of advertising⁵⁵ have created well-informed consumers with preconceived notions as to the quality and character of a product based upon its brand name or trademark.⁵⁶ Consequently, mere

⁵⁰ *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 156 (9th Cir. 1963).

⁵¹ *Id.*

⁵² *Id.* at 157.

⁵³ 390 F.2d at 124.

⁵⁴ S. REP. No. 1333, 79th Cong., 2d Sess. 1-2 (1946).

⁵⁵ From 1951 to 1957 *Fleischmann* spent over five million dollars advertising "Black & White" Scotch. *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 196 F. Supp. 401 (N.D. Cal. 1961), *rev'd*, 314 F.2d 149 (9th Cir. 1963).

⁵⁶ In *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316

compensation for diverted sales ignores injury to the trademark registrant's good will and, as Judge Byrne noted, it deprives him "of his right to the exclusive use and control of the reputation of his product."⁵⁷

In addition, the court recognized that under the traditional view, no cognizance is taken of the fact that, although an injunction protects the consumer from future purchases of the falsely marked product, an injunction in fact does not prevent the commercial pirate from continuing its deceptive practices by using another trademark registrant's symbol,⁵⁸ thereby still deceiving consumers into buying falsely marked goods.⁵⁹ On the other hand, the court thought that, by employing traditional equitable principles embraced in the Lanham Act, a court could determine whether an injunction alone or an injunction and an accounting satisfied the equities of the case. If there were direct competition, the theory of diverted profits would allow the court to award an accounting for intentional infringement. If there were a deliberate infringement, yet no direct competition existed, an accounting based on the theory of unjust enrichment would make the past infringement unprofitable, would help protect the consumer from future deceptive trade practices and would afford a method of deterring future acts or piracy by making such practices unprofitable. At the same time, if the infringement were *entirely innocent*, an injunction alone would be an adequate remedy.

The Court recognized that there was a problem in adopting the unjust enrichment rationale in that, by the terms of the Lanham Act,⁶⁰ recovery of profits is purported to constitute compensation to the trademark owner and not a penalty to the infringer. If the owner suffered no *compensable* injuries, the granting of an accounting

U.S. 203, 205 (1942), the Supreme Court stated, "[a] trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. . . . What ever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears." See 1 H. NIMS, *THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS* § 186 (4th ed. 1947).

⁵⁷ *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 122 (9th Cir. 1968).

⁵⁸ "[T]rade-mark infringement . . . in addition to according legal protection to the property right . . . established in a given name, seek[s] to insure that the public is not misled into purchasing or utilizing goods or services different from those sought by the pull and lure of a subtly devised parody of a familiar name or symbol." *Baker v. Simmons Co.*, 307 F.2d 458, 461 (1st Cir. 1962). See also J. WRIGHT & D. WARNER, *ADVERTISING*, 16, 17 (1962).

⁵⁹ *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 122-23 (9th Cir. 1968).

⁶⁰ 15 U.S.C. § 1117 (1964).

would, in fact, penalize the infringer and would be a windfall to the trade-symbol owner.⁶¹ However, the fact the infringer has gained the advantage of the owner's expenditures for promotion, advertising, and customer preference more than justifies the trademark owner's receiving the profits of the trademark infringer as a form of compensation.

In looking back, three possible positions were open to the Ninth Circuit in deciding *Fleischmann*. At one end of the spectrum, the court could have continued to apply the dogmatic rule requiring direct competition before an accounting is granted. However, the advantage of this traditional view, certainty as to when the application of an accounting is warranted, is far outweighed by the disadvantages of inadequate protection to consumers and to the owner's good will and product reputation. Continuation of this rule would not have been desirable. At the other end of the spectrum was the ultimate extreme of granting an accounting in every infringement case. Such an extreme rule would automatically result in a windfall to the registrant and a penalty to the infringer even though the infringement may not justify an accounting in the particular case. A position between these two alternatives was the preferable goal, and the unjust enrichment theory, subject to the principles of equity, met that objective. *Monsanto Chemical Company v. Perfect Fit Products Manufacturing Corporation*⁶² took the first step in adopting the unjust enrichment theory, but in that case there was a flagrant violation of the owner's mark by trademark pirates using vastly inferior products.⁶³ *Maier Brewing Company v. Fleischmann Distilling Company*⁶⁴ took the next logical step and held that the unjust enrichment theory encompasses cases where the violation is intentional yet not flagrant, where the accounting serves as compensation but not punishment, and where innocent encroachments are still protected from unjust results.

In addition, there was dictum by the court to the effect that the unjust enrichment theory could be extended to cases in which the noncompetitive products were of comparable quality. One may infer from the instant decision that even if the products were of similar quality, "the trade-mark registrant has been deprived of his right to the exclusive use and control of the reputation of his product."⁶⁵ Therefore, comparable quality of the products should not preclude

⁶¹ Cf. Appellant's Petition for a Rehearing and Request for a Hearing in Banc at 4, *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117 (9th Cir. 1968).

⁶² 349 F.2d 389 (2d Cir. 1965).

⁶³ See 66 COLUM. L. REV. 983 (1966).

⁶⁴ 390 F.2d 117 (9th Cir. 1968).

⁶⁵ *Id.* at 122.

the trademark owner from the possible remedy of an accounting to compensate him for the loss of control over his registered mark. This more difficult problem, where the noncompeting goods are of comparable quality, would still be subject to the principles of equity and all its inherent problems of what is or is not equitable.⁶⁶ Nevertheless, it seems reasonable to suggest that the reasoning in *Fleischmann* could be extended to cases of deliberate infringement of noncompeting products of comparable quality.⁶⁷ Such an extension would deter future conduct harmful to the registrant and make such infringements unprofitable. Such action would not be punitive in nature but compensatory, in that the owner would be compensated for loss of control over the reputation of his product, the good will of his name, and the projection of his image to the consuming public. In addition, these more rigorous standards would still satisfy the purpose of the Lanham Act in that intentional infringers would be even more careful in conducting their activities, which, in the long run, definitely benefits the consumer as well as the trademark owner. At the same time, completely innocent infringements could still be remedied by an injunction.

In conclusion, the Ninth Circuit in *Fleischmann* has reversed its previous position which required direct product competition before an accounting of profits was granted in cases of trademark infringements. It has been replaced by the unjust enrichment theory which does not require direct product competition before an accounting may be awarded. The effect of this change by the Ninth Circuit has been to increase the protection of the registrant's property rights in his trademark and to make compensation for trademark infringement more responsive to the complex and rapidly changing business world of today.

W. R. U.

⁶⁶ Cf. Appellant's Petition for a Rehearing and Request for a Hearing in Banc at 4, *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117 117 (9th Cir. 1968).

⁶⁷ Protection of the trademark occurs when there is actual or the likelihood of confusion as to the source of the article, not the article itself. *Plough, Inc. v. Kreis Laboratories*, 314 F.2d 635, 640 (9th Cir. 1963); *Mershon Co. v. Pachmayr*, 220 F.2d 879, 883 (9th Cir.), cert. denied, 350 U.S. 885 (1955).

Contributors

Bryce C. Anderson
John L. Anderson
Philip W. Bartenetti
Irving S. Bertram
M. Stephen Coontz
Joseph D. Edwards
Kenneth S. Gaines
Gregory R. Harris
David A. Klein
Dan W. Lacy

Susanne M. Martinez
John Patrick McGrath
Frederick W. Montgomery
John B. Moorhead
Deborah Judith Peyton
Charles A. Storke
William Robert Urga
Bruce S. Wiener
Morry P. Weinstein