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Trademark Protection under the Natural Area of Business Expansion Doctrine

Roger H. Marks

TRADEMARK PROTECTION UNDER THE "NATURAL AREA OF BUSINESS EXPANSION" DOCTRINE

*Roger H. Marks**

The past several decades have witnessed a dynamic growth and diversification of business enterprises.[1] Stouffers Corporation, for example, has broadened its pursuits from a restaurant chain to the marketing of frozen foods and, more recently, to the lodging industry. Technological and socio-economic changes, new marketing patterns, and keen competition from the industrial leaders have compelled even the smallest entrepreneur to engage in related product and service activities. A business experiencing such growth will naturally wish to retain the goodwill it has achieved, as symbolized by its mark, by applying that mark to its new products and services; but, the successful extension of its mark to these new areas depends on whether the particular product or service represents a "natural area of business expansion."[2]

The "natural expansion of business" doctrine involves balancing a number of factors. Of paramount consideration, however, is whether a business enterprise seeking protection under the doctrine asserts its rights in a timely manner so that the defense of laches does not bar it from using the mark in a related product or service area. If this defense is inoperative, a court will then weigh the equities of the situation to determine whether the doctrine should be invoked. Specifically, courts will examine the strength of the mark, the reasonable likelihood of a business to expand into another product or service line, the extent to which these other products and services possess similar descriptive properties, the marketing scheme of the related products or services, and the existence of other uses and registrations of the mark.

I. Laches

By prior use of a mark on certain products and services, a business obtains the right to preempt the mark not only for related products and services[3] but also for those which reasonably can be assumed to emanate from the enterprise in the

* Attorney, United States Gypsum Company, Chicago, Illinois; J.D., 1976, Cornell University; B.S., 1973, University of Pennsylvania; B.A., 1973, University of Pennsylvania. The views expressed herein do not necessarily reflect those of United States Gypsum Company.

1 In 1976 there was a resurgence of mergers and acquisitions due to a rebounding stock market, soaring corporate profits, declining interest rates on borrowing, and investment in American companies by foreigners. Unlike the 1960's, however, "when any company in any field that seemed potentially profitable was fair game for the conglomerates, [companies today want] the product line of the firm they acquire to mesh with their own company's products or at least fit logically into their marketing and management setups." *Time,* May 10, 1976, at 61.

2 The expansion of business doctrine, which presupposes two owners of the same or similar mark, generally arises in the context of noncompeting products and services. See *Instructo Corp. v. Parents' Magazine Enterprises, Inc.,* 178 U.S. Pat. Q. 62 (TTAB 1973) in support of this proposition. If the products were directly competitive and sold under the same or related mark, the prior user would have a legally enforceable right against any subsequent infringing user and consequently this doctrine would not come into play. It should also be noted that the doctrine arises in a number of different contexts including oppositions, cancellation and interference proceedings, actions for infringement and unfair competition, contracts, and declaratory judgment actions filed by shareholders.

3 That protection extends to all goods of the same class even though the alleged infringement is not upon the same species of articles was recognized early in trademark case law. *See e.g.,* Emerson Electric Mfg. Co. v. Emerson Radio & Phonograph Corp., 105 F.2d 908, 42

natural expansion of its business under the mark.[4] The prior user acquires the further right to preclude a subsequent registrant from using the mark if the effect would be to expose his reputation to the hazards of the newcomer's business practices.[5] It should be borne in mind that the injury to reputation is prospective and contingent if the newcomer has not in fact engaged in such misconduct.[6] Thus, in upholding the right of the first user to protect its reputation, the court will evaluate the past performance, the quality of merchandise, and any reputation the newcomer has already achieved in its own product or service.[7]

These rights of the prior user are subject to competing considerations where a second user adopts the same mark in good faith on a noncompeting product not previously sold by the prior user.[8] It is therefore imperative that the first

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U.S. Pat. Q. 286 (2d Cir. 1939); Mantle Lamp Co. v. Aladdin Mfg. Co., 78 F.2d 426, 26 U.S. Pat. Q. 166 (7th Cir. 1935); Kotabs v. Kotex Co., 50 F.2d 810, 10 U.S. Pat. Q. 20 (3d Cir. 1931); Del Monte Special Food Co. v. California Packing Corp., 34 F.2d 774, 3 U.S. Pat. Q. 15 (9th Cir. 1929).

4 *See, e.g.*, ILC Industries, Inc. v. ILC, Inc., 175 U.S. Pat. Q. 623 (TTAB 1972); King Research, Inc. v. Shulton, Inc., 324 F. Supp. 631, 169 U.S. Pat. Q. 396 (S.D.N.Y. 1971); Kayser-Roth Corp. v. Greene, Tweed & Co., 159 U.S. Pat. Q. 494 (TTAB 1968); Catalin Corp. v. Senju Pharmaceutical Co., 154 U.S. Pat. Q. 324 (TTAB 1967); California Fruit Growers Exch. v. Windsor Beverages, 118 F.2d 149, 48 U.S. Pat. Q. 608 (7th Cir. 1941); J. A. Doughtery's Sons v. Kasko Distillers Prod. Corp., 35 F. Supp. 561, 47 U.S. Pat. Q. 383 (E.D. Pa. 1940). Whether the products of two users of the same mark are employed in distinct lines of industry or are closely related to each other so that the products may be thought to emanate from the same source and therefore entitle the first user to protection from the second user is a question of fact. In this connection, it is important to bear in mind that with the development of new manufacturing processes and innovative merchandising practices, articles that were once wholly unrelated and formerly would have been associated with different origins may now come from the same factory or be handled by the same merchant. *See* NIMS, UNFAIR COMPETITION AND TRADE-MARKS 659 (4th ed. 1947). *See also* Borg-Warner Corp. v. York-Shipley, Inc., 293 F.2d 88, 130 U.S. Pat. Q. 294 (7th Cir. 1961).

5 For example, in Holland Furnace Co. v. New Holland Machine Co., 24 F.2d 751 (E.D. Pa. 1927), plaintiff applied its trademark "The Holland" to warm-air furnaces. The defendant, who had acquired a similar trademark prior in time to the plaintiff, applied its mark "New Holland" to farm machinery and tools. Since its business had declined, defendant began to manufacture warm-air furnaces under its trademark. In issuing an injunction, the court stated that the defendant entered the field with the intent to take advantage, so far as possible, of "the confusion which would naturally arise [in the minds of the public] from the similarity of its name to that of the plaintiff" and with the purpose of availing itself, as a result of that confusion, of the reputation established by the plaintiff's advertising and the merits of its products. *Id.* at 755.

6 S.C. Johnson & Son, Inc. v. Johnson, 116 F.2d 427, 429, 48 U.S. Pat. Q. 82, 84 (2d Cir. 1940).

7 All factors must be considered in a judicial determination whether a prior user will be "hampered or embarrassed by the registration of the mark to another." Canto Culvert & Silo Co. v. Consol. Car-Heat Co., 44 App. D.C. 491, 493 (1916). *See also* Avon Shoe Co. v. David Crystal, Inc., 279 F.2d 607, 125 U.S. Pat. Q. 607 (2d Cir. 1960).

8 The "natural expansion of business" doctrine on a territorial basis encounters the same competing considerations as it does with regard to expansion along product lines: the right of the first user to extend his trade into new territory as his business grows and the popularity of his brand increases, and the rights of any subsequent user of the mark who is innocent of its prior use elsewhere. Two landmark decisions in this area of trademark law, Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916), and United Drug Co. v. Rectanus Co., 248 U.S. 90 (1918), established the principle that the prior user of a trademark "owns" such mark and is entitled to protection against any subsequent user of the mark applied to the same general category of goods. However, this rule does not apply where the subsequent user adopts and uses the mark in good faith in a territory into which the goods of the first user have not in fact, or at least without any awareness by the second user, been sold or acquired recognition. For discussion of this principle and citations of related cases, *see* beef & brew, inc. v. Beef & Brew, Inc., 389 F. Supp. 179, 185 U.S. Pat. Q. 531 (D. Ore. 1974). The principle embodied in *Hanover* and *United Drug* is only given effect where the mark of the first user is registered neither upon the principal register under the Lanham Act nor under the Acts of 1905 or 1881. The newcomer, otherwise, is deemed to have knowledge of the earlier use, and his adoption of the same mark might thus be restrained. This accords with Section 22 of the Act of 1946

user assert his rights early "lest they be made the means of reaping a harvest which others have sown."[9] In *Stardust, Inc. v. Weiss*,[10] the court held that extended protection of a mark to products and services that are a natural outgrowth of those of the plaintiff, as prior user, is absolute unless the newcomer enters the field with a mark similar or identical to the plaintiff's and the plaintiff, having knowledge thereof, does not assert its right to protection of its mark in the new field of endeavor. This doctrine was applied in *Emerson Electric Mfg. Co. v. Emerson Radio & Photograph Corp.*,[11] wherein the first user sought to enjoin the second user from continuing to sell radios bearing the mark "Emerson" on the ground that the manufacture of radios could be considered a natural outgrowth of the prior user's existing line of goods since both products were of the same general character. In denying relief on the basis of laches, Judge Learned Hand stated:

> If the [first user] proposed to keep the radio market as an unused preserve, it was bound to protect it against invaders by affirmative action;

(15 U.S.C. § 1072 (1970)): "Registration of a mark on the principal register provided by this Act or under the Act of March 3, 1881, or the Act of February 20, 1905, shall be constructive notice of the registrant's claim of ownership thereof." Thus, a second user of a mark, whose goods are sold in a territory not as yet penetrated by the first user, can no longer rely on good faith and lack of knowledge since he is placed under constructive notice. The prior user's protection is nationwide. Section 7(b) of the Act of 1946 affords such widespread protection regardless of the area in which the registrant actually uses the mark:

> A certificate of registration of a mark upon the principal register provided by this Act shall be prima facie evidence of the validity of the registration, registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated therein.

See 15 U.S.C. § 1057(b) (1970). *See also* Elcon Mfg. Co. v. Elcon Mfg. Co., 132 F. Supp. 769, 106 U.S. Pat. Q. 217 (E.D.N.Y. 1955); Sterling Brewers, Inc. v. Cold Spring Brewing Corp., 100 F. Supp. 412 (D. Mass. 1951). *A fortiori*, the first user is entitled to protection against use by another where it may be reasonably expected that his business is likely to expand into the territory of the second user. *See, e.g.*, Consolidated Foods Corp. v. Cardinal Foods, Inc., 151 U.S. Pat. Q. 718, 720 (TTAB 1966) and cases cited therein; Safeway Stores, Inc. v. Stephens, 281 F. Supp. 517, 521, 156 U.S. Pat. Q. 100, 103 (W.D. La. 1967). In summary, it is only where concurrent use does not result in likelihood of confusion or where it seems improbable that the prior user will expand into the market area of the subsequent user that the second user will not be enjoined. If and when the first user manifests an interest to use the mark in the territory occupied by the second user, the latter party will be enjoined. *See* Dawn Doughnut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 121 U.S. Pat. Q. 430 (2d Cir. 1959). Thus, the doctrine of natural expansion of business is given significantly wider scope where it is applied territorially as it entitles the originator of the mark on a particular class of goods to almost unlimited geographical protection. The balancing process that occurs when this doctrine is used in association with expansion of product lines is conspicuously absent here because the effect of Section 22 of the 1946 Act is to deprive any subsequent owner of defenses otherwise available where product expansion is concerned. Where the mark has been registered on noncompeting products, the equities of the parties must be weighted in determining whether one or the other party's product expansion will cause confusion or stain the opposing party's reputation. On the other hand, where the same mark has been used in different territories, the court will likely entitle the prior user to protection as he geographically expands his manufacturing or sales operations which relate to the product bearing this mark.

9 Dwinnell-Wright Co. v. White House Milk Co., 132 F.2d 822, 56 U.S. Pat. Q. 120, 122 (2d Cir. 1943). *See also* Califruit Wineries, Inc. v. Guerrieri, 32 U.S. Pat. Q. 197 (Comr. 1937), wherein the applicant was the first user on other goods and its present goods were a legitimate expansion of its business. A suit in opposition would have been upheld but because of applicant's delay, it could only enjoin the defendant through interference proceedings. Defendant's right of priority to the mark on the same goods was upheld because it had used the mark three months prior to commencement of the suit. In White Rock Mineral Springs Co. v. Akron B. & C. S. Co., 299 F. 775 (6th Cir. 1924), the prior user was also denied relief on the basis of laches.

10 79 F. Supp. 274, 79 U.S. Pat. Q. 162 (S.D.N.Y. 1948).

11 105 F.2d 908, 42 U.S. Pat. Q. 286 (2d Cir. 1939).

> it could not impose upon [others] the duty of divining its own purposes or possible mistakes of the public.[12]

II. Strength of the Mark

The general principle that the first user of a mark does not obtain the right to enjoin anyone else from using the same or similar mark in another field has been documented in a number of cases.[13] It is contrary to established law to recognize a trademark right in gross even if the prior user's mark is celebrated. For example, in the case of *Sheraton Corp. v. Sheffield Watch of New York, Inc.*,[14] it was held that even though the opposer's mark has become a well-known if not celebrated mark in the lodging industry, it could not extend its protection from the many diverse products used in rendering its services to all products and services sold at shops located in its hotels. Thus, applicant's subsequent use of "SHERATON" for watches and clocks sold in opposer's hotels was upheld.[15] This principle accords with Section 2(d) of the Lanham Act of 1946 which provides that the question of likelihood of confusion in an adversary proceeding must be resolved by evaluating the marks of the parties as used on or in connection with their respective goods or services.

A prior user may still be entitled to a broad degree of protection if his mark is arbitrary or well-known.[16] In *Upjohn Co. v. Universal Wholesale Corp.*,[17] the

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12 *Id.* at 911, 42 U.S. Pat. Q. at 289.

13 In American Foundries v. Robertson, 269 U.S. 372, 380 (1926), the Supreme Court stated that "[t]he mere fact that one person has adopted and used a trade-mark on his goods does not prevent the adoption and use of the same trade-mark by others on articles of a different description." *See also* the opinion of the District Court in Beech-Nut Co. v. Lorillard Co., 299 F. 834, 846 (D. N.J. 1924), *aff'd*, 7 F.2d 967 (3d Cir. 1925), *aff'd*, 273 U.S. 629 (1927), which contains a list of trademarks used by different concerns for products of differing character, and Triumph Hosiery Mills, Inc. v. Triumph Intern'l Corp., 187 F. Supp. 169, 126 U.S. Pat. Q. 233 (S.D.N.Y. 1960).

14 167 U.S. Pat. Q. 248 (TTAB 1970).

15 *See also* Dymo Industries, Inc. v. Schramm, Inc., 181 U.S. Pat. Q. 540 (TTAB 1974); American Optical Corp. v. Autotrol Corp., 175 U.S. Pat. Q. 725, 729 (TTAB 1972); and Revlon, Inc. v. Morgenstern Fabrics Development Corp., 125 U.S. Pat. Q. 203, 204 (TTAB 1960), wherein the court held that public recognition of opposer's famous mark "REVLON" as indicating origin of cosmetic goods would not necessarily result in public association of unrelated products bearing the same mark as originating from or connected in some way with opposer and thus concurrent registration could be appropriate.

16 W. E. Kautenberg Co. v. Ekco Products Co., 251 F.2d 628, 116 U.S. Pat. Q. 417 (CCPA 1958) presented the question of whether the owner of the mark "EKCO" as applied to kitchen utensils could successfully oppose the registration of the mark "WEKCO" as applied to mops and related products. While the court conceded that one entering a field such as the manufacture and sale of household utensils does not thereby preempt the field as to every item used in a house, it stressed the importance of the opposer's distinctive mark:

> [W]here a party has spent upwards of 5 million dollars in advertising, has built up a substantial reputation with respect to the mark used in connection with his products and the mark is as strong and distinctive a mark as is [the opposer's], [that] this court will not view lightly possible encroachment upon that party's good will by a newcomer in the field.

Id. at 632, 116 U.S. Pat. Q. at 419. Under these circumstances an opposer would have a significantly lesser burden of proof in demonstrating that a likelihood of confusion of origin of the goods would result from concurrent use of the mark. The *Kautenberg* case should be qualified by the caveat that courts are exceedingly careful in extending the "natural expansion of business" doctrine since it is their duty to avoid sustaining a monopoly unless it be demanded by law. *See, e.g.*, Horlick's Malted Milk Corp. v. Horlick, 143 F.2d 32, 62 U.S. Pat. Q. 4 (7th Cir. 1944); Kay Dunhill Inc. v. Dunhill Fabrics, Inc., 44 F. Supp. 922, 53 U.S. Pat. Q. 231 (S.D.N.Y. 1942).

17 161 U.S. Pat. Q. 558 (TTAB 1969).

opposer, whose mark had been extensively promoted for over twenty-five years, was entitled to protection for any goods which might reasonably be assumed to emanate from it in the natural expansion of its business under the mark. The court held that such goods need not in fact be competitive in character in order to be entitled to trademark protection. The test was whether purchasers were apt to consider the goods sold under the identical mark as originating from the same producer.[18]

It is often of little value for the second user to point to third-party registrations in an effort to establish the weakness of a contested mark. This is particularly true where the first user's mark has attained a high degree of celebrity so that purchasers would be more apt to attribute the product of the second user to that of the prior user. For example, in the case of *Catalina, Inc. v. Miller d/b/a Fashion Accessories*,[19] the mark "Catalina" had been registered by sixteen third parties for various products other than sportswear and like apparel. Nevertheless, as a result of petitioner's extensive use and promotion of the mark since 1926, "Catalina" was highly renowned in identifying its sportswear, and thus the petitioner succeeded in cancelling the registration of the mark, used by respondent for sunglasses since 1955.[20]

III. Reasonable Likelihood of Expansion

It is very possible that a business's potential expansion into a new product or service line, which would be considered a natural outgrowth of its present line, is so speculative that the prior user will thus fail to obtain an injunction. For example, in the case of *S.C. Johnson & Son, Inc. v. Johnson*, the court recognized that while a prior user is often compelled to expand his product lines in order to maintain or develop his existing market, a prior user will not be entitled to preserve his identity in the ancillary market if his "interest in maintaining the

18 *See, e.g.*, Aunt Jemima Mills Co. v. Rigney & Co., 247 F. 407 (2d Cir. 1917) wherein the owner of the trademark used on pancake flour was able to enjoin its use on syrup even though it had never manufactured syrup because use of applicant's mark on syrup would be considered an infringing use. Likewise, in Anheuser-Busch, Inc. v. Budweiser Malt Products Corp., 295 F. 306 (2d Cir. 1923), the court protected a brewer's trademark used on beer against its use on malt syrup. American Drill Bushing Co. v. Rockwell Mfg. Co., 342 F.2d 1019, 145 U.S. Pat. Q. 144 (CCPA 1965) upheld this principle even where neither party intended to enter the other's field. Purchasers would be reasonably likely to assume that the products of the parties had a common origin. The court therefore deemed it proper to reserve the mark to the opposer who could reasonably expand his business in the future to encompass goods of the applicant. *See also* Mobay Chemical Co. v. Standard Oil Co., 163 U.S. Pat. Q. 230, 235 (TTAB 1969); S.C. Johnson & Son, Inc. v. Procter & Gamble Co., 158 U.S. Pat. Q. 676 (TTAB 1968), *aff'd*, 440 F.2d 1022, 169 U.S. Pat. Q. 559 (CCPA 1971); Catalin Corp. v. Senju Pharmaceutical Co., 154 U.S. Pat. Q. 324, 327 (TTAB 1967); J.C. Hall Co. v. Hallmark Cards, Inc., 340 F.2d 960, 144 U.S. Pat. Q. 435 (CCPA 1965) and cases cited therein.

19 123 U.S. Pat. Q. 460 (TTAB 1959).

20 *See* Standard Brands v. Smidler, 151 F.2d 34, 66 U.S. Pat. Q. 337 (2d Cir. 1945), wherein the court undertook a liberal application of this doctrine and enjoined use of the mark "V-8" on vitamins where plaintiff had attained a high degree of celebrity in this mark as used in connection with vegetable juice and was selling vitamins under another mark. *See also* National Drying & Machinery Co. v. Ackoff, 129 F. Supp. 389, 391, 104 U.S. Pat. Q. 288, 289 (E.D. Pa. 1955) wherein it was held that third-party registrations of a mark, which tended to indicate that the mark was "weak," still entitled the owner thereof to protection if the product on which his mark was being used by another was within the normal field of expansion of his business. The court reasoned that "it would be natural for purchasers acquainted with the former business and the mark to assume that the new product bearing the same mark was produced by the same manufacturer."

significance of his name when applied to the new goods is nothing more than the desire to post the new market as a possible preserve which he may later choose to exploit."[21]

G. B. Kent & Sons, Ltd. v. Lorillard Co.[22] represents a graphic illustration of the principle that one cannot preempt a mark on the basis of a speculative future use. The plaintiff, a manufacturer who had been using the mark "Kent" on its brushes since 1777 and had registered the mark in the United States in 1931, sought to enjoin the defendant from using the same mark for cigarettes. As to the possibility of plaintiff entering the tobacco field, its manufacturing director stated that "[a]lthough [we] have no immediate plans to sell cigarettes under our "Kent" trademark, we cannot say that we shall never do so, or that we shall not do so in the reasonably foreseeable future."[23] The court interpreted this somewhat equivocal statement as insufficient evidence of intention to enter the tobacco field. "Plaintiff must say what it will do, rather than what it cannot say it will never do."[24]

The fact that a business may be widely diversified and experiencing a significant amount of growth along various product or service lines does not mean that it is likely to move in any or all directions and that it is therefore entitled to an unlimited scope of protection under the mark. To accept this proposition would be tantamount to granting an enterprise a right in gross in a mark thereby contravening the basic concept of trademark law and the statutory language of Section 2(d) of the Lanham Act.[25] The likelihood of a party expanding into a particular field can only be judged by examining the actual fields of endeavor currently engaged in by the party under the mark for which it seeks protection. "It is only from an analysis what has been done under the mark that one can reasonably be able to ascertain what is or is not a normal expansion of business."[26] Accordingly, the court in *Gillette Co. v. "42" Products, Ltd.*[27] held that the fact that opposer, manufacturer of razors and razor blades, had never expanded the use of its mark in over a thirty-year period to include toiletries was persuasive evidence that it never intended to expand the use thereof despite any testimony by opposer's principal witness that opposer had considered, for several years past, extending the use of its mark into this field. Likewise, absent any intention of a manufacturer of plastic compositions to expand its business into the

21 116 F.2d 427, 429, 48 U.S. Pat. Q. 82, 84 (2d Cir. 1940).

22 114 F. Supp. 621, 98 U.S. Pat. Q. 404 (S.D.N.Y. 1953), *aff'd,* 210 F.2d 953, 101 U.S. Pat. Q. 161 (2d Cir. 1954).

23 *Id.* at 630, 98 U.S. Pat. Q. at 410.

24 *Id. See also* Broderick & Bascom Rope Co. v. Goodyear Tire & Rubber Co., 186 U.S. Pat. Q. 301 (TTAB 1975); Cenco Medical Supply Corp. v. Virginia Chemicals, Inc., 180 U.S. Pat. Q. 656 (TTAB 1973); Ametek, Inc. v. Acorn Structures, Inc., 167 U.S. Pat. Q. 185 (TTAB 1970); El Chico, Inc. v. El Chico Cafe, 214 F.2d 721, 102 U.S. Pat. Q. 267 (5th Cir. 1954); Pennzoil Co. v. Hercules Powder Co., 34 U.S. Pat. Q. 37 (Comr. 1937), *aff'd,* 100 F.2d 671, 40 U.S. Pat. Q. 184 (CCPA 1938), wherein the opposer had never applied its mark to any products manufactured by the applicant and thus the possibility of its doing so was considered purely speculative.

25 *See* 15 U.S.C. § 1052(d) (1970). *See also* text accompanying note 15 *supra.*

26 Texas Gas Transmission Corp. v. Chemplex Co., 174 U.S. Pat. Q. 117, 123 (TTAB 1972). *See also* Teleflex Inc. v. Telerad Mfg. Corp., 127 U.S. Pat. Q. 357, 368 (S.D.N.Y. 1960) and cases cited therein.

27 149 U.S. Pat. Q. 149 (TTAB 1966). *See also* Browne-Vintners Co. v. National D. & C. Corp., 151 F. Supp. 595, 606, 114 U.S. Pat. Q. 483, 492 (S.D.N.Y. 1957).

production and sale of shower curtains, the court will not sustain the opposition. Thus, in *Libbey-Owens-Ford Glass Co. v. Plastron, Inc.,*[28] it was held that the rights of the opposer cannot include a speculative future use of its mark. The fact that its competitor, a fabricator and distributor of articles made from plastic film, sold shower curtains under a similar trademark was not deemed sufficient evidence that is was very possible or in fact probable that opposer would extend its business to incorporate this article.

Another example of the application of this test arose in *Goodall-Sanford, Inc. v. Landers Corp.*[29] The fabric products of the parties were completely different in quality, texture, appearance and use. The products of the plaintiff, as prior user of the mark, were employed in making lightweight summer clothing. While the possibility existed that such products could be used in the manufacture of work gloves which were made of the subsequent user's material, "it would not be commercially practical to use [plaintiff's] fabric[s] for such a purpose and [that] such mere possibility may not properly enlarge the scope of right which [plaintiff] might otherwise possess in its mark."[30]

A prior user of a trademark will also be denied protection where he seeks to apply his mark to dissimilar goods which he had never contemplated as an extension of his business and to which the mark has been applied by another in good faith. The court upheld this principle in *Nulyne Laboratories v. Electro-Alkaline Co.*[31] wherein opposer, who had used the mark "Clorox" on bleaching, cleansing, and antiseptic compounds, was unsuccessful in preventing the registration of "Clorox" as a trademark for toothpaste. The court was convinced that because the goods of the parties possessed very different qualities and characteristics, the opposer would not have possibly contemplated the preparation and sale of a toothpaste or mouthwash at the time of the adoption and use of his mark.

In spite of the above case law, a prior user will be entitled to full protection, even where it does not contemplate expanding its present business, if prospective purchasers of an article manufactured by another assumed that the product emanated from the prior user as a natural expansion of its business.[32] Confusion or deception of the public is the paramount consideration when examining the relative rights of two or more users of a mark.

IV. Products and Services with Similar Descriptive Properties

Protection under the expansion of business doctrine extends to marks used on related products, that are confusingly similar as well as to identical marks. For example, in *W. E. Kautenberg Co. v. Ekco Products Co.,*[33] the court held that use of "Wekco" on mops and similar products was likely to result in confusion in trade with "Ekco" on kitchen utensils. On the other hand, the doctrine is not applicable where the marks appear to be different even though the products

28 183 F.2d 110, 86 U.S. Pat. Q. 397 (CCPA 1950).
29 187 F.2d 639, 89 U.S. Pat. Q. 69 (CCPA 1951).
30 *Id.* at 641, 89 U.S. Pat. Q. at 70.
31 285 F. 999 (App. D.C. 1923).
32 *See* American Brake Shoe Co. v. R.B. Denison Mfg. Co., 146 U.S. Pat. Q. 605, 609 (TTAB 1965) and cases cited therein.
33 251 F.2d 628, 116 U.S. Pat. Q. 417 (CCPA 1958).

to which they apply could emanate from the same manufacturer. Thus in *Minnesota Mining & Mfg. v. Tarrant Mfg. Co.*,[34] the marks "Scotchlite" and "Scotchman" were used on motor-driven mechanical apparatus. The court held there was no likelihood of confusion of business because the marks were very different in sound, appearance and meaning. In addition, the marks were applied to products with different uses.[35]

Consumer psychology plays an essential role in a court's decision to invoke this doctrine. The products of a prior and subsequent user of similar marks may be closely related articles of commerce that are designed to be used together and possess the same descriptive qualities. Consumers would reasonably presume a common origin of these items bearing the same trademark by considering such items produced by the subsequent user as representing a natural growth of the business of the prior user. Under these circumstances, an opposer who is manufacturing perfume containers and soap receptacles would be entitled to relief against the subsequent user of a similar mark as applied to perfumes and soaps.[36]

The expansion of business doctrine is not applicable where the goods of the two parties using a similar trademark possess sufficiently different descriptive qualities including dissimilarity of appearance, material, use or price. The test is whether the resemblance or relationship of the two products is sufficiently close as to deceive or confuse purchasers as to their origin. If the articles do not fulfill the requirements of this test, the prior user of the mark will not be permitted to enjoin any subsequent users on the basis that the latter parties' products employing the same or similar mark are but a natural expansion of his own business.[37] In addition, expansion of one's product line under the same mark to goods possessing different descriptive properties would result in extending use of the mark to goods not covered by its previous registration. If the result thereby is a greater likelihood of confusion caused by similarity of that mark to a mark

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34 98 U.S. Pat. Q. 33 (Comr. 1953), *aff'd*, 219 F.2d 716, 105 U.S. Pat. Q. 38 (CCPA 1955).

35 *See also* Berghoff Brewing Ass'n v. Popel Giller Co., 273 F. 328, 50 App. D.C. 364 (1921), wherein the court held that extension of the mark "Burg Brau" on beer to "Burg" on nonalcoholic beverages would not come within the expansion of business rule since the marks were sufficiently different.

36 Elgin American Mfg. Co. v. Elizabeth Arden, Inc., 83 F.2d 687, 29 U.S. Pat. Q. 545 (CCPA 1936). *See also* Kayser-Roth Corp. v. Greene, Tweed & Co., 159 U.S. Pat. Q. 494 (TTAB 1968) and William Waltke & Co. v. Geo. Schafer & Co., 263 F. 650 (App. D.C. 1920), wherein the court pointed out that shaving cream and toilet soap may not be identical when chemically analyzed; nevertheless, the public's image of shaving cream as a soap is a decisive factor in determining that the manufacture of shaving cream is a natural step in the expansion of its business as a soap producer. It was therefore held that opposer may prevent the use of its trademark on toilet soap from being used by others on shaving cream.

37 For cases where the doctrine of expansion of goods is inapplicable because applicant's goods do not possess the same descriptive qualities as any products made by opposer prior to applicant's adoption of the mark, see ex parte American Lead Pencil Co., 46 U.S. Pat. Q. 284 (Comr. 1940) (make-up not similar to eyebrow pencils); Breeze Corps., Inc. v. Barnes, 82 U.S. Pat. Q. 232 (Comr. 1949) (automotive, electrical, and aircraft equipment not similar to electrical ventilating fans); Crown Zellerbach Corp. v. Martin, 153 U.S. Pat. Q. 141 (TTAB 1967), *aff'd*, 422 F.2d 918, 165 U.S. Pat. Q. 171 (CCPA 1970) (cosmetics and toiletries not similar to toilet tissue). *See also* Foremost Dairies, Inc. v. Foremost Sales Promotions, 158 U.S. Pat. Q. 360 (TTAB 1960), *aff'd*, 443 F.2d 1191, 170 U.S. Pat. Q. 208 (CCPA 1971), wherein the court held that the likelihood of confusion between stores selling dairy products and stores selling liquors under the same mark was minimal. The fact that the producer of dairy products merged with a distributor of liquors was not held as proof that liquor was within the natural expansion of a dairy company.

already registered by a prior user for the same or similar goods, the first user will be enjoined.[38]

V. Marketing Scheme of the Related Products or Services

If an article is not within the natural or legitimate extension of a business because it does not possess the same descriptive qualities in comparison to its other goods, the fact that certain manufacturers in that trade also make that article will not thereby result in the application of the doctrine. In *Pratt & Lambert, Inc. v. Chapman & Rodgers, Inc.*,[39] the court held that although there exist paint and varnish manufacturers who produce insecticides, the production of such insecticides could not be regarded as a *natural* expansion of the business of these manufacturers. On the other hand, courts might reach a contrary result if the products could be sold in the same stores to the same people in competition with one another so that there was a significant likelihood of confusion. In *Jean Patou, Inc. v. Hylo Co., Inc.*,[40] it was held that since other perfume manufacturers sell toilet products, including soap and bubble baths which are scented and designated by the same name as their particular perfume, it would be a legitimate extension of petitioner's business as a perfume manufacturer to also enter that field and market similar products.

In determining whether a particular article is a natural extension of one's business, courts examine whether that article is sold in a different trade channel to a different class of purchasers so that there would be no confusion as to origin of the goods. If the trade channels, purchasers and manner of packaging and sale of the products are entirely different, an opposer will not be entitled to invoke the doctrine.[41] Conversely, if the products are similar in descriptive properties and are marketed, advertised, and sold by the same people to the same class of customers, the purchasing public is likely to be confused by virtue of the similarity of trademarks. Thus, the prior user would be deemed to have the

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38 This proposition was articulated in Key Chemicals, Inc. v. Kelite Chemicals Corp., 464 F.2d 1040, 1043, 175 U.S. Pat. Q. 99, 101 (CCPA 1972), wherein the court held that by normal expansion of its business

> [a trademark owner could not] extend the use of its trademark to goods [of different descriptive qualities] not covered by its previous registration, where the result would be a likelihood of confusion caused by similarity of that mark to a mark already registered by a prior user for the same or similar goods.

See also Jackes-Evans Mfg. Co. v. Jaybee Mfg. Corp., 481 F.2d 1342, 1345, 179 U.S. Pat. Q. 81, 83 (CCPA 1973); Haggar Co. v. Hugger Corp., 172 U.S. Pat. Q. 253, 254 (TTAB 1971); Sterling Drug Inc. v. Sun Chemical Corp., 142 U.S. Pat. Q. 330, 334 (TTAB 1964).

39 52 U.S. Pat. Q. 589 (Comr. 1942), *aff'd*, 136 F.2d 909, 58 U.S. Pat. Q. 472 (CCPA 1943).

40 97 U.S. Pat. Q. 298 (Comr. 1953), *rev'd on other grounds*, 215 F.2d 282, 103 U.S. Pat. Q. 52 (CCPA 1954).

41 *See* Goldsmith Bros. v. Atlas Supply Co., 60 U.S. Pat. Q. 18 (Comr. 1943), *aff'd*, 148 F.2d 1016, 65 U.S. Pat. Q. 378 (CCPA 1945) wherein the court held that extension of business from pure glycerin and rubbing alcohol as pharmaceuticals to glycerin or alcohol as automobile antifreeze was not a natural expansion of business because the trade channels, purchasers and manner of packaging and sale of the products were entirely different. *See also* U.S. Plywood Corp. v. Modiglass Fibers, Inc., 124 U.S. Pat. Q. 82, 83 (TTAB 1960), *on reconsideration*, 125 U.S. Pat. Q. 144 (TTAB 1960) (opposer's pipe and tubing products found to be sold to different classes of purchasers for widely different purposes as compared to applicant's building panels which used similar trademark); U.S. Plywood Corp. v. New York Slate Co., 115 U.S. Pat. Q. 22, 23 (Comr. 1957) (applicant's chalkboard not held to move through the same trade channels as opposer's metalfaced wood sheets).

right to extend his trademark, in the natural expansion of his business, to such other articles. In *Craddock-Terry Shoe Corp. v. Billy Boy Co.*,[42] the court held that jackets and shoes, as items of wearing apparel, might well be marketed through the same retail outlets to the same average purchasers and thus result in consumer confusion if the identical trademark were applied to both products; therefore, the opposer, as prior user of the mark, was entitled to protection under the business expansion doctrine.

The expansion of business doctrine also concerns the right of the prior user to prevent others from employing the mark on a cheaper product. In *Chester Barrie, Ltd. v. Chester Lauire, Ltd.*,[43] plaintiff's action for unfair competition was upheld on the basis that the defendant, as a subsequent user, could not preempt the lower price ranges in connection with the sale of men's clothing and thereby foreclose the first user of the same mark from changing its merchandising or pricing policies.

Courts are more liberal in their application of this doctrine where a single mark has been used by a manufacturer for all the different items made and sold. In *Stardust, Inc. v. Weiss*, the right of a prior user to extend its mark to new products as a natural outgrowth of its business was considered "especially true where the mark [was] used on the entire output of the user rather than on a particular class."[44] In this context, one must bear in mind the distinction between a "natural expansion" of one's business and a "diversification" of its business activities. If a party's new product line would constitute a radical departure in its manufacturing operations and processes as well as in its distribution channels, such product would not involve a normal outgrowth of the party's business.[45] If the opposer, as a growing business, were given such a wide orbit of protection for its trademark, it would thereby enjoy a right in gross in the mark and thus run afoul of established principles of trademark law.[46]

VI. Other Uses and Registrations of the Mark

A subsequent user of a mark may be successful in registering the mark on a noncompeting product or service with the result that two or more users would have prior rights in the same mark as applied to their respective products and services. The first user of the mark, however, may wish to expand his business into a field that relates to a subsequent user's product line. The success of the prior registrant to defend himself against a suit by the other party depends upon whether the product line into which he has expanded is considered a natural area

42 133 U.S. Pat. Q. 218 (TTAB 1962). *See also* In re Knapp-Monarch Co., 125 U.S. Pat. Q. 204 (TTAB 1960), *aff'd*, 132 U.S. Pat. Q. 6 (CCPA 1961); W.B. Roddenbery Co. v. Kalich, 158 F.2d 289, 72 U.S. Pat. Q. 138 (CCPA 1946) (opposition by prior user of trademark applied to lettuce sustained against owner of similar mark applied to pickle relish and peanut butter).

43 189 F. Supp. 98, 127 U.S. Pat. Q. 255 (S.D.N.Y. 1960). *See also* Bausch & Lomb Optical Co. v. Intern'l Industries, Inc., 142 F.2d 1016, 61 U.S. Pat. Q. 485 (CCPA 1944).

44 79 F. Supp. 274, 278, 79 U.S. Pat. Q. 162, 165 (S.D.N.Y. 1948). *See also* Lever Bros. Co. v. Almo Laboratories Co., 154 U.S. Pat. Q. 495 (TTAB 1967).

45 *See, e.g.*, ILC Industries, Inc. v. ILC, Inc., 175 U.S. Pat. Q. 623, 626 (TTAB 1972); Ametek, Inc. v. Acorn Structures, Inc., 167 U.S. Pat. Q. 185, 192 (TTAB 1970).

46 *See* text accompanying note 14 *supra*.

of expansion of his original line so that opposition proceedings by the subsequent registrant would fail.[47] In the case of *Gunter v. Howard D. Johnson Co.*,[48] the defendant had originally employed the mark "HO JO" in connection with hamburger sandwiches and milk shakes prior in time to plaintiff's use of the mark "HO KO" as applied to chocolate beverage soft drinks. In view of its prior use, defendant was entitled to extend the application of the mark to all products and services which were within the normal expansion of its business despite the fact that expansion to a particular product was subsequent in use to that of the plaintiff.[49] Accordingly, the court held that defendant's expansion into carbonated soft drinks and restaurant service was natural even though it occurred after plaintiff had commenced use of a similar mark for chocolate soft drinks.

If the prior user is unable to show that his mark was extended to a product within "natural expansion," he must yield to the subsequent user's established rights and thus market his product in a manner that will eliminate any likelihood of confusion. This often results in the first user's abandonment of the mark on the new product. Thus, in *Parker Pen Co. v. Barrows Industries*,[50] the pior user of a mark consisting of an arrow manufactured jewelry for personal wear or adornment. Subsequently the plaintiff commenced manufacturing and selling writing instruments under a trademark similar in appearance. The prior user, defendant, extended its operations at still a later date to the sale of pens under its original mark. The court enjoined the defendant from the use of that trademark on pens, rejecting the argument that expansion of its product line to pens would not create any likelihood of confusion. The court stated that such expansion is impermissible if it "would be in contravention by another in that sphere of trade."[51]

It is possible that extension of a mark to a product not within "natural expansion" will not necessarily result in the prior user's abandonment of the mark. In *Charles Broadway Rouss, Inc. v. Winchester Co.*,[52] the plaintiff commenced use of the trademark "Winchester" for shirts subsequent to defendant's use of the same mark for guns. The court held that plaintiff's expansion of its business to the field of guns did not constitute any likelihood of confusion or infringement because of the manner in which sales were made by the two parties. Their respective products were sold through different channels of trade and in different

47 The first owner of the trademark must introduce evidence showing that use of its mark to additional goods represents a normal growth of its trade where actual expansion has occurred. These are not matters which ordinarily may be subject to judicial notice, particularly where the goods are not closely related. *See* Cascade Corp. v. Cascade Coach Co., 168 U.S. Pat. Q. 795, 799 (TTAB 1970).

48 *Id.* at 241 (citations of cases supporting this proposition). *See also* Tiffany & Co. v. National Gypsum Corp., 459 F.2d 527, 173 U.S. Pat. Q. 793 (CCPA 1972), wherein it was noted that both parties have been expanding their operations and that because the possibility of confusion is therefore likely to increase, the prior user is entitled to continue using the mark as its business expands and to be protected from increasing probability that actual confusion will arise.

49 *Id.*

50 155 U.S. Pat. Q. 37 (TTAB 1967).

51 *Id.* at 41. *See also* Holland Furnace Co. v. New Holland Machine Co., 24 F.2d 751 (E.D. Pa. 1927).

52 300 F. 706 (2d Cir. 1924).

areas.[53] Plaintiff's unfair competition action was therefore dismissed.

Situations may arise in which concurrent registrations have previously been granted to owners of the same mark and the prior user meets the "natural expansion of business" test so that his new products are considered an extension of those already registered under the trademark. It is thus likely that where the prior user's new product line resembles goods manufactured or sold by the subsequent user, the public will be confused, deceived or injured as to the origin of goods.[54] In *W. A. Sheaffer Pen Co. v. American Lead Pencil Co.*,[55] the prior user had registered in 1920 the mark "Autograph" for lead pencils and opposer, as subsequent user, applied the same mark since 1931 to mechanical pencils and fountain pens. The court held that since the products of the parties had the same descriptive properties, applicant was therefore entitled under the "natural business expansion" doctrine to register the mark for mechanical pencils and fountain pens on which use began in 1943. While the court recognized the likelihood of confusion resulting from the concurrent sale by both parties of identical merchandise under identical trademarks, it adopted the attitude that "the situation is of opposer's making, and the remedy that suggests itself is opposer's adoption of a different mark."[56] Under this analysis, the protection of a prior user's trademark would take precedence over any general right of the public not to be confused.[57]

In the converse situation where a subsequent user of the same mark expands its product line into a category of goods sufficiently related to those of the prior user as to create a likelihood of confusion, he will be considered an infringer and the rules governing trademark infringement will thus be applied.[58] An action for infringement would lie regardless of whether the mark is used initially by the subsequent user on a product that bears a close resemblance to that of the original user and thereby causes confusion, or whether the mark is used on that product as a result of a natural expansion of his business.[59]

53 For cases supporting the principle that the same mark can be used on similar goods moving through different trade channels, *see* note 41 *supra*.

54 One case has held, however, that where there was no confusion as to use of the same mark on the original goods, the fact that one expands his line to a field within the natural area of expansion of his original line will not create any likelihood of confusion. In New York Knitting Mills, Inc. v. Truval Manufacturers, Inc. v. The H.W. Gossard Co., 103 U.S. Pat. Q. 298 (Comr. 1954), applicant registered GLIDER for knitted wool bathing suits in 1930 and opposer obtained registration in 1951 of a similar mark, TRU VAL GLIDER, for men's shirts. The court held that the manufacture of knitted sweaters, skirts, dresses and other clothing articles was a natural expansion of the prior user's production. In peremptorily concluding that the opposition must fail, the court stated that "if there was no likelihood of confusion between TRU VAL GLIDER shirts and GLIDER bathing suits, there is no likelihood of confusion between TRU VAL GLIDER shirts and applicant's other knitwear." 103 U.S. Pat. Q. at 299. Consumers, of course, could easily be confused as to origin of wearing apparel manufactured under a similar trademark but made of different material. The court's proposition therefore ignores the realities of the situation and does not appear to have been followed in any subsequent cases.

55 69 U.S. Pat Q. 179 (Comr. 1946).

56 *Id.* at 180.

57 *See, e.g.*, High Rock Ginger Ale Co. v. Mil-K-Botl Corp. of America, 53 U.S. Pat. Q. 431 (Comr. 1942); Land O'Lakes Creameries, Inc. v. Oconomowoc Canning Co., 47 U.S. Pat. Q. 514 (Comr. 1940), *on reconsideration*, 48 U.S. Pat. Q. 432 (Comr. 1941).

58 E. VANDENBURGH, TRADEMARK LAW AND PROCEDURE 57 (1959).

59 This principle is not applied where the prior user is guilty of laches and the subsequent user has built up substantial good will under the mark. *See* text accompanying notes 9-12 *supra*. In the case of White Rock Mineral Springs Co. v. Akron B. & C. S. Co., 299 F. 775 (6th Cir. 1924), the prior users, owners of a water brand, expanded their business under the "White Rock" mark to include root beer and ginger ale. Subsequently, another concern began to sell

VII. Conclusion

The test of "natural business expansion" is admittedly vague and thus subjects the user of a mark to the uncertainty that its mark, as applied to a newly acquired product or service, will be successfully enjoined from use or that the rights of one or the other party will prevail at the expense of consumer confusion or deception. This uncertainty is compounded by the fact that we are experiencing a rapid rate of progress in every facet of the business world. Yesterday's products, which were previously considered unrelated and presumed to emanate from different origins, are now associated in conjunction with one another and handled by the same company. The courts, nevertheless, do examine a number of factors in weighing the conflicting legitimate interests of one company's rights to expand its business into a related field against the interests of another company as an innocent second user of the mark, thereby rendering some degree of predictability in the application of this doctrine.

The common thread which has tied these factors together has been the likelihood of public confusion as to the source of goods. If the first trademark proprietor contributes to this confusion by not making a timely objection to the use of its mark on a related product by another, it will lose its preemptive rights.

Public confusion is further mitigated by courts granting a prior user of an extremely strong trademark a wide range of protection. In addition, even if a trademark owner is merely contemplating expansion into a particular product or service line, a subsequent user nevertheless will be precluded from adopting the trademark if prospective purchasers would assume the product emanated from the prior user as a natural expansion of its business. The first user will also be protected if the goods of the two parties possess similar descriptive properties and similar marks, thereby resulting in a likelihood of confusion. Finally, if products or services possessing similar marks are marketed through the same trade channels to the same class of purchasers, the natural expansion of business doctrine could be invoked to protect the first user.

In the past, concurrent registrations were granted on products or services which at the time were not then considered related. Modern methods of manufacturing and marketing, however, have resulted in blurring many of these distinctions concerning which products or services could be related in origin so as to constitute a *natural* expansion of one's business. A prior user's new products or services may now be considered an expansion of its existing product or service lines. Another business, however, may have already registered the prior user's mark on these "new" products or services. Consequently, courts are confronted

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"White Rock Beer" and at a later time, extended its product line to "White Rock Near Beer." In response to the water concern's suit for an injunction and its contention that near beer and its own drinks were related products, the court stated:

> Any confusion with [the prior user's] products that may heretofore have arisen when [the subsequent user] marketed beer may possibly be accentuated now that the [subsequent user] is manufacturing near beer, a soft drink. But such confusion, if any, whether now beginning or accentuated, cannot operate, in the absence of unfair competition, to deprive [the subsequent user] of the use of the mark and of the good will built up over a period of years, even though it lessens the value of [the prior user's] mark.

Id. at 777.

with a decision-making process of weighing the prior user's rights in its trademark against the likelihood of public confusion and protection of the second user's rights in the mark. If the likelihood of confusion principle should continue to be upheld under this set of circumstances, this could constitute a significant erosion of the "natural area of business expansion doctrine." A prior user would no longer be protected under the doctrine even though its new product or service is now considered a natural expansion of its business.