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What's in a Name? - Louisiana's "Protection" of Tradenames: Elle, Ltd. V. Elle Est

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Rodrigue, that contributory negligence is not a defense to strict liability actions in Louisiana, is not followed in Louisiana's future jurisprudence.

Thomas G. Smart

WHAT'S IN A NAME?—LOUISIANA'S "PROTECTION" OF TRADENAMES:
Elle, Ltd. v. Elle Est

The plaintiff, *Elle, Ltd.*, a Louisiana corporation¹ engaged in the sale of women's clothing, claimed violations of the principles of unfair competition and tradename infringement.² The plaintiff sought to enjoin the defendant,³ a nearby clothing store, from using the word "elle" in its tradename. The Civil District Court for the Parish of Orleans, while criticizing its own decision,⁴ adhered to precedent⁵ and denied injunctive relief. The Fourth Circuit Court of Appeal affirmed the trial court decision and *held* that the word "elle" was a common noun and as such could not be protected by injunction absent a showing of the defendant's fraudulent intent. *Elle, Ltd. v. Elle Est*, 388 So. 2d 1166 (La. App. 4th Cir. 1980).

A tradename is a word, name, or symbol used to distinguish one business from another.⁶ The federal government and some states, including Louisiana, allow by statute the reservation of tradenames.⁷

1. *Elle, Ltd.* was incorporated on May 17, 1977, in Book 318 of the Secretary of State of the State of Louisiana.

2. The name "*Elle, Ltd.*" was trademarked in June, 1977, pursuant to the requirements of LA. R.S. 51:212-18 (Supp. 1968).

3. *Elle Est* reserved its tradename on June 25, 1979.

4. No. 79-12656 (D. La. Oct. 17, 1979). Judge Plotkin felt that the jurisprudence was clear, *Straus Frank Co. v. Brown*, 246 La. 999, 1007, 169 So. 2d 77, 80 (1964), that in Louisiana, a plaintiff must establish the defendant's fraudulent intent in order to obtain an injunction. However, he suggested that the supreme court reconsider the standards set forth in *Straus* and adopt the more reasonable approach of allowing injunctive relief upon a showing of public confusion.

5. Louisiana courts consistently have held that the prerequisite for granting relief to the plaintiff is proof of fraud on the part of the defendant. The reigning case in this area is *Straus Frank Co. v. Brown*, 246 La. 999, 1007, 169 So. 2d 77, 80 (1964).

6. Tradenames are to be distinguished from trademarks in that the latter are used to identify goods made or sold by the owner. See LA. R.S. 51:211(A)&(D) (Supp. 1968).

7. The federal treatment of trademarks and tradenames may be found in what is generally called the "Lanham Act." 15 U.S.C. § 1127 (1976).

Louisiana allows reservation of tradenames (i.e., registration with the Secretary of State) under trademark law and corporate law. See LA. R.S. 51:213 (Supp. 1968); 12:23 (Supp. 1968).

Coupled with the rights of reservation are certain protections against infringement.⁸ However, protection is not predicated upon registration.⁹ The unregistered businessman is afforded the same remedies under the general law of unfair competition. The law of unfair competition has been jurisprudentially developed in all jurisdictions¹⁰ and is considered a broader area of the law than statutory tradename infringement.¹¹ In most jurisdictions use of an unregistered tradename constitutes a violation when the alleged unregistered tradename "used by the plaintiff . . . [is] so associated with its goods that the use of the same or similar . . . [name] by another company constitutes a representation that its goods come from the same source."¹² Under both statutory law and unfair competition, an injunction will lie to restrain the unfair use, simulation, and appropriation of another's name.¹³

The threshold question in any tradename infringement action is whether the name has been "acquired."¹⁴ One acquires a tradename through use. In other words, it is necessary that the plaintiff alleging infringement demonstrate that he has used the name in association with his business. Use is said to vest the owner with a proprietary interest in the name, and only when such an interest has been established will the name be considered viable and worthy of protection.¹⁵

8. 15 U.S.C. §§ 1125-27 (1976); LA. R.S. 51:222-23 (Supp. 1968); LA. R.S. 12:23(F) (Supp. 1968).

9. It is well-settled that the reservation statutes confer only procedural advantages and not substantive rights. See *Couhig's Pestaway Co., Inc. v. Pestaway, Inc.*, 278 So. 2d 519 (La. App. 3d Cir. 1973).

10. In Louisiana the body of law was jurisprudentially developed under article 2315 of the Louisiana Civil Code. *Buyers & Traders Serv., Inc. v. Stewart*, 365 So. 2d 839, 841 (La. App. 1st Cir. 1978).

11. Generally the same facts which would support an action for tradename infringement would also support an action for unfair competition. See *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap. & E. Mfg., Inc.*, 510 F.2d 1004, 1010 (5th Cir. 1975).

12. *Boston Professional Hockey Ass'n v. Dallas Cap. & E. Mfg., Inc.*, 510 F.2d 1004 (5th Cir. 1975), citing *Joshua Meier Co. v. Albany Novelty Mfg. Co.*, 236 F.2d 144, 147 (2d Cir. 1956).

13. *Albrecht v. Del Bondio*, 188 La. 502, 177 So. 587 (1937). See generally W. DERENBERG, *TRADE-MARK PROTECTION AND UNFAIR TRADING* 770-78 (1936).

14. Acquisition is not to be confused with registration. *Metalock Corp. v. Metal-Locking of La., Inc.*, 260 So. 2d 814, 819 (La. App. 4th Cir. 1972). A registered tradename must be used in association with the business.

15. See *T. G. I. Fridays, Inc. v. International Restaurant Group, Inc.*, 405 F. Supp. 698 (M.D. La. 1975); *Couhig's Pestaway Co., Inc. v. Pestaway, Inc.*, 278 So. 2d 519 (La. App. 3d Cir. 1973); *Metalock Corp. v. Metal-Locking of La., Inc.*, 260 So. 2d 814 (La. App. 4th Cir. 1972); *Robinson, Tradenames and Trademarks—State and Federal: Some Random Observations*, 22 LA. B.J. 179 (1974)

If the name in question is unique or bears no relationship to the business itself, the name is considered viable on a perfunctory showing of use.¹⁶ The owner will prevail upon a showing that his use predated that of the defendant¹⁷ and that he suffered or may suffer measurable damage.¹⁸ All jurisdictions have been quick to protect names such as "Black & White,"¹⁹ a scotch, "Karastan,"²⁰ rugs, and "Marble Hall Branch,"²¹ a restaurant. However, most tradenames are not so imaginative. For example, "Litter Basket,"²² "Home Beverage Service,"²³ "Vision Center,"²⁴ "Car Care Center,"²⁵ and "Pestaway"²⁶ automatically indicate the nature of their businesses.²⁷ These names are termed "descriptive" and have long been the subject of controversy in courts throughout the country.²⁸

All courts agree that descriptive words are in the public domain and as such are insusceptible of true acquisition.²⁹ Nevertheless,

16. See *Dynasty Room, Inc. v. Whiskey-A-Go-Go, Inc.*, 186 So. 2d 402 (La. App. 4th Cir. 1966).

17. This is also referred to as "priority of appropriation." See *New Orleans Checker Cabs v. Mumphrey*, 205 La. 1083, 18 So. 2d 629 (1944); *Metalock Corp. v. Metal-Locking of La., Inc.*, 260 So. 2d 814 (La. App. 4th Cir. 1972); *Boogie Kings v. Guillory*, 188 So. 2d 445 (La. App. 3d Cir. 1966); *Gallo v. Safeway Brake Shops of La., Inc.*, 140 So. 2d 912 (La. App. 4th Cir. 1962); *Credeur v. Jones*, 46 So. 2d 325 (La. App. 1st Cir. 1950).

18. See *Buyers and Traders Serv., Inc. v. Stewart*, 365 So. 2d 839 (La. App. 1st Cir. 1978); *Huth v. Rosenweig*, 27 So. 2d 742 (La. App. Orl. Cir. 1946).

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

20. *Fieldcrest Mills, Inc. v. Couri*, 220 F. Supp. 929 (S.D.N.Y. 1963).

21. *Marcev v. Mandich*, 158 La. 15, 103 So. 389 (1925).

22. *Sterling Prod. Co. v. Crest Mfg. Co.*, 314 F. Supp. 204 (E.D. Mich. 1970). For other examples of treatment by Louisiana courts, see *Kelly Girl Serv., Inc. v. Roberts*, 243 F. Supp. 225 (E.D. La. 1965); *New Orleans Checker Cabs v. Mumphrey*, 205 La. 1083, 18 So. 2d 629 (1944); *Yellow Cab Co. of New Orleans v. Jones*, 156 La. 837, 101 So. 216 (1924); *Dynasty Room, Inc. v. Whiskey-A-Go-Go, Inc.*, 186 So. 2d 402 (La. App. 4th Cir. 1966); *Credeur v. Jones*, 46 So. 2d 325 (La. App. 1st Cir. 1950).

23. *Home Beverage Serv. v. Baas*, 210 La. 873, 28 So. 2d 481 (1947).

24. *Vision Center v. Opticks, Inc.*, 596 F.2d 111 (5th Cir. 1979).

25. *Car Care, Inc. v. D. H. Holmes Co.*, 160 So. 2d 272 (La. App. 4th Cir. 1964).

26. *Couhig's Pestaway Co., Inc. v. Pestaway, Inc.*, 278 So. 2d 519 (La. App. 3d Cir. 1973).

27. See e.g., *Tefas v. Gatzoulas*, 17 La. App. 276, 135 So. 693 (2d Cir. 1931). The words "Coney Island" were held descriptive of a lunch stand business. See also *DryIce Corp. of America v. La. Dry Ice Corp.*, 54 F.2d 882 (5th Cir. 1932), cert. denied, 286 U.S. 558 (1930).

28. For an excellent discussion of how to distinguish unique from descriptive tradenames, see *Vision Center v. Opticks, Inc.* 596 F.2d 111, 115 (5th Cir. 1979).

29. In *Home Beverage Serv. v. Baas*, 210 La. 873, 28 So. 2d 481 (1947), the court stated that "[t]he policy of this law (unfair competition) is to foster, not hamper, competition, and it permits a monopoly in the use of the trademark only when it has become

theories have been developed under which descriptive names will be afforded protection. In federal courts and at common law, if the alleged owner can show that through extensive use and advertising his name has come to be distinctly associated with his business and merchandise, the name is said to have acquired a "secondary meaning."³⁰ "Out of the businessman's efforts and the public recognition of this secondary meaning there arises a new property right which will be entitled to protection."³¹ In these jurisdictions the existence of a secondary meaning, coupled with a showing of public confusion resulting from the similarity of the names, will satisfy the plaintiff's burden of proof.³² Louisiana, however, has chosen a different standard.

Louisiana has always recognized the doctrine of secondary meaning.³³ However, once such a meaning has been established a claimant also must show the defendant's malicious intent. The Louisiana Supreme Court first articulated this criterion in *Home Beverage Service v. Baas*.³⁴ The plaintiff sought to enjoin the defendant from using the name "Victory Home Beverage Service" in the New Orleans area. The court conceded that the plaintiff, having operated in the New Orleans area for over eleven years and having expended large sums in advertising, had established a secondary meaning identifying his business.³⁵ However, the injunction was denied when the plaintiff failed to show the defendant guilty of "unfair competition."³⁶

The supreme court's stance on unfair competition was later articulated in *Straus Frank Company v. Brown*.³⁷ "[T]he threefold object of the law in unfair competition cases is: (1) to protect the honest trader in business which fairly belongs to him, (2) to punish the dishonest trader who is taking his competitor's business away by unfair means, and (3) to protect the public from deception"³⁸

the absolute and exclusive property of the first user. A merely descriptive term can never become such property." 210 La. at 885, 28 So. 2d at 484-85, quoting *Barton v. Rex-Oil Co.*, 2 F.2d 402, 404 (3d Cir. 1924).

30. *Vision Center v. Opticks, Inc.* 596 F.2d 111, 118 (5th Cir. 1979); *Kelly Girl Serv., Inc. v. Roberts*, 243 F. Supp. 225, 228 (E.D. La. 1965).

31. A secondary meaning is said to vest title in a name. See R. CALLMAN, *THE LAW OF UNFAIR COMPETITION TRADE-MARKS AND MONOPOLIES* § 77.1, at 340 (1970).

32. *Vision Center v. Opticks, Inc.* 596 F.2d 111, 118 (5th Cir. 1979).

33. See notes 23-27 & 31, *supra*.

34. 210 La. 873, 28 So. 2d 481 (1947).

35. 210 La. at 890, 28 So. 2d at 486.

36. *Id.*

37. 246 La. 999, 169 So. 2d 77 (1964). In *Straus*, the plaintiff, owner of Lake Auto Parts, a Lake Charles corporation, sought to enjoin the defendant from naming his Lake Arthur store (forty-five miles away) "Lake Auto Supply." 246 La. at 1002, 169 So. 2d at 78.

38. 246 La. at 1008, 169 So. 2d at 80-81. In applying these criteria to the facts at hand, the supreme court found that: (1) the plaintiff failed to prove that he had lost

The court also clarified the burden of proof: "In this state it is a prerequisite to injunctive relief that fraud be established on the part of the defendant and the burden of establishing that fraud is upon the plaintiff. The law has always been reluctant to presume fraud."³⁹ Although this standard has been widely criticized,⁴⁰ it has, nevertheless, been followed rigidly by the lower courts.⁴¹

The instant case can properly be seen as an example of strict adherence to the *Straus* standard. The appeals court held that "elle" was a commonplace noun and as such could not be protected in the absence of proof of fraudulent intent.⁴² In light of the jurisprudence following *Straus*,⁴³ the denial of the injunction was to be expected. But, the rather scant opinion is truly shocking and disconcerting.

customers as a result of the defendant's business (i.e., "Plaintiff needs no injunction"); (2) there was no showing of any unfairness on the part of the defendant; and (3) Lake Arthur is a small town with a small consumer public, and there was no showing that they were confused. 246 La. at 1009-11, 169 So. 2d at 81.

39. 246 La. at 1008, 169 So. 2d at 80.

40. "Under this rule (requiring fraudulent intent), the law of unfair competition effectively swallows up the secondary meaning doctrine." *Vision Center v. Opticks, Inc.* 596 F.2d 111, 118 (5th Cir. 1979). "I am inclined to the view that the likelihood of confusion, rather than actual fraud or misrepresentation, should be the proper standard for granting injunctive relief, notwithstanding the language of *Straus* . . ." *Sadie's, Inc. v. Hitchcock*, 363 So. 2d 1306, 1308 (La. App. 4th Cir. 1978) (Lemmon, J., concurring). "It is erroneous to hold that one who claims secondary meaning for his trademark or trademark 'must prove fraud . . .'" R. CALLMAN, *supra* note 32, at 343-44, quoting *Home Beverage Serv. v. Baas*, 210 La. 873, 884, 28 So. 2d 481, 484 (1946).

The discussion in the case [*Straus*] seems to indicate that the case was in reality bottomed on the fact that plaintiff failed to show damages, ie, loss of business, caused by confusion, the fact that the defendant had made no intentional misrepresentation, plus the fact that because of the small size of the market there was in fact no confusion. . . . [T]he Louisiana Supreme Court [in *Straus*] spoke too broadly of the "prerequisite" on the part of the plaintiff to prove actual fraud . . . [T]he . . . Court could profitably consider overruling or tempering the statements in [*Straus*]. . . .

Robinson, *supra* note 15, at 186. "Injunctive relief is designed to prevent further injury to the plaintiff's rights and to protect the public, and should not be governed by the fraud or lack thereof on the part of the defendant." *Martin & Springgate, Protection of a Businessman's Proprietary Information*, 32 LA. L. REV. 497, 526 n.125 (1972). "[T]he standards of [the supreme court] set forth in *Straus Frank Co. v. Brown* [make] it virtually impossible to successfully prove unfair competition without concrete evidence of intentional misrepresentation." *Elle, Ltd. v. Elle Est*, No. 79 -12565 (D. La. Oct. 17, 1979).

41. See *Elle, Ltd. v. Elle Est*, 388 So. 2d 1166 (La. App. 4th Cir. 1980); *Buyer's and Trader's Serv., Inc. v. Stewart*, 365 So. 2d 839 (La. App. 1st Cir. 1978); *Sadie's, Inc. v. Hitchcock*, 363 So. 2d 1306 (La. App. 4th Cir. 1978); *Metalock Corp. v. Metal-Locking of La., Inc.*, 260 So. 2d 814 (La. App. 4th Cir. 1972), *cert. denied*, 262 La. 189, 262 So. 2d 788 (1972).

42. 388 So. 2d at 1167.

43. See cases at note 41, *supra*.

The appeals court pronounced, "[w]e follow *Straus*,"⁴⁴ and yet made no effort to establish secondary meaning or unfair competition or to apply the *Straus* standard to the facts at hand. In fact, many pertinent facts present in the record are conspicuously absent in the opinion. The court failed to acknowledge that: (1) the clothing stores are approximately one mile apart as opposed to the forty-five mile distance in *Straus*; (2) the plaintiff, Elle, Ltd., expended over \$20,000 in advertising in the New Orleans area; (3) *Straus* was unable to prove damage (*i.e.*, either reduction in the volume of business, loss of customers, or confusion), whereas Elle, Ltd. was able to produce over twenty sworn affidavits from customers attesting to their confusion; and (4) the defendant, Elle Est, adopted a logo very similar to that of Elle, Ltd. In view of these facts which distinguish *Elle* from *Straus*,⁴⁵ it is difficult to understand the appeals court's determination of contextual similarity.⁴⁶ Perhaps acknowledgement of these facts would have made *Straus* a far more uncomfortable precedent.

The court did, however, attempt to temper its holding by explaining and liberalizing the *Straus* standard. The following hypothetical situation was presented: "*Straus* would not support [an "Elle"] (however innocently or ignorantly named) in the next block from the earlier ["Elle"], notwithstanding absence of proof of intent (beyond that arising from the name itself in such proximity)."⁴⁷ *Straus* simply does not support this conclusion. The standard is far more rigid than the appeals court suggests. Proof of fraud is not predicated on geographic location; it is *required* and will not be presumed.⁴⁸ It is submitted that under the unyielding holding of *Straus*, these two stores on the same block would be forced to co-exist absent the necessary proof of fraud. This cannot be considered fair competition.

This example underscores the major problem in Louisiana law of tradename infringement. Louisiana's law is based on a distorted view of the law of unfair competition.⁴⁹ Requiring that the establish-

44. 388 So. 2d at 1166.

45. See notes 37-38, *supra*.

46. 388 So. 2d at 1167.

47. *Id.* at 1166.

48. See text at note 39, *supra*.

49. It is generally accepted that the law of unfair competition first surfaced at the beginning of the twentieth century. The doctrine is a judicial creation designed to protect both businessmen and consumers from unfair trade practices. See W. DERENBURG, *supra* note 13, at 40-41. See generally R. CALLMAN, *supra* note 32, at § 77. In the earliest tradename cases the courts indicated support for the notion of free competition as opposed to fair competition. Their noninterventionist stance was especially evident in the treatment of descriptive tradenames. Since the courts refused to

ment of secondary meaning be coupled with a proof of fraud supports the notions of "free" play rather than "fair" play. Fraud is perhaps one of the most difficult burdens of proof to sustain. In tradename cases this burden is usually insurmountable.⁵⁰ Therefore, descriptive tradename protection in Louisiana is essentially nonexistent. The time has come for the courts to adopt a more reasonable and attainable standard.

One of the most realistic approaches to descriptive tradename protection has been expounded by the federal courts.⁵¹ Infringement, as defined in 15 U.S.C. § 114(1), is predicated upon whether the similarity of the names is "likely to cause confusion, or to cause mistake, or to deceive."⁵² The basic factors to be considered in determining confusion are: (1) the degree of similarity between the names; (2) similarity of the services for which the name is used; (3) the area and manner of use; (4) the degree of care expected to be exercised by consumers; (5) evidence of actual confusion; (6) the strength of the plaintiff's showing of secondary meaning; and (7) the alleged infringer's intent.⁵³ Federal cases which stand for the principle that confusion and not fraud is the proper basis for injunctive relief are legion.⁵⁴ Had the noted case been considered in light of this federal standard, secondary meaning and confusion clearly existent, the plaintiff's name would have been protected.

recognize any property rights in a descriptive name, the rule became fixed "that an actual fraudulent intent was an indispensable prerequisite for equitable protection . . ." W. DERENBURG, *supra* note 13, at 41. As the character of business evolved, the unfairness of this approach became apparent, and the need for a new standard resulted in the development of the secondary meaning doctrine. Secondary meaning became a vehicle whereby descriptive tradenames could be protected through a finding of proprietary interest.

The development of the doctrine of secondary meaning has signaled a retreat from the requirement of proof of fraud, and the basis of the doctrine of unfair competition has come to support fair play and to promote business integrity. *See generally, id.*, at 28-159.

50. *See* cases at note 41, *supra*.

51. This standard was suggested for adoption by Judge Plotkin in the noted case.

52. (Emphasis added). This statute is part of the Federal Trademark Act, commonly known as the Lanham Act. 15 U.S.C. §§ 1051-127 (1976). The intent of the Lanham Act, as expressed in 15 U.S.C. § 1127, is "to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce . . . [and] to protect persons engaged in such commerce against unfair competition . . ." To effectuate this intent Congress created a civil cause of action allowing injunctive relief in cases of infringement. 15 U.S.C. § 114(1) (1976).

53. *James Burrough Ltd. v. Leshner*, 309 F. Supp. 1154 (S.D. Ind. 1969). *See* RESTATEMENT OF TORTS § 729 (1938).

54. *E.g., Armstrong Cork Co. v. World Carpets, Inc.*, 597 F.2d 496 (5th Cir. 1979); *Aloe Creme Laboratories, Inc. v. Milsan, Inc.*, 423 F.2d 845 (5th Cir. 1970); *Polo Fashions, Inc. v. Extra Special Products, Inc.*, 451 F. Supp. 555 (S.D.N.Y. 1978).

The Louisiana infringement statute is basically identical to the federal statute.⁵⁵ Therefore, adoption of the federal standard seems not only reasonable, but also legislatively sanctioned.⁵⁶ Unfortunately, Louisiana courts have chosen to ignore the similarity of the statutes and the federal treatment of this matter and to continue to consider proof of fraud as the paramount issue in any tradename case. It is urged that the supreme court reevaluate the position of *Straus* and develop a more reasonable standard in keeping with the spirit of the unfair competition doctrine.

Paula Katherine Woodson

55. LA. R.S. 51:222(1) (Supp. 1968): "[U]se [which] is likely to cause confusion or mistake or to deceive . . . [shall be actionable]."

56. *Sadie's, Inc. v. Hitchcock*, 363 So. 2d 1306, 1308 (La. App. 4th Cir. 1976) (Lemmon, J., concurring).