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# Unfair Competition--Infringement of Trade Name--Pre-requisites to Enjoin

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jury has been made and considered in connection with all the circumstances appearing on the record.

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UNFAIR COMPETITION—INFRINGEMENT OF TRADE NAME—PREREQUISITES TO ENJOIN.—*P* used the trade name "Safeway" to designate each of its grocery stores in its national chain. *P* had used the name continuously in Virginia since 1942 and elsewhere since 1926. *D* in 1954 adopted the term "Saveway" as part of a trade name for a local grocery store at Norfolk, Virginia. *P* has no store in Norfolk or the immediate area. *P* seeks to enjoin the use of the term "Saveway" by *D* as an infringement on its trade name. *Held,* that the infringement of a trade name alone was sufficient to invoke equitable relief and the actual loss of business, diversion of trade, competition, or "palming off" of defendant's goods as the plaintiff's, were not prerequisites to such a decree. Injunction granted. *Safeway Stores v. Suburban Foods,* 130 F. Supp. 249 (E.D. Va. 1955).

The principal case was an action for unfair competition based upon the right of a first user of a trade name to protection from infringement. In deciding the case the court laid down the very broad proposition that infringement alone gave the plaintiff the right to enjoin a junior user from using the trade name. Under this rule it is conceivable that two individuals could innocently adopt the same trade name for their businesses, each being in a different area where there would be no injury to the business of the other from the use of the same name, and yet the first to adopt the trade name would be able to enjoin the use of the name by the other. By following such a rule, one person would be denied the use of a name without any corresponding injury to the other. But is this the law of unfair competition in the Virginias? The courts of last resort of Virginia and West Virginia have never directly decided the question. The decisions of other American jurisdictions present two conflicting views.

There is one line of decisions which holds that actual competition is necessary in order to maintain an action for unfair competition. "The right of a given name previously adopted in a business located in one locality does not invest the proprietor of that business with the right to enjoin the use of the same or a similar name by a junior enterprise in another locality where one does not encroach upon the other." *National Grocery Co. v. National Store Corp.,* 95 N.J. Eq. 588, 123 Atl. 740 (1924). In the jurisdictions

following this rule the court evidently had difficulty in perceiving how there could be an action for unfair competion where there was, in fact, no competition. Under this doctrine the first user of a trade name is denied the right to protect his reputation from the injurious acts of the junior user and to expand his trade or business into the other's area under the same name, unless the parties are in actual direct competition.

However, there are a great number of American decisions to the contrary. Where the defendant's use of the plaintiff's trade name might cause the public to be deceived into thinking that there was some connection between defendant's and plaintiff's business and therefore plaintiff's good will would be "whittled away", the relief was granted although there was no competition between the parties. *Lady Esther v. Lady Esther Corset Shoppe,* 317 Ill. App. 451, 46 N.E.2d 165 (1943). Where there exists a threat of growing confusion to the detriment of the plaintiff's reputation in an area from which its patrons are in part drawn, the interest in a trade name will be protected against simulation not only from a competing business but also a business whose ill repute would be visited upon the plaintiff. *Stork Restaurant Co. v. Marcus,* 36 F. Supp. 90 (E.D. Pa. 1941). Where the junior appropriator of a trade name is occupying a territory that would probably be reached by the prior user in the natural expansion of his trade, the use of the trade name by the junior user will be enjoined. *Sweet Sixteen Co. v. Sweet* "16" *Shop,* 16 F.2d 920 (8th Cir. 1926). "The interest in a trade mark or trade name is protected . . . with reference only to territory from which he [the plaintiff] receives or, with the probable expansion of his business, may reasonably expect to receive custom in the business in which he uses his trade mark or trade name, and in territory in which a similar designation is used for the purpose of forestalling the expansion of his business." RESTATEMENT, TORTS § 732 (1938). In all the cases holding that actual competition is not necessary in an action for unfair competition, there is an additional element, other than the infringement, upon which the courts base their decision. There is either an injury to the plaintiff's reputation or good will, or there is a denial of the plaintiff's right to the normal and reasonable expansion of his business under the trade name. By requiring more than just a mere infringement in order to maintain an action for unfair competition, the second user can continue to use his trade name if in an area in which the use does not, or is likely not to encroach upon the first user's rights.

It is not clear whether the Virginias require actual competition in order to maintain an action for unfair competition. "[W]hile unfair competition and fraud should be and will be restrained in proper cases, no impediments to fair trade should be imposed by the courts, except for the protection of substantial rights which cannot otherwise be protected. . . . The essential element of unfair trading is deception, by means of which goods of one dealer are palmed off as those of another, whereby the buyer is deceived and the seller receives the profit which, but for such deception, he would not have received." *Benjamin T. Crump Co. v. Lindsey,* 130 Va. 144, 107 S.E. 679 (1921). In a case holding that plaintiff's bill of complaint stated a cause of action for unfair competition under the law of West Virginia, the court said that if the plaintiff's proof failed to show competition with the defendant in the city of Wheeling, then he would have no right to enjoin the use of the same trade name by the defendant in that area. *Gluck v. Kaufman,* 117 W. Va. 685, 689, 186 S.E. 615, 617 (1936) (dictum). Although the courts of last resort in both Virginia and West Virginia have used language which would lead to the conclusion that actual competition is necessary for an action for unfair competition, the federal courts in the two districts, without reference to the local law, have recognized the broader concept of unfair competition. *Household Finance Corp v. Household Finance Corp.,* 11 F. Supp. 3 (N.D. W. Va. 1935).

The court in the principal case probably did not intend to establish such a broad principle of law as the decision suggests, because the case cited as authority for the decision was an action based upon a statute which apparently was an attempt to codify the common law "dilution" or "whittling away" theory of unfair competition. MASS. ANN. LAWS c. 110, § 7A (1954). Also, the court in that decision used the expansion of trade doctrine as an additional reason for the decision. *Food Fair Stores v. Food Fair,* 177 F.2d 177 (1st Cir. 1949). Furthermore, in the principal case the court found that the plaintiff's good will and reputation did extend to Norfolk and that the plaintiff had a realistic intention to extend its business to that area. *Safeway Stores v. Suburban Foods, supra* at 253. Therefore, all the decision probably stands for is that the plaintiff's trade name will be protected where the defendant's use would injure the plaintiff's good will or deny the plaintiff the right to the normal expansion of its business.

The doctrine of unfair competition in Virginia and West Virginia is not, or at least should not be restricted to cases which

involve actual competition. By recognizing the broader concept of the doctrine, the good will and the right to business expansion will be protected and the junior user will not be denied the right to use the trade name where the use will not injure others.

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