

Trade Marks and Trade Names - Effect of Violation of Fictitious Name Statute

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ness,⁸ and for this reason there does seem to be a necessity for determining under which article and for what cause the interdiction was obtained. This view is in accord with that of Chief Justice O'Niell's dissent in the instant case where he states that, when the court is dealing with a will made by a person interdicted under Article 422 there is no need to determine what the rule would be if a person under interdiction for insanity (Article 389) had made a will. In the *Lanata* case the interdiction obtained under Article 422 certainly does not prove anything regarding the testator's state of mind. It is not at all clear why the deceased had been interdicted, the only certain fact being that he was *not* interdicted for mental incapacity. Therefore, the facts present no reason why any inquiry should be made as to the mental condition of testator at the time the will was executed. Although the court held that interdiction under either Article 389 or Article 422 would not in itself invalidate a will, it seems that the door is still open with regard to the validity of a will executed after judgment of interdiction under Article 389 has been rendered.

B. A. G.

TRADE MARKS AND TRADE NAMES—EFFECT OF VIOLATION OF FICTITIOUS NAME STATUTE—The plaintiff organized a group of independent cab operators under the name of "Checker Cabs" and had them paint their cabs in the same fashion. The defendant, two years later, incorporated under the name of "New Orleans Checker Cabs, Incorporated," and this suit was brought to enjoin him from conducting a taxicab business under that name.¹ The defendant contended (1) that the defendant was prior registrant under the General Corporation Laws of Louisiana,² and (2) that the plaintiff failed to comply with a Louisiana statute which prohibits the carrying on of any business under an assumed name

8. Art. 1788, La. Civil Code of 1870; *Holland v. Miller*, 12 La. Ann. 624 (1857): "It is not the judgment of interdiction therefore, that creates the incapacity, it is evidence only of its existence, but it is conclusive evidence."

1. The parties litigant are reversed herein for convenience of discussion. In fact, New Orleans Checker Cabs, Inc., the later user of the name, was plaintiff, and suit was for an injunction against the prior user, Mumphrey. Mumphrey set up a reconventional demand. Judgment was adverse to plaintiff and was in favor of defendant on his reconventional demand. The present discussion is concerned with this latter aspect of the case; and for this reason Mumphrey is regarded throughout as plaintiff.

2. La. Act 250 of 1928, as amended by La. Act 65 of 1932 and La. Act 34 of 1935 (4 E.S.) [Dart's Stats. (1939) §§ 1080-1154].

without first having registered such name.³ Neither contention was sustained and an injunction was granted, but damages were refused. *New Orleans Checker Cabs, Incorporated v. Mumphrey*, 18 So. (2d) 629 (La. 1944).

The defendant's first contention was easily disposed of. Registration under the act⁴ is designed to prevent confusingly similar corporate names. The state's action in allowing incorporation under a particular name is only permissive. The purpose of the act is to prevent confusion and it is not to aid one person in passing off his goods or services as those of another. Even though the name is acquired through the authority of the state it cannot be used in a manner which will result in fraud or deception.⁵ Furthermore, the Louisiana Business Corporation Act provides:

"Nothing in this section shall abrogate or limit the law as to unfair competition or unfair practice in the use of trade names, nor derogate from the principles of law or equity, or the statutes of this State or of the United States with respect to the right to acquire and protect trade names."⁶

The first user of a trade mark or a trade name can prevent a later use by another of a confusingly similar mark or name in connection with the same commodity or service. As the court points out in the principal case,⁷ this right exists independently of all state and federal statutes.

The defendant's second contention is more plausible. Through the application of the equitable doctrine of "clean hands," courts will refuse to protect a trade name which is being used by the plaintiff to deceive the public.⁸ Also they usually refuse to protect an illegal or immoral business against unfair competition. This is illustrated by one case in which the plaintiff sold intoxicating malt liquors,⁹ and another which involved the sale of con-

3. La. Act 64 of 1918, as amended by La. Act 303 of 1926 [Dart's Stats. (1939) §§ 6503-6507].

4. La. Act 250 of 1928, as amended by La. Act 65 of 1932 and La. Act 34 of 1935 (4 E.S.) [Dart's Stats. (1939) §§ 1080-1154].

5. *Children's Bootery v. Sutker*, 91 Fla. 60, 107 So. 345 (1926).

6. La. Act 250 of 1928, as amended by La. Act 65 of 1932 and La. Act 34 of 1935 (4 E.S.) [Dart's Stats. (1939) § 1083].

7. *New Orleans Checker Cabs, Inc. v. Mumphrey*, 18 So. (2d) 629 (La. 1944).

8. *Mulhens & Kropff, Inc. v. Ferd. Muelhens, Inc.*, 43 F. (2d) 937 (C.C.A. 2d, 1930); *New York & New Jersey Lubricant Co. v. Young*, 77 N.J. Eq. 321, 77 Atl. 344 (1910).

9. *Portsmouth Brewing Co. v. Portsmouth Brewing and Bottling Co.*, 67 N.H. 433, 30 Atl. 346 (1893). Bill dismissed on the theory that the owner of property has a right to protection in any legal use or business in which he

trapectives.¹⁰ Since these traffics were prohibited by law, relief against infringement was denied. In the instant case it is contended in effect that plaintiff committed a continuing misdemeanor by his failure to comply with the registration statute. The argument of the defendant is not that the plaintiff's business is illegal, but that he is conducting a lawful business in an unlawful manner.

Analogous is the situation in which a foreign corporation does business in a state without first securing a license. Thus in *General Film Company of Missouri v. General Film Company of Maine*¹¹ the federal court held that an infringer of a trade mark cannot set up failure by complainant to comply with the licensing statute as a defense; the state alone can complain thereof.¹² If the first user is in violation of the law he can be punished in the proper forum.¹³ In one case,¹⁴ however, the court sustained the defense of failure to secure such a license. This case can be distinguished on the ground that the later user adopted the name innocently. It was held that the failure of the foreign corporation (first user) to register resulted in deception. The loss must be borne by the one whose conduct gave rise to the situation. This reasoning has no application in the instant case, where the defendant was aware of the plaintiff's prior use.

It is necessary to look into the purpose and operation of the statute invoked by the defendant. It was enacted to prevent the adoption of a fictitious name for the purpose of securing credit without informing the public of the true identity of the persons with whom it deals. Thus it protects against fraud. Similar statutes exist in many other states¹⁵ and have been widely interpreted as having the same object. The rule appears to be well

may be employed but if the owner chooses to engage in illegal business he has no legal claim upon the court to aid him by protecting his property.

10. *Youngs Rubber Corp., Inc. v. C. I. Lee & Co., Inc.*, 45 F. (2d) 103 (C.C.A. 2d, 1930). On appeal the decision was reversed and cause remanded for further proceedings so that the plaintiff might introduce new evidence that sales injured by the defendant's infringement were not illegal.

11. 237 Fed. 64 (C.C.A. 8th, 1916).

12. The same reasoning was applied in *Sterling Products Corp. v. Sterling Products, Inc.*, 43 F. Supp. 548 (S.D. N.Y. 1942).

13. *Mills v. Industry Novelty Co.*, 230 Fed. 463 (N.D. Ill. 1916).

14. *Mutual Export & Import Corp. v. Mutual Export & Import Corp. of America*, 241 Fed. 137 (S.D. N.Y. 1917).

15. Ala. Code Ann. (Michie, 1928) § 4156; Ariz. Rev. Code Ann. (Struckmeyer, 1928) §§ 2497, 2498; Ga. Code (1935) §§ 106-301—106-304; Idaho Code Ann. (1932) §§ 52-501—52-507; Ind. Stat. Ann. (Burns, 1933) §§ 50-201—50-203; Iowa Code (1935) §§ 9866-a1—9866-a4; Ky. Stat. Ann. (Carroll, 1936) §§ 199b-1—199b-5; Mich. Comp. Laws (1929) §§ 9825-9829; Minn. Stat. (Mason, 1927) §§

settled that statutes of this kind are subject to strict interpretation since they are in derogation of the common law¹⁶ and are penal in character.¹⁷ For these reasons businesses conducted without compliance are not illegal per se, and contracts of such businesses are generally regarded as enforceable in the absence of deception or other injury from non-compliance. Louisiana has been consistent in this attitude.¹⁸ Prior to 1927, the courts of Kentucky adopted the contrary view,¹⁹ and a similar position has been suggested in lower court decisions in Pennsylvania.²⁰ Under this minority view it might be maintained with some plausibility that a business conducted in violation of the statute is unlawful and, like the illegal traffic in liquor, hereinabove referred to, will not be protected against the tort of unfair competition. The Kentucky view, however, has been abandoned in that state,²¹ and is universally repudiated elsewhere.

The generally accepted view is that failure to comply with a fictitious name statute does not preclude an action for tort.²² Recovery has been allowed for conversion,²³ trover,²⁴ and personal injury.²⁵ Louisiana, as well as other states, has allowed the maintenance of an action for defamation.²⁶

7346-7352; Mont. Rev. Codes Ann. (Anderson & McFarland, 1935) §§ 8019-8024; Nev. Comp. Laws (Hillyer, 1929) §§ 4450-4459; N.C. Code Ann. (Michie, 1935) §§ 3288-3292; Ore. Code Ann. (1930) §§ 70-301-70-306; Tenn. Penal Code, Arts. 1067-0070; Va. Code Ann. (Michie & Sublett, 1936) § 4722(1).

16. Uhlmann v. Kin Daw, 97 Ore. 681, 193 Pac. 435 (1920); Sutton v. Coast Trading Co., 49 Wash. 694, 96 Pac. 428 (1908).

17. McArdle v. Thames Iron Works, 96 App. Div. 139, 89 N.Y. Supp. 485 (1904); Jennette v. Coppersmith, 176 N.C. 82, 97 S.E. 54 (1918); Lamb v. Condon, 276 Pa. 544, 120 Atl. 546 (1923).

18. Smith v. Williams, 152 La. 948, 94 So. 859 (1922); Toelke v. Toelke, 153 La. 697, 96 So. 536 (1923).

19. Hunter v. Big Four Auto Co., 162 Ky. 778, 173 S.W. 120 (1915).

20. Ferraro v. Hines, 77 Pa. Super. 274 (1921).

21. Hayes v. Providence Citizens' Bank & Trust Co., 218 Ky. 128, 290 S.W. 1028 (1927).

22. Wood v. Erie Ry. Co., 72 N.Y. 196 (1878).

23. Lawrence v. Beattie, 209 Mich. 128, 176 N.W. 570 (1920); Barton v. Thompson's Estate, 225 Mich. 40, 190 N.W. 682 (1923).

24. Tucker v. Adams, 63 N.H. 361 (1885).

25. Mytinger v. Waldrip, 290 S.W. 777 (Tex. Civ. App. 1926). This case does not involve parties who failed to register a name but failed to file a certificate of withdrawal. The withdrawing partner was not held liable for a debt of the partnership incurred through personal injury to an employee because, the court said, the intent of the legislature was to protect those who might extend credit to the business and not to impose an additional punishment upon such individuals by making him liable for all claims and causes of action, regardless of whether the failure contributed to the liability or not.

26. Naihau v. Louisiana Weekly Publishing Co., 176 La. 240, 145 So. 527 (1933); Kornblum v. Commercial Advertisers Ass'n, 164 N.Y. Supp. 186 (1917); Fechner v. A. H. Belo & Co., 283 S.W. 926 (Tex. Civ. App. 1926).

On similar reasoning it has been properly held that operations in violation of fictitious name statutes do not preclude recovery for unfair competition,²⁷ and the principal case, which reaches the same conclusion, is supported by both reason and precedent.

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27. *Devlin v. Peek*, 135 Fed. 167 (S.D. N.Y. 1904); affirmed in 144 Fed. 1021 (C.C.A. 2d, 1906).