U.S. Supreme Court

Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916)

Hanover Star Milling Company v. Metcalf

No. 30

Argued May 10, 1915

Decided March 6, 1916

240 U.S. 403

CERTIORARI TO THE CIRCUIT COURT OF APPEALS

FOR THE FIFTH CIRCUIT

Syllabus

Two district courts in different circuits having granted temporary injunctions, and both circuit courts of appeals having reversed upon grounds that went to the merits and differed upon fundamental questions affecting the same trademark, writs of certiorari were allowed by this court before final decrees notwithstanding the general rule to the contrary.

Where neither of the parties, citizens of different states, has registered the trademark in dispute under any act of Congress or under the law of any state, and no local rule arising from statute or decision is shown, cases involving the use of such trademark must be determined according to applicable common law principles.

Redress accorded in trademark cases is based upon the party's right

Page 240 U. S. 404

to be protected in the goodwill of the trade or business, and the English rule that a trademark is not the subject of property, except in connection with an existing business, prevails generally in this country.

The common law of trademarks is but a part of the broader law of unfair competition.

While common law trademarks and the right to their exclusive use may be classed among property rights, the right grows out of use, and not mere adoption.

Where two parties independently employ the same trademark or name, not in general use and susceptible of adoption, upon goods of the same class but in separate and remote markets, the question of prior appropriation is legally insignificant in the absence of intent on the part of the later adopter to take the benefit of the reputation, or to forestall extension of the trade, of the earlier adopter.

While property in a trademark is not limited, so far as its use has extended, by territorial bounds, the earlier adopter may not monopolize markets that his trade has never reached and where the mark signifies not his goods, but those of another.

So far as controversy over a trademark concerns intrastate distribution, as distinguished from interstate trade, the subject is not within the sovereign power of the United States.

Trademark rights, like others that rest in user, may be lost by abandonment, nonuser, laches, or acquiescence.

Where a later adopter, in good faith and without notice of its use in other territory by an earlier adopter, expends money and effort in building up a trade in a territory which the earlier adopter has left unoccupied for a long period -- in this case, more than forty years -- and into which his trade would not naturally expand, the earlier adopter is estopped to assert trademark infringement in that territory.

A third party who enters the territory of such second adopter and attempts to use the tradename in a manner calculated to, and which does, deceive by similarity of package, even though the name of the actual manufacturer is placed thereon, is guilty of unfair competition from which the user of the trademark is entitled to protection.

There being diverse citizenship and the jurisdiction of the district court resting thereon, the decision of the circuit court of appeals in a trademark case is final, and an appeal from the decree is dismissed and the decree is reviewed here on certiorari.

Page 240 U. S. 405

204 F. 211 reversed.

208 F. 513 affirmed on certiorari, and appeal therefrom dismissed.

The facts, which involve the rights of manufacturers of and dealers in flour to the use of "Tea Rose" as a trademark for flour sold in certain territory, and the effect of nonuser on right to use a trademark, are stated in the opinion.

MR. JUSTICE PITNEY delivered the opinion of the Court.

These cases were argued together, and may be disposed of in a single opinion.

In No. 23, the Hanover Star Milling Company, an Illinois corporation engaged in the manufacture of flour in that state, filed a bill in equity on March 4, 1912, in the United States District Court for the Middle District of Alabama, against Metcalf, a citizen of the State of Alabama and a merchant engaged in the business of selling flour at Greenville, Butler County, in that state, to restrain alleged trademark infringement and unfair competition. The bill averred that, for twenty-seven years last past, complainant had been engaged in the manufacture of a superior and popular grade of flour, sold by it at

all times under the name of "Tea Rose" flour, in a wrapping with distinctive markings, including the words "Tea Rose" and a design containing three roses imprinted upon labels attached to sacks and barrels; that this flour had been marketed thus by complainant in the State of Alabama for the preceding twelve years, during which time, by maintaining a high and uniform quality, by expensive advertising, and by diligent work of its representatives, it had built up a large and lucrative market, with annual sales of more than $175,000 of Tea Rose flour in that state, and had established a valuable reputation for the name "Tea Rose" and the distinctive wrappings in Alabama and other states, particularly Georgia, and Florida; that, until shortly before the commencement of the suit complainant's Tea Rose flour was the only flour made, sold, or offered for sale under that name in Butler County or elsewhere in the State of Alabama, and the name "Tea Rose" had represented and stood for complainant's flour, and that recently the Steeleville Milling Company, of Steeleville, Illinois, had, through Metcalf's agency, been marketing in Alabama, and particularly in Butler County, flour of its manufacture, in packages and wrappings substantially identical with complainant's and bearing a design containing three roses and the name "Tea Rose" upon the labels in a manner calculated to deceive and in fact deceptive to purchasers, thereby threatening pecuniary loss to complainant exceeding $3,000 in amount, and destroying the prestige of complainant's "Tea Rose" flour, and damaging its trade therein.

Defendant's answer denied all attempts to deceive purchasers, and further denied complainant's right to the exclusive use of the words "Tea Rose" or the picture of a rose as a trademark, averred that, long prior to complainant's first use of it, and as early as the year 1872, the name had been adopted, appropriated, and used as

a trademark for flour by the firm of Allen & Wheeler, of Troy, Ohio, and used by it and its successor, the Allen & Wheeler Company, continuously as such, and alleged that the Steeleville Milling Company had used its "Tea Rose" brand for more than sixteen years last past, and, as early as the year 1899, had sold flour in Alabama under that label.

Upon consideration of the bill and answer and affidavits submitted by the respective parties, the district court granted a temporary injunction restraining Metcalf from selling flour labeled "Tea Rose," manufactured by the Steeleville Company or any person, firm, or corporation other than the Hanover Company at Greenville, or at any other place in the Middle District of Alabama. Upon appeal, the Circuit Court of Appeals for the Fifth Circuit reversed this decree and remanded the cause, with directions to dismiss the bill. 204 F. 211. A writ of certiorari was then allowed by this Court.

In No. 30, the Allen & Wheeler Company, a corporation of the State of Ohio, manufacturing flour at the City of Troy, in that state, filed a bill against the Hanover Star Milling Company on May 23, 1912, in the United States District Court for the Eastern District of Illinois, averring that, in or before the year 1872, the firm of Allen & Wheeler, then engaged in the manufacture of flour at Troy, adopted as a trademark for designating one of its brands the words "Tea Rose," and from thence until the year 1904 continuously used that trademark by placing it upon sacks, barrels, and packages containing the brand and quality of flour designated by that term and sold throughout the United States; that, in 1904, the Allen & Wheeler Company was incorporated and took over the mills, machinery, stock, trademark, and goodwill of the firm, since which time the corporation had continued to use the trademark upon flour of its manufacture, and had distributed and sold such flour in the markets

of the United States, whereby the words "Tea Rose" had become the common law trademark of the Allen & Wheeler Company; that recently it had learned that the Hanover Star Milling Company had adopted the words "Tea Rose" as designating a brand of flour manufactured by it, and, notwithstanding notice of complainant's rights, was persisting in the sale of its flour under that name and threatening to continue so to do, and that defendant had sold large quantities of Tea Rose flour, particularly in the markets of the States of Alabama, Florida, and Mississippi, with large gross sales, and profits approximating $5,000 per year for the past five years, causing damage and loss to complainant in excess of $3,000. An injunction and an accounting of profits were prayed. Upon this bill, a demurrer filed by the Hanover Company, and affidavits presented by both parties, the district court granted a temporary injunction restraining the use of the words "Tea Rose" as a trademark for flour, without territorial restriction. The Circuit Court of Appeals for the Seventh Circuit reversed this decree, and remanded the cause to the district court for further proceedings not inconsistent with its opinion. *Hanover Star Milling Co. v. Allen & Wheeler Co.,* 208 F. 513. An appeal was taken to this Court, and a writ of certiorari was subsequently granted. The appeal must be dismissed for want of jurisdiction, and the case will be disposed of under the writ of certiorari.

No question is raised respecting the propriety of passing upon the questions at issue on a review of decisions rendered upon applications for temporary injunction. Both district courts granted such injunctions, and both circuit courts of appeals reversed upon grounds that went to the merits. These courts differed upon fundamental questions, and it was because of this that the writs of certiorari were allowed, the situation being such that it was deemed proper to allow them before final decrees

were made, notwithstanding the general rule to the contrary. *American Const. Co. v. Jacksonville Ry.,* 148 U. S. 372, 148 U. S. 378, 148 U. S. 384; *The Three Friends,* 166 U. S. 1, 166 U. S. 49; *The Conqueror,* 166 U. S. 110, 166 U. S. 113; *Denver v. New York Trust Co.,* 229 U. S. 123, 229 U. S. 133.

In both cases, it was shown without dispute that the firm of Allen & Wheeler adopted and used the words "Tea Rose" as a trademark for one kind or quality of flour manufactured by it as early as the year 1872, and continued that use until the year 1904, when the Allen & Wheeler Company was incorporated and took over the mills, machinery, stock, trademark, and goodwill of the firm and succeeded to its business. But there is nothing to show the extent of such use or the markets reached by it, except that, in the year 1872, Allen & Wheeler sold three lots of 25 barrels each to a firm in Cincinnati, Ohio, and one lot of 100 barrels to a firm in Pittsburgh, Pennsylvania; that, in the early 70's, another firm in Pittsburgh was a customer for this brand, and that, in the later 70's, a firm in Boston, Massachusetts, was a customer for the same brand. As to the Allen & Wheeler Company, there are affidavits stating in general terms that, since its incorporation in 1904, and "continuously down to the present time," the company has used the brand "Tea Rose" for flour; but there is a remarkable absence of particular statements as to time, place, or circumstances; in short, no showing whatever as to the extent of the use or the markets reached. There is nothing to show that the Allen & Wheeler "Tea Rose" flour has been even advertised in Alabama or the adjoining states, and there is clear and undisputed proof that it has not been sold or offered for sale or known or heard of by the trade in Alabama, Mississippi, or Georgia. In No. 30, there is uncontradicted proof that the Allen & Wheeler Company is selling flour in Alabama and Georgia, but under the brands "Eldean Patent" and "Trojan Special."

In both suits, the Hanover Star Milling Company introduced affidavits fairly showing that, shortly after its incorporation in the year 1885, it adopted for one of its brands of flour the name "Tea Rose," and adopted for the package or container, whether sack or barrel, a label bearing the name "Tea Rose" and the design already referred to, and that this trademark was adopted and used in good faith, without knowledge or notice that the name "Tea Rose" had been adopted or used by the Allen & Wheeler firm or by anybody else. In 1904, the Hanover Company began and has since prosecuted a vigorous and expensive campaign of advertising its Tea Rose flour, covering the whole of the State of Alabama and parts of Mississippi, Georgia, and Florida, employing many ingenious and interesting devices that are detailed in the proofs, with the result that, at the commencement of the litigation, its sales of Tea Rose flour in these markets amounted to more than $150,000 a year, the Hanover Star Milling Company has come to be known as the Tea Rose mill, the reputation of the mill is bound up with the reputation of Tea Rose flour, and "Tea Rose" in the flour trade in the territory referred to means flour of the Hanover Company's manufacture. There is nothing to show any present or former competition in Tea Rose flour between the latter company and the Allen & Wheeler firm or corporation, or that either party has even advertised that brand of flour in territory covered by the activities of the other.

Metcalf's purchases of competing Tea Rose flour, which gave rise to the suit brought by the Hanover Company against him, were made from the Steeleville Milling Company, an Illinois corporation, which appears to have adopted the name and design of a tea rose for flour in the year 1895.

It should be added that, so far as appears, none of the parties here concerned has registered the trademark

Page 240 U. S. 411

under any act of Congress or under the law of any state. Nor does it appear that, in any of the states in question, there exists any peculiar local rule arising from statute or decision. Hence, the cases must be decided according to common law principles of general application.

Interesting and important questions are raised concerning the territorial extent of trademark rights. In behalf of the Hanover Company, it is, in effect, insisted: (a) that the failure of the Allen & Wheeler Company and its predecessors to enter the southeastern territory with their Tea Rose flour, and the fact that such flour has been and is wholly unknown there under that name, dissentitle it to interfere with the Hanover Company's trade established in good faith in that territory under the same mark; (b) that the same considerations entitle Hanover to affirmative trademark rights of its own, enforceable against the Steeleville Company and everybody else over whom it has priority in that territory, and (c) that Hanover is entitled to relief against Steeleville and against Metcalf as its agent upon the ground of unfair competition in trade regardless of the trademark right. An affirmative answer to the first proposition will decide the Allen & Wheeler case (No. 30) in favor of Hanover, and an affirmative answer to the third proposition will decide the Metcalf case (No. 23) in favor of Hanover, irrespective of the disposition that might be made of the second proposition. In view of possible consequences to the rights of parties not before the court, it is desirable to limit the range of our decision as much as practicable, especially as the proofs now before us are incomplete and, in some respects, unsatisfactory.

In will be convenient to dispose first of No. 30. Here, the bill is rested upon alleged trademark infringement, pure and simple, and no question of unfair competition is involved. The decision of the Court of Appeals for the Seventh Circuit in favor of the Hanover Company and

Page 240 U. S. 412

against the Allen & Wheeler Company was rested upon the ground that, although the adoption of the Tea Rose mark by the latter antedated that of the Hanover Company, its only trade, so far as shown, was in territory north of the Ohio River, while the Hanover Company had adopted "Tea Rose" as its mark in perfect good faith, with no knowledge that anybody else was using or had used those words in such a connection, and during many years it had built up and extended its trade in the southeastern territory, comprising Georgia, Florida, Alabama, and Mississippi, so that, in the flour trade in that territory, the mark "Tea Rose" had come to mean the Hanover Company's flour and nothing else. The court held in effect that the right to protection in the exclusive use of a trademark extends only to those markets where the trader's goods have become known and identified by his use of the mark, and, because of the nonoccupancy by the Allen & Wheeler Company of the southeastern markets, it had no ground for relief in equity. Let us test this by reference to general principles.

The redress that is accorded in trademark cases is based upon the party's right to be protected in the goodwill of a trade or business. The primary and proper function of a trademark is to identify the origin or ownership of the article to which it is affixed. Where a party has been in the habit of labeling his goods with a distinctive mark, so that purchasers recognize goods thus marked as being of his production, others are debarred from applying the same mark to goods of the same description, because to do so would in effect represent their goods to be of his production and would tend to deprive him of the profit he might make through the sale of the goods which the purchaser intended to buy. Courts afford redress or relief upon the ground that a party has a valuable interest in the goodwill of his trade or business and in the trademarks adopted to maintain and extend it. The essence of the

Page 240 U. S. 413

wrong consists in the sale of the goods of one manufacturer or vendor for those of another. *Canal Co. v. Clark,* 13 Wall. 311, 80 U. S. 322; *McLean v. Fleming,* 96 U. S. 245, 96 U. S. 251; *Manufacturing Co. v. Trainer,* 101 U. S. 51, 101 U. S. 53; *Menendez v. Holt,* 128 U. S. 514, 128 U. S. 520; *Lawrence Mfg. Co. v. Tennessee Mfg. Co.,* 138 U. S. 537, 138 U. S. 546.

This essential element is the same in trademark cases as in cases of unfair competition unaccompanied with trademark infringement. In fact, the common law of trademarks is but a part of the broader law of unfair competition. *Elgin Nat. Watch Co. v. Illinois Watch Co.,* 179 U. S. 665, 179 U. S. 674; *G. & C. Merriam Co. v. Saalfield,*198 F. 369, 372; *Cohen v. Nagle,* 190 Mass. 4, 8, 15.

Common law trademarks, and the right to their exclusive use, are, of course, to be classed among property rights *Trademark Cases,* 100 U. S. 82, 100 U. S. 92-93, but only in the sense that a man's right to the continued enjoyment of his trade reputation and the goodwill that flows from it, free from unwarranted interference by others, is a property right for the protection of which a trademark is an instrumentality. As was said in the same case (p. 100 U. S. 94), the right grows out of use, not mere adoption. In the English courts, it often has been said that there is no property whatever in a trademark, as such. *Per* Ld. Langdale, M.R., in *Perry v. Truefitt,* 6 Beav. 73; *per* Vice Chancellor Sir Wm. Page Wood (afterwards Ld. Hatherly), in *Collins Co. v. Brown,* 3 Kay & J. 423, 426, 3 Jur. N.S. 930; *per* Ld. Herschell in *Reddaway v. Bankam,* A.C.1896, 199, 209. But since, in the same cases, the courts recognize the right of the party to the exclusive use of marks adopted to indicate goods of his manufacture upon the ground that

"a man is not to sell his own goods under the pretense that they are the goods of another man; he cannot be permitted to practise such a deception, nor to use the means which contribute to that end. He cannot therefore be

allowed to use names, marks, letters, or other indicia by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person,"

6 Beav. 73, it is plain that, in denying the right of property in a trademark, it was intended only to deny such property right except as appurtenant to an established business or trade in connection with which the mark is used. This is evident from the expressions used in these and other English cases. Thus, in *Ainsworth v. Walmsley,* L.R. 1 Eq. 518, 524, Vice Chancellor Sir Wm. Page Wood said:

"This court has taken upon itself to protect a man in the use of a certain trademark as applied to a particular description of article. He has no property in that mark *per se,* any more than in any other fanciful denomination he may assume for his own private use, otherwise than with reference to his trade. If he does not carry on a trade in iron, but carries on a trade in linen, and stamps a lion on his linen, another person may stamp a lion on iron; but when he has appropriated a mark to a particular species of goods, and caused his goods to circulate with this mark upon them, the court has said that no one shall be at liberty to defraud that man by using that mark and passing off goods of his manufacture as being the goods of the owner of that mark."

In short, the trademark is treated as merely a protection for the goodwill, and not the subject of property except in connection with an existing business. The same rule prevails generally in this country, and is recognized in the decisions of this Court already cited. *See also Apollinaris Co. v. Scherer,* 27 F. 18, 20; *Levy v.*

Waitt, 61 F. 1008, 1011; *Macmahan Pharmacal Co. v. Denver Chemical Mfg. Co.,* 113 F. 468, 471, 475; *Congress & E. Spring Co. v. High Rock Congress Spring Co.,* 57 Barb. 526, 551; *Weston v. Ketcham,* 51 How. Pr. 455, 456; *Candee v. Deere,* 54 Ill. 439, 457; *Avery v. Meikle,* 81 Ky. 73, 86.

Page 240 U. S. 415

Expressions are found in many of the cases to the effect that the exclusive right to the use of a trademark is founded on priority of appropriation. Thus, in *Canal Co. v. Clark,* 13 Wall. 311, 80 U. S. 323, reference is made to "the first appropriator;" in *McLean v. Fleming,* 96 U. S. 245, 96 U. S. 251, to "the person who first adopted the stamp;" in *Manufacturing Co. v. Trainer,* 101 U. S. 51, 101 U. S. 53, the expression is "any symbol or device, not previously appropriated, which will distinguish," etc. But these expressions are to be understood in their application to the facts of the cases decided. In the ordinary case of parties competing under the same mark in the same market, it is correct to say that prior appropriation settles the question. But where two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant unless at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like.

Of course, if the symbol or device is already in general use, employed in such a manner that its adoption as an index of source or origin would only produce confusion and mislead the public, it is not susceptible of adoption as a trademark. Such a case was *Columbia Mill Co. v. Alcorn,* 150 U. S. 460, 150 U. S. 464, *aff'g* 40 F. 676, where it appeared that, before complainant's adoption of the disputed word as a brand for its flour, the same word was used for the like purpose by numerous mills in different parts of the country.

That property in a trademark is not limited in its enjoyment by territorial bounds, but may be asserted and protected wherever the law affords a remedy for wrongs, is true in a limited sense. Into whatever markets the use of a trademark has extended or its meaning has become

Page 240 U. S. 416

known, there will the manufacturer or trader whose trade is pirated by an infringing use be entitled to protection and redress. But this is not to say that the proprietor of a trademark, good in the markets where it has been employed, can monopolize markets that his trade has never reached, and where the mark signifies not his goods, but those of another. We agree with the court below (208 F. 519) that

"since it is the trade, and not the mark, that is to be protected, a trademark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader's goods have become known and identified by his use of the mark. But the mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article."

To say that a trademark right is not limited in its enjoyment by territorial bounds is inconsistent with saying that it extends as far as the sovereignty in which it has been enjoyed. If the territorial bounds of sovereignty do not limit, how can they enlarge, such a right? And if the mere adoption and use of a trademark in a limited market shall (without statute) create an exclusive ownership of the mark throughout the bounds of the sovereignty, the question at once arises, "what sovereignty?" So far as the proofs disclose, the Allen & Wheeler mark has not been used at all, is not known at all in a market sense, within the sovereignty of Alabama or the adjacent states where the controversy with the Hanover Star Milling Company arose. And so far as the controversy concerns intrastate distribution, as distinguished from interstate trade, the subject is not within the sovereign powers of the United States. *Trademark Cases,* 100 U. S. 82, 100 U. S. 93.

We are referred to an expression contained in the opinion of this Court in *Kidd v. Johnson,* 100 U. S. 617, 100 U. S. 619: "The right to use the trademark is not limited to any place, city, or state, and therefore must be deemed

Page 240 U. S. 417

to extend everywhere." But a reference to the facts of the case and the context shows that the language was not used in the sense attributed to it in the argument. The question presented for decision related to the ownership of a trademark used by complainants (Johnson & Company) on packages and barrels containing whisky, manufactured and sold by them in Cincinnati, and this turned in part upon the force to be given to a written transfer executed by one Pike, and delivered to complainant's predecessors in business in connection with a sale of the distillery and its appurtenances, which were Pike's individual property. Kidd, the defendant, claimed the right to use the same mark as surviving partner of a firm of which Pike had been a member. The Court, speaking by Mr. Justice Field, said (p. 100 U. S. 619):

"That transfer was plainly designed to confer whatever right Pike possessed. It, in terms, extends the use of the trademark to Mills, Johnson, & Company and their successors. Such use, to be of any value, must necessarily be exclusive. If others also could use it, the trademark would be of no service in distinguishing the whisky of the manufacturer in Cincinnati, and thus the company would lose all the benefit arising from the reputation the whisky there manufactured had acquired in the market. The right to use the trademark is not limited to any place, city, or state, and therefore must be deemed to extend everywhere."

This does not import that the trademark right assigned was greater in extent than the trade in which it was used. The record in the case showed that complainant's trade had been extended to New Orleans, and the controversy arose out of sales made there by defendants as licensees of Kidd. It was admitted in the answer that they had sold whisky in competition with that of complainants at New Orleans, and under the same trademark, and the case was by stipulation treated as a test case to settle whether Johnson & Company or Kidd had the

exclusive right, or whether they had a joint right, to the use of the mark.

We are also referred to *Derringer v. Plate,* 29 Cal. 292, 295, in which it was said by the court:

"The manufacturer at Philadelphia who has adopted and uses a trademark, has the same right of property in it at New York or San Francisco that he has at his place of manufacture."

In that case, plaintiff averred that he was a resident of Philadelphia, and, upwards of thirty years before the action, invented a pistol and adopted as a trademark for it the words "Derringer, Philadel.," which was and ever since had been his trademark, and which he had caused to be stamped on the breech of all pistols manufactured and sold by him, and that the defendant, since 1858, had been engaged in the manufacture of pistols at San Francisco similar to plaintiff's, on the breech of which he had stamped plaintiff's trademark, etc. The report of the case shows (p. 294) that the only question presented was whether the California statute of 1863 concerning trademarks had repealed or abrogated the remedies afforded by the common law in trademark cases. This was answered in the negative, and, in the course of the reasoning, the court said, p. 295:

"The right is not limited in its enjoyment by territorial bounds, but, subject only to such statutory regulations as may be properly made concerning the use and enjoyment of other property, or the evidences of title to the same, the proprietor may assert and maintain his property right wherever the common law affords remedies for wrongs,"

continuing with what we have first quoted. Although not expressly stated, it is implicit in the report that plaintiff's pistols were on the market in San Francisco, and his trademark known there and imitated by defendant for that very reason. It was such a mark as could not be accidentally hit upon.

It results from the general principles thus far discussed that trademark rights, like others that rest in user, may

Page 240 U. S. 419

be lost by abandonment, nonuser, laches, or acquiescence. Abandonment, in the strict sense, rests upon an intent to abandon, and we have no purpose to qualify the authority of *Saxlehner v. Eisner,* 179 U. S. 19, 179 U. S. 31, to that effect. As to laches and acquiescence, it has been repeatedly held, in cases where defendants acted fraudulently or with knowledge of plaintiffs' rights, that relief by injunction would be accorded although an accounting of profits should be denied. *McLean v. Fleming,* 96 U. S. 245, 96 U. S. 257; *Menendez v. Holt,* 128 U. S. 514, 128 U. S. 523; *Saxlehner v. Eisner,* 179 U. S. 19, 179 U. S. 39. So much must be regarded as settled. But cases differ according to their circumstances, and neither of those cited is in point with the present. Allowing to the Allen & Wheeler firm and corporation the utmost that the proofs disclose in their favor, they have confined their use of the "Tea Rose" trademark to a limited territory, leaving the southeastern states untouched. Even if they did not know -- and it does not appear that they did know -- that the Hanover Company was doing so, they must be held to have taken the risk that some innocent party might, during their forty years of inactivity, hit upon the same mark and expend money and effort in building up a trade in flour under it. If, during the long period that has elapsed since the last specified sale of Allen & Wheeler "Tea Rose" -- this was "in the later 70's" -- that flour has been sold in other parts of the United States, excluding the southeastern states, no clearer evidence of abandonment by nonuser of trademark rights in the latter field could reasonably be asked for. And, when it appears, as it does, that the Hanover

Company in good faith and without notice of the Allen & Wheeler mark, has expended much money and effort in building up its trade in the southeastern market, so that "Tea Rose" there means Hanover Company's flour, and nothing else, the Allen & Wheeler Company is estopped to assert trademark infringement as to that territory.

Page 240 U. S. 420

The extent and character of that territory, and its remoteness from that in which the Allen & Wheeler mark is known, are circumstances to be considered. Alabama alone -- to say nothing of the other states in question -- has an area of over 50,000 square miles, and, by the census of 1910, contained a population of more than 2,000,000. Its most northerly point is more than 250 miles south of Cincinnati, which is the nearest point at which sales of Allen & Wheeler "Tea Rose" are shown to have been made, and these at a time antedating by approximately forty years the commencement of the present controversy. We are not dealing with a case where the junior appropriation of a trademark in occupying territory that would probably be reached by the prior user in the natural expansion of his trade, and need pass no judgment upon such a case. Under the circumstances that are here presented, to permit the Allen & Wheeler Company to use the mark in Alabama, to the exclusion of the Hanover Company, would take the trade and goodwill of the latter company, built up at much expense and without notice of the former's rights, and confer it upon the former, to the complete perversion of the proper theory of trademark rights.

The case is peculiar in its facts, and we have found none precisely like it. The recent case of *Rectanus Co. v. United Drug Co.,* 226 F. 545, 549, 553, is closely analogous.

We come now to No. 23. The court of appeals (204 F. 211) denied relief to the Hanover Company against Metcalf under the head of trademark infringement partly upon the ground that Allen & Wheeler were the first appropriators of the mark, and that it had been continuously used by that firm and its successor down to the time of the suit, but principally upon the ground that, irrespective of whether this use was so general or continuous as to exclude other appropriations, the evidence

Page 240 U. S. 421

showed a use of the same brand by the Steeleville Company commencing in the year 1895, and carried on in the States of Illinois, Tennessee, Indiana, Arkansas, and Mississippi, with occasional shipments into Alabama -- a use so extensive and continuous as to exclude the claim of the Hanover Company to either first appropriation or exclusive use in any of the territory from which it sought to expel Metcalf, and that

"the Steeleville Milling Company's first use and its extensive and continuous use established by the evidence in the territory of its selection gave it the unqualified right to extend unhampered its trade in flour under the Tea Rose brand into any part of the United States, and that, too, without incurring the legal odium of unfair competition."

Relief under the head of unfair competition was denied upon the ground that the Hanover Company had not clearly shown that it had established by prior adoption the exclusive right to dress its goods in the manner claimed.

Upon the question of trademark rights as between the Hanover and the Steeleville companies (leaving Allen & Wheeler out of the question), the proofs are somewhat conflicting. There is evidence that Hanover's use of the Tea Rose brand antedated the year 1893, and probably began as early as 1886. The extent and particulars of such use, prior to the year 1903, are not made to appear. On the other hand, Steeleville appears to have adopted the brand in the year 1895, and used it in trade in Illinois, Tennessee, Mississippi, Louisiana, and Arkansas, the extent and particulars of the use not being shown. Sharp competition appears to have been carried on between the two companies in selling flour under the Tea Rose brand at Meridian, Mississippi, in the years 1903 to 1905, with the result that the Hanover Company, claiming that its use of the mark for flour had antedated that of the Steeleville Company, succeeded in obtaining a favorable decision in an informal arbitration by officials of the Millers

Page 240 U. S. 422

National Federation, and, for this or some other reason, Steeleville appears to have retired and left the Hanover Company in complete control of the Meridian market. Aside from the business done by the Steeleville Company at Meridian, there is no proof of business done by it in the southeastern states, except that it made an isolated sale of Tea Rose flour to a merchant at Whistler, Alabama, in the year 1899, the quantity not stated, and two isolated sales, involving a small quantity in each case, one to a retailer in Tupelo, Mississippi, in the year 1910, the other to a retailer in West Point, Mississippi, in January, 1912.

As we regard the proofs, they do not sustain the view of the Circuit Court of Appeals for the Fifth Circuit either as to first use or as to extensive, continuous, or exclusive use of the Tea Rose brand by the Steeleville Company, and there is nothing in the history of the use of the brand in the disputed territory to deprive the Hanover Company of its right to be protected at least against unfair competition at the hands of the Steeleville Company or of Metcalf as its representative.

That there was such unfair competition, commenced by Metcalf shortly before the bringing of the suit, the proofs clearly show. Repeating that, since the year 1904, the Hanover Company had extensively advertised its Tea Rose flour throughout the State of Alabama and parts of Mississippi, Georgia, and Florida, with the result that its sales of that flour in those markets amounted to more than $150,000 a year, while the Hanover Star Milling Company had come to be known as the Tea Rose mill, and the words "Tea Rose" in the flour trade in that territory meant flour of the Hanover Company's manufacture, and nothing else, and that, except for isolated sales in Mississippi in 1910 and 1912, already mentioned, no Tea Rose flour other than that of the Hanover Company had been sold in that territory for a number of

years, it further should be stated that Hanover Tea Rose was distributed in Butler County and adjoining counties in Alabama by the McMullan Grocery Company, whose place of business was at Greenville. They had built up a large trade for this flour in Butler County and the neighboring counties of Conecuh, Covington, Lowndes, and Crenshaw. The McMullan Company had the exclusive sale of the Hanover Company's Tea Rose flour, so that Metcalf, who likewise did business at Greenville, was unable to procure it for distribution to his customers. A short time before the suit was commenced, however, he announced to the public and the trade in Butler County that he had secured Tea Rose flour, and, on receiving a consignment from the Steeleville Company which was labeled "Tea Rose" and put up in packages closely resembling those used by the Hanover Company -- so closely that, according to the undisputed evidence, they are

"calculated to and do in fact deceive the ordinary and casual purchaser of flour into the belief that he is purchasing the article of that name manufactured by the said Hanover Star Milling Company"

-- Metcalf put large banners on his mules and dray, advertising to the public that he had received a shipment of Tea Rose flour, and that it was "Steeleville Milling Company's Tea Rose flour, best quality." Metcalf and his traveling salesman who marketed the greater part of this consignment, and several parties who purchased it in lots of from one to ten barrels, deposed that it was not sold under a representation that it was manufactured by the Hanover Company, but, on the contrary, that it was Tea Rose flour manufactured by the Steeleville Milling Company. But Metcalf's purpose to take advantage of the reputation of the Hanover Company's Tea Rose flour is so manifest, and the tendency of the similarity of the brand and accompanying design, and of the make-up of the packages, to mislead ultimate consumers, is so evident that it seems to

Page 240 U. S. 424

us a case of unfair competition is made out. The circumstances strongly indicate a fraudulent intent to palm off the Steeleville Tea Rose flour upon customers as being the same as the Tea Rose flour made by complainant, the reputation of which is shown to be so well established. The mere substitution of "Steeleville" in the place of "Hanover" on the labels is not convincing either that the intent is innocent or that the result will be innocuous, since it is accompanied with the words "Tea Rose" (shown to have acquired a secondary meaning), and with the distinctive wrapping, both indicative in that market of complainant's flour. Complainant is thus shown to be entitled to an injunction against Metcalf irrespective of its claim to affirmative trademark rights in that territory. *Coats v. Merrick Thread Co.,* 149 U. S. 562, 149 U. S. 566; *Elgin Nat'l Watch Co. v. Illinois Watch Co.,* 179 U. S. 665, 179 U. S. 674. Adjudication of the latter claim may be made, if necessary, upon final hearing, when the proofs will presumably be more complete than they now are.

It results that the decree under review in No. 23 should be reversed, and the cause remanded for further proceedings in conformity with this opinion, and that the decree in No. 30 should be affirmed.

Decree in No. 23 reversed.

Appeal in No. 30 dismissed.

Decree in No. 30 affirmed.

MR. JUSTICE HOLMES, concurring:

I am disposed to agree that the decree dismissing the bill of the Hanover Star Milling Company should be reversed, and that the decree denying a preliminary injunction to the Allen & Wheeler Company should be affirmed, and I agree in the main with the reasoning of the Court, so far as it goes. But I think it necessary to go farther even on the assumption that we are dealing with

Page 240 U. S. 425

the question of trademarks in the several states only so far as commerce among the states is not concerned. The question before us, on that assumption, is a question of state law, since the rights that we are considering are conferred by the sovereignty of the state in which they are acquired. This seems to be too obvious to need the citation of authority, but it is a necessary corollary of the *Trademark Cases,* 100 U. S. 82. Those cases decided that Congress cannot deal with trademarks as used in commerce wholly between citizens of the same state. It follows that the states can deal with them, as in fact they sometimes do by statute, Mass.Rev.Laws, c. 72, §§ 2, 3, and when not by statute by their common law.

As the common law of the several states has the same origin for the most part, and as their law concerning trademarks and unfair competition is the same in its general features, it is natural and very generally correct to say that trademarks acknowledge no territorial limits. But it never should be forgotten, and in this case it is important to remember, that, when a trademark started in one state is recognized in another, it is by the authority of a new sovereignty that gives its sanction to the right. The new sovereignty is not a passive figurehead. It creates the right within its jurisdiction, and what it creates, it may condition, as by requiring the mark to be recorded, or it may deny. The question, then, is what is the common law of Alabama in cases like these. It appears to me that, if a mark previously unknown in that state has been used and given a reputation there, the state well may say that those who have spent their money innocently in giving it its local value are not to be defeated by proof that others have used the mark earlier in another jurisdiction more or less remote. Until I am compelled to adopt a different view, I shall assume that that is the common law of the state. It appears to me that the foundation of the right as stated by the court requires that conclusion. *See*

Page 240 U. S. 426

further Chadwick v. Covell, 151 Mass.190, 193, 194. Those who have used the mark within the state are those who will be defrauded if another can come in and reap the reward of their efforts on the strength of a use elsewhere over which Alabama has no control.

I think state lines, speaking always of matters outside the authority of Congress, are important in another way. I do not believe that a trademark established in

Chicago could be used by a competitor in some other part of Illinois on the ground that it was not known there. I think that, if it is good in one part of the state, it is good in all. But when it seeks to pass state lines, it may find itself limited by what has been done under the sanction of a power coordinate with that of Illinois and paramount over the territory concerned. If this view be adopted, we get rid of all questions of penumbra of shadowy marches where it is difficult to decide whether the business extends to them. We have sharp lines drawn upon the fundamental consideration of the jurisdiction originating the right. In most cases, the change of jurisdiction will not be important, because the new law will take up and apply the same principles as the old; but when, as here, justice to its own people requires a state to set a limit, it may do so, and this Court cannot pronounce its action wrong.