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COMMITTEE REPORTS

REPORT OF THE COMMITTEE ON PATENTS AND TRADEMARKS.*

BY F. E. STEWART, CHAIRMAN.

To the AMERICAN PHARMACEUTICAL ASSOCIATION:

Your Committee on Patents and Trademarks labors under the disadvantage of having no lawyers in the membership or any other person sufficiently acquainted with the subject to sign the reports. Consequently, the committee has practically been from the beginning of its career a "one man committee."

On the other hand it has been to the advantage of the Association that the chairman has been in constant contact with leading patent and trademark lawyers through business and social connections whose aid in the work of the committee has been given freely and without expense to the A. P. H. A.

As an American pharmaceutical association we are vitally interested in patents and trademarks in their relation to the practice of pharmacy. Probably no subject influencing the vocation of the pharmacist, pharmaceutical chemist, and medicine manufacturer, is so little understood. In the first place these vocations differ from all other vocations because of their relation to the medical profession and the public health, so that certain misinterpretations and misapplications of the patent and trademark laws by the Patent Office, patent lawyers, and the lower courts, which unfavorably influence other vocations become a menace to the public health when applied to the vocation of the pharmacist and medicine manufacturer. This is very apparent when the subject of introducing new remedies to the medical profession and the public at large by advertising is considered.

What the physicians and the public must know about alleged new remedies to use them aright for the prevention of disease, the relief of suffering, and the healing of the sick is the truth regarding their properties as remedial agents. This information is not to be found in advertisements as a rule. Advertisements are written to sell the goods. Exaggeration is quite generally employed by merchants and manufacturers in every line who use advertising as a method for creating demand. This works more or less injury to the purchaser who is misled by it, but the harm may not be serious except in cases where the health is at stake. In such cases loss of life may result.

It has been truly said that tens of thousands of alleged new remedies have been introduced by advertising during the past thirty or forty years and not more than one tenth of one per cent of them have proved to be of any special value as therapeutic agents. Thirty years ago there were about three thousand drug items listed and now there are more than forty-five thousand according to one of the chemical journals. This means thousands of useless experiments on the sick by doctors who were induced to use these products in their practice, and thousands of more failures in the use of them for domestic practice.

The so-called new remedy business is protected and fostered by patents and the registering of the names of these alleged inventions and discoveries in medicine. The object of the patent law according to the provision for such law contained in the Constitution of the United States is to promote progress in science and useful arts by protecting inventors for limited times in the

* Buffalo meeting, 1924.

exclusive manufacture and sale of their inventions. To be patentable the invention must be new and useful. Mere aggregations of old- and well-known drugs marketed under invented or coined names are not new and useful inventions in the meaning of the patent law. Such alleged inventions have been patented now and then because the Patent Office is not provided with means for determining the truthfulness of the claims of those applying for patent. But, as a rule, these "new remedies" have been protected by registering their currently used names as trademarks.

The chairman recently had the privilege of traveling across the ocean on the same ship with three eminent patent and trademark lawyers—an ex-commissioner of patents, the son of another ex-commissioner, and the head of the New York branch of a well-known Philadelphia law firm specializing in patent and trademark law. The following points were brought out in conversation:

Can property be created in the names of articles of trade by registering them as trademarks in the Patent Office at Washington? To this question the ex-commissioner replied as follows:

"The registering of a name as a trademark does not make a trademark out of it. Property in trademarks cannot be created by registration. The trademark law is a law for *registering* trademarks not a law for *creating* trademarks." The only way whereby property can be created in trademarks is by *adoption* and *use*. The name of the article itself cannot perform the function of a "trademark." The name "salt" cannot be a trademark on salt, nor "sugar" on sugar. The name of the article itself must also appear on the label as well as the name claimed as a trademark, as, for example, the name "Eagle" as a distinguishing mark to point out the brand of condensed milk made by a certain well-known producer.

CITATIONS OF EVIDENCE IN PROOF OF THE CORRECTNESS OF THE EX-COMMISSIONER'S REPLY.

The following quotation from the Report of the Commission Appointed to Revise the Statutes relating to Patents, Trade Names, etc., under Act of Congress Approved June 4, 1898, throws light on the subject:

"Criminal prosecutions having been made under the statutes of 1870 and 1876, in the southern district of New York and the southern district of Ohio, and a difference of opinion having been certified in the Supreme Court on the question whether these Acts of Congress on the subject of trademarks were founded upon any rightful authority in the Constitution of the United States, the cases came before the court for review at the October term of 1879. (Trademark Cases, 100 U. S., 82.) The court showed with admirable clearness that because of the distinction between patents and copyrights and trademarks, pointed out in the decision, the power of Congress to enact the law could not be derived from that paragraph which relates to authors and inventors, since the right of ownership in trademarks is created by *adoption* and not by authorship or invention."

It is very clear, therefore, that names cannot be copyrighted nor patented. However, names can be *adopted* as trademarks. But to become trademarks such names must be *used* as trademarks and not used as the names of the articles themselves nor advertised as such, otherwise they are not trademarks, but *appellatives*. In other words, they must be used as "bonafide trademarks" and not as generic or descriptive names. Now let us see what the United States Supreme Court has decided in that regard. The following quotation from the Official Gazette of the United States Patent Office, 1872, page 28, will tell us:

"The Supreme Court of the United States, in *President, etc., of the Delaware and Hudson Canal Company vs. Clark*, repeated a proposition that as a rule has been frequently enunciated and settled beyond question, *viz.*, the office of a trademark is to point out distinctively the origin or ownership of the article to which it is affixed, or, in other words, to give notice who was the producer."

It is claimed by the advocates of the so-called "natural right doctrine" that the inventor of a new invention, or the commercial introducer of a new article of commerce, whether an invention or not, acquires by such introduction the exclusive right to its manufacturer and sale; that property is created in the article itself by the investment of capital in advertising and building up a business in it; that the property thus created includes the ownership of the name of the article as a trademark; therefore, as the commercial introducer owns the right to make and sell the article exclusively, and also owns the name of the article as his trademark, it logically follows that the decision of the Supreme Court just cited was intended to recognize and protect this right, and

therefore, as the first commercial introducer has, by natural right and common law, the exclusive right to make and sell the article, the name of the article is a legitimate trademark and "points out distinctively the origin or ownership of the article to which it is affixed, or, in other words, gives notice who was the producer."

The fallacy of this reasoning becomes at once apparent when we refer to 13 Wall, 323, for we find that the Supreme Court went on to say:

"No one can claim protection for the exclusive use of a trademark or tradename which would practically give him a monopoly of the sale of any goods other than those produced or made by himself. If he could, the public would be injured rather than protected, for competition would be destroyed. Nor can a generic name or a name merely descriptive of an article of trade, or of its qualities, ingredients, or characteristics, be employed as a trademark, and the exclusive use of it entitled to protection."

Standard Remedies, a journal "published in the interest of the manufacturers of and jobbers in proprietary medicines, cosmetics, etc.," in its issue for December, 1915, contains the following quotations in connection with a warning to the manufacturers not to "jeopardize their trademark rights" by complying with the requirements relating to compulsory registration of formulas with the New York Board of Health contained in the "Goldwater Ordinance" until compelled to do so:

"The name of a secret or proprietary preparation is descriptive, and hence is not a valid trademark. Any one who discovers the secret and makes the goods according to the formula may use the name to describe the goods. A contrary view has been expressed, and such names declared to be valid trademarks, but such cases must be deemed instances of unfair competition. Of course the name may not be used to pass off spurious concoctions as and for the genuine preparations. Cyc. 38-740.

"The name of a secret and proprietary preparation will be protected against unauthorized use or imitation as the name of some other different preparation of like kind sold in competition, but not made in accordance with the formula of the original and genuine article, even though the labels and wrappers are entirely different, because such a use is necessarily false and deceptive. Cyc. 38-835.

"But such names are generally descriptive and therefore may be used by anyone who discovers and knows the secret of the composition of the article and makes his own article according to the original formula. If such is the truth a subsequent user of the name must add some distinguishing statement showing that the article is his own production of the article known by that name and he must not imitate the dress or the makeup of the goods in addition to using the name, or do any affirmative act calculated to deceive the public and pass off the goods as and for the previously known goods. Cyc. 38-835."

The correctness of the statements made in these quotations taken from the organ of the so-called "proprietary" trade is clearly demonstrated by the decision of the Federal District Court, an appanage of the Supreme Court of the United States in the *Coco-Quinine Case* (*William R. Warner & Company, Petitioner vs. Eli Lilly & Company*. On Writ of Certiorari to the United States Circuit Court of Appeals for the Third Circuit (June 9, 1924). This suit was brought in the Federal District Court for the Eastern District of Pennsylvania by respondent to enjoin petitioner from continuing to manufacture and sell the preparation if flavored or colored with chocolate; and also from using the name *Quin-Coco*, on the ground that it was an infringement of the name *Coco-Quinine*, to the use of which respondent had acquired an exclusive right. The District Court decided against the respondent upon both grounds. 268 Fed. Rep. 156. On appeal the Court of Appeals ruled with the District Court upon the issue of infringement but reversed the decree upon that of unfair competition. 275 Fed. Rep. 752. The Federal Court said:

"First. We agree with the courts below that the charge of infringement was not sustained. The name *Coco-Quinine* is descriptive of the ingredients which enter into the preparation. The same is equally true of the name *Quin-Coco*. A name which is merely descriptive of the ingredients, qualities or characteristics of an article of trade cannot be appropriated as a trademark and the exclusive use of it afforded protection. The use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product. *Canal Co. vs. Clark*, 13 Wall,

311, 323, 327; *Standard Paint Co. vs. Trinidad Asphalt Co.*, 220 U. S. 446, 453; *Howe Scale Co. vs. Wyckoff, Seamans and Benedict*, 198 U. S. 118, 140."

"The name of a secret preparation may be used by anyone for goods actually prepared according to the recipe, for they are the goods indicated by the name, whether prepared by the original inventor of the recipe, or his successors in business, or not. Until the secret is discovered or betrayed the goods of the original inventor of the recipe or his successors can be the only goods to which the name is applicable, or which are denoted by it; but when other people can make them, the difficult question of fact arises, whether the name is merely that of the goods themselves, or that of the goods of the kind prepared or sold by the original inventor or his successors in business. This was well put by Frey, J., in the *Angostura Bitters* Case (*Seigert vs. Findlater*, 7 C. D., p. 813):

" 'I cannot say,' the learned judge said, 'that Meinhard may not, if he can, make a bitter identical with the plaintiff's, and if he does, I cannot prevent him from selling it as *Angostura Bitters*.'

"It is to be observed that the person who produces a new article, and is the sole maker of it, has the greatest difficulty (if it is not an impossibility) in claiming the name of that article as his own, because until somebody else produces the same article, there is nothing to distinguish it from. No distinction can arise from using the name of the class, so long as the class consists of only one species, for then the name of the species and of the class will be the same." (*The Law of Trademarks*, by D. M. Kerly, M.A., LL.B., published by Sweet & Maxwell, 1894.)

The United States Supreme Court, in the *Singer Sewing* case, 1895, pointed out with great clearness the illegality of the so-called "proprietary" system in relation to the registration of generic and descriptive names as trademarks, and more specifically referred to the attempt to perpetuate monopolies obtained by patent after the expiration of patents by the commercial control thus obtained over the currently used names of articles of commerce, in its decision, which reads as follows:

"The result, then, of the American, the English, and the French doctrine universally upheld is this, that where, during the life of a monopoly created by a patent, a name, whether it be arbitrary or be that of the inventor, has become, by his consent, either express or tacit, the identifying and generic name of the thing patented, this name passes to the public with the cessation of the monopoly which the patent created. Where another avails himself of this public dedication to make the machine and use the generic designation, he can do so in all forms, by referring to it in advertisements and by other means, subject, however, to the condition that the name must be so used as not to deprive others of their rights or to deceive the public, and therefore that the name must be accompanied with such indications that the thing manufactured is the work of the one making it, as will unmistakably inform the public of the fact."

This decision of the Supreme Court has been criticized as inciting to unfair competition in trade by the advocates of the doctrine of "natural right" to inventions which also includes the exclusive ownership of the right to manufacture and sell every and any new article of commerce by the first commercial introducer. The above citations may prove of value in clarifying the minds of such individuals upon this important subject, and also be of service as a warning to those who are tempted to appropriate the business of competitors by unfair methods of advertising and publicity:

"An inventor has no right to his invention at common law. He has no right of property in it originally. The right which he derives (by patent) is a creature of the statute and of grant and is subject to certain conditions incorporated in the statutes and in the grants. If to-day you should invent an art, a process, or a machine, you have no right at common law, nor any absolute natural right, to hold that for seven, ten, fourteen, or any given number of years, against one who should invent it to-morrow, without any knowledge of your invention, and thus cut me and everybody else off from the right to do to-morrow what you have done to-day. There is no absolute or natural right at common law, that I, being the original and first inventor to-day, have to prevent you and everybody else from inventing and using to-morrow or next day the same thing. (*Am. H. & L. S. Mach. Co. vs. Am. Tool & Mach. Co.*, 4 Fisher's Pat. Cases, 294. *Simonds Manual of Pat. Law*, p. 9.)"

OBJECT OF PATENT LAWS.

Clause 8, Section VIII, Article I, of the Constitution of the United States gives Congress

the power "To promote the progress of science and useful arts, by securing, for limited times, to authors and inventors the exclusive right to their respective writings and discoveries," and there is no other clause in the Constitution providing for the granting of monopolistic privileges.

As above pointed out, the object of the patent law is to promote progress in science and useful arts. This is accomplished by providing that each application for patent shall be in effect a complete scientific monograph filed in the Patent Office for convenient reference. Copies of such applications may be obtained from the Patent Office by mail by sending five cents to the Office with a request of the same giving the name of the invention, number of the patent, and date thereof. The Fathers of the United States Constitution, in providing for the patent system, had in mind the establishment of a great National Bureau for the Promotion of Progress in Science and Useful Arts and thus advancing civilization. As stated by Terrill in his treatise on patent laws:

"The theory upon which these laws rest is that it is to the interest of the community that persons should be induced to devote their time, energies, and resources to original investigation for the furtherance of science, the arts, and manufactures. This was recognized from the earliest periods which can pretend to be described as civilized. It is to the advantage of the whole community that authors and inventors should be rewarded, and no measure of reward can be conceived more just and equitable and bearing a closer relation to the benefit conferred by the particular individual than to grant him the sole right to his writing or discovery for a limited period of time."

The patent law enacts:

"That, before any inventor or discoverer shall receive a patent for his invention or discovery, he shall make application therefor to the Commissioner, and shall file in the Patent Office a written description of the same, and of the manner and process of making, constructing, compounding, and using it, in such full, clear, concise, and exact terms, as to enable any person skilled in the art or science to which it appertains, or with which it is most nearly connected, to make, construct, compound, and use the same; and, in case of a machine, he shall explain the principle thereof, and the best mode in which he has contemplated applying that principle, so as to distinguish it from other inventions; and he shall particularly point out and distinctly claim the part, improvement, or combination, which he claims as his invention or discovery; and said specification and claim shall be signed by the inventor and attested by two witnesses."

A PLAN FOR DEFEATING THE OBJECT OF THE PATENT LAW BY CREATING INTERNATIONAL PROPERTY RIGHTS IN THE CURRENTLY USED NAMES OF ARTICLES OF COMMERCE.

In certain Latin countries, *i. e.*, Cuba, South American countries, property in word trademarks is created by registration. In other words, the name of an article of commerce when registered by a manufacturer as a trademark is recognized as such by law. American manufacturers who wish to avail themselves of this privilege are required to obtain prior registration of their alleged trademarks in the Patent Office at Washington. This proviso made it necessary for American manufacturers to prevail upon the Patent Office to change its rulings in regard to the registration of descriptive or generic names as trademarks so as to admit the registration of such names as trademarks. To accomplish this purpose the manufacturers and their lawyers succeeded in having a new trademark law enacted, namely, the trademark Act of March 19, 1920. The final object is to secure by so-called "convention" an agreement between the various countries interested whereby the names of all new articles of commerce become the property of the original commercial introducers. And, as trademarks do not expire by limitation like copyrights and patents, the monopolies created in the manufacture and sale of products under registered names becomes unlimited in duration. The names of such articles claimed by their commercial introducers as private property are known as "non-technical" trademarks to distinguish them from "common law" trademarks.

The object of the trademark Act of March 19, 1920, is set forth in the following paragraph quoted from the report of the Committee on Patents and Trademarks, read at the tenth annual meeting of the American Drug Manufacturers Association, New York City, April 11-14, 1921:

"In order to give those citizens doing business in the United States and who have been selling their goods under so-called non-technical trademarks, heretofore unregistrable in the United States, the opportunity of securing the benefits of this convention, the United States has

included in the Act of March 19, 1920, the provisions providing that these non-technical trademarks, which heretofore could not be registered, can be registered, if having been in bona fide use for one year in international commerce, or commerce with the Indian tribes. Briefly this provides for the registration of non-technical trademarks provided they have been used for one year. The Act of March 18, 1920, therefore opens the door whereby Americans can register non-technical trademarks under the convention."

Furthermore, it is evident that if the so-called trademark system advocated by the manufacturers of secret and semi-secret compositions of matter, ready-made prescriptions, and patented and non-patented chemicals, and pharmaceutical preparations, by which they hope to establish perpetual and international monopolies by the ownership of the names of their commercially introduced articles of commerce, then we would have laws conflicting with one another, namely, a patent law whereby the inventors of new and useful inventions are granted monopolies in their manufacture and sale for limited times in exchange for the publication of full knowledge of their inventions for the promotion of progress in science and useful arts, and a trademark system whereby the inventors of nothing but names are permitted to enjoy monopolistic privileges far more restrictive than inventors of arts, machines, manufacturers, and compositions of matter of the greatest value to the world can obtain by patenting them.

The constitutionality of the U. S. Trademark Law of March 19, 1920, has been called in question for reasons that become apparent in the light of the above citations.

THE UNITED STATES PATENT AND TRADEMARK LAWS IN RELATION TO THE UNITED STATES
PHARMACOPŒIA.

The Ninth Decennial Pharmacopœial Convention recommended "that the Committee of Revision be authorized to admit into the Pharmacopœia any medicinal substance of known origin, but no substance or combination of substances shall be introduced if the composition or mode of manufacture thereof be kept secret, or if it be controlled by unlimited proprietary or patent rights and the list of substances should be carefully selected, with standards for identity and purity, as far as possible."

The question has been very properly asked, "What is to become of the Pharmacopœia and scientific pharmaco-therapeutic literature if the newer additions to the materia medica are, and are to become, the property of the commercial introducers together with their currently used names?"

THE POSTAL DEFICIT.

Postmaster General New has published figures for June which he says would indicate a deficit of something like \$40,000,000 for the fiscal year and that the efforts of Congress to find more revenue through the postal increases have failed of the result aimed at.

The *Philadelphia Ledger* in commenting editorially says: "The conclusion is obvious that higher rates tend to diminish the volume of all classes of mail affected thereby, and thus the easy process of increasing the price of postage in order to increase postal earnings is exactly of the character of an increase of the taxation rate in order to get more revenue. The argument has all the surface plausibilities but does not work out in fact."

Hearings are being held in various cities on

the new postal rates. It would seem, from various statements made at the hearing in Philadelphia, that the schedule has cut down the volume of mail matter affected by these rates, and also the business contributing thereto, as, for instance, the paper business, printing, etc., and further deduction might indicate that on account of this other trade is being curtailed. It would almost seem as though the advances have not only failed to produce much greater income, but to a greater extent, reduced sales in some important lines, and when one is affected it is reasonable to assume that the condition becomes more or less general. It would have been better if, in revising, the new rates had been given more study.

Senator George H. Moses said he was hopeful a schedule of rates would be worked out, inflexible for at least five years.