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THE REASONS BEHIND THE RULES IN THE LAW OF BUSINESS TORTS

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I. INTRODUCTION

Plaintiffs were the owners of the Bannister, a trading vessel lying off the coast of Cameroon, in western Africa. A canoe with natives on board sailed out to the Bannister for the purpose of establishing trade. While returning to shore, the natives were fired upon by a cannon stationed on a nearby ship, the Othello, whose master, the defendant, intended thereby to deter the natives from trading with the Bannister. As the result, plaintiffs lost their trade.

Plaintiffs sued. The case came before the Court of the King's Bench in England in 1793. It was held that plaintiffs were entitled to recover from defendant on the ground that the natives were prevented from trading with plaintiffs by the improper conduct of defendant.[1]

The above case illustrates a "business tort." In a general sense, a "tort" is a civil wrong, other than a breach of contract, for which the courts give the injured party a remedy against the wrongdoer.[2] Although it is quite correct to say that a "business tort" is one type of tort, the term "business tort" has not yet acquired a definite meaning.

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1 Tarleton v. McGawley, Peake's N.P. 205, 170 Eng.Rep. 153 (K.B. 1793). (abr.).

2 Sims v. Sims, 77 N.J.L. 251, 252, 72 Atl. 424, 425 (1909); Jewett v. Ware, 107 Va. 802, 806, 60 S.E. 131, 132 (1908). The law of torts also has been referred to as "the law of civil liability for wrongs." Holmes "The Path of the Law," 10 Harv.L.Rev. 456, 463 (1897). "A really satisfactory definition of a tort has yet to be found." Prosser, Torts 1 (2d ed. 1955).

As used here, it refers to that area of the law which determines the nature and extent of the legal protection given to an individual against interference with his business relations with others and also against interference with those special forms of intangible business property which do not originate in contract.[3] Within this area there are some classes of wrongful conduct to which names have been assigned and other classes which are nameless.[4]

Thus the law of business torts comprehends the legal principles relating to interference with contractual relations, interference with prospective advantage, boycotts, disparagement, some types of slander, commercial bribery, predatory business practices, and unfair competition in the broad sense. It also refers to those principles which relate to infringement of trade-marks, trade names, patents, copyrights, trade secrets and other forms of intangible business property which do not originate in contract. Finally, it includes violations of the antitrust laws, the fair trade laws, and other statutes relating to business conduct, to the extent that they furnish a basis for a civil action by the person injured.

II. THE GOALS OF THE LAW AND HOW THEY ARE PURSUED

An attempt to explain the reasons behind the rules[5] in the law of business torts (or in any other area of the law) is likely to lead into the realm of jurisprudence, for it raises fundamental questions. What is the purpose of law? How does law operate in our society? Despite all efforts to be objective, the answers are likely to be determined in no small degree by the experience of, and other factors which are personal to, the individual seeking the answers.[6]

A. Social Control

Some do not find absolute answers. This does not mean that further inquiry is futile, for "(L)aw in all its meanings is a practical matter. . . .

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3 E.g., trade-marks, trade names, trade secrets, patents and copyrights.

4 Two widely different theories prevail in the law of torts. The nominate theory holds that there is no law of torts, but only a law of unconnected torts—a set of pigeonholes, each bearing a name such as "trespass" or "conversion" into which the defendant's conduct must be fitted before the law will afford a remedy. Prosser, Torts 3 (2d ed. 1955). The prima facie theory would determine liability by the answers to three questions: (1) has plaintiff suffered legal harm? (2) was defendant responsible for it? and (3) was defendant's conduct justified? See Oppenheim, Unfair Trade Practices, 43-51 (1950). "Fortunately, most courts which have sought to use the doctrine have not read in a requirement of design to injure." Note, "The Prima Facie Tort Doctrine," 52 Col. L. Rev. 503, 507 (1952). "I think that there is a general theory to be discovered although resting in tendency rather than established and accepted." Holmes, The Path of the Law, 10 Harv. L. Rev. 456, 471 (1897).

5 As used here, "rules" is synonymous with "principles."

6 It seems likely that an explanation of the reasons behind the rules will be, to a corresponding degree, subjective rather than objective.

If we cannot give an answer which is absolutely demonstrable to everyone and wholly convincing to the philosopher, it does not follow that we may not have a good workable blueprint of what we are trying to do and be able to make a good practical approximation of what we seek to achieve."[7]

To some, including the writer, the end of the law appears to be social control. That is to say, the legal system, as we know it, made up of its principles, its institutions, the individuals who participate in its operation and administration, all these and many others, work in a general way to exercise control over society by influencing the conduct of the individuals who comprise it. This it does by offering guidance, by prediction, by suggestion, by threats, and in many other ways.

Of course, law is not the only institution participating in the process of social control.[8] Ethics, philosophy, religion, education, and numerous other institutions participate, some perhaps to a much greater extent than the law, although there is no way of either proving or disproving this. At least, it seems clear that there are many important values which are protected and promoted more effectively by other institutions.

It is well recognized that the making of law is a judicial as well as a legislative function.[9] It is also true that administrators, attorneys, teachers of law and the other social sciences, as well as many others, participate. In fact, the law-making process is so pervasive that it extends to almost all aspects of our environment. However, it scarcely can be denied that judges and legislators play the principal roles in the process; therefore, this discussion is concerned chiefly with finding the reasons behind the rules in the law of business torts as this law is developed by judges and legislators as they participate in the process.[10]

B. The Aims of Social Control

To state that the purpose of law is to participate in the process of social control is to tell nothing of the aims of such control. Are there any broad goals which are likely to play a substantial and consistent

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7 Pound, "My Philosophy of Law" in My Philosophy of Law—Credos of Sixteen American Scholars, 249, 250-51 (1941).

8 "Perhaps the time has come to enlarge Maitland's figure of the law as a seamless web. For while it is only in comparatively recent years that the interdependence of the social sciences has come to be recognized, it is today a generally accepted axiom that the law, as a means of social control . . . , is but a part of the broader subject of the relation of the individual to the group." Julian M. Mack in his introduction to Law and the Modern Mind, Jerome Frank (1930).

9 "I take judge-made law as one of the existing realities of life." Cardozo, The Nature of the Judicial Process 10 (1921).

10 Of course, the area within which the judge may rightly participate is much more limited than the area within which the legislature may rightly act. "The judge, even when he is free, is still not wholly free. He is not to innovate at pleasure. He is not a knight-errant roaming at will in pursuit of his own ideal of beauty or goodness. He is to draw his inspiration from consecrated principles." Id. at 141.

part in determining which choices are made by those engaged in the law-making process, particularly judges and legislators? It appears that there are. First is the general purpose of satisfying the present wants of the various members of society. Perhaps this purpose always will be dominant, for it, more than anything else, assures the law of the general support by members of society which is essential to the exercise of its proper influence. Next is the purpose of satisfying the wants of society and its members in the near as well as in the distant future. Finally, there appears to be a purpose to work for the moral and intellectual betterment of society and its individual members in the short run as well as in the long run. Doubtless there are other goals, but these appear to be the major goals.

C. Achieving These Goals

Of course, those participating in the law-making process are not always in complete agreement as to the methods to be used in achieving these goals; and even the areas of agreement are likely to change from time to time. Also, the purposes of social control are likely to be implied rather than expressly stated. However, they are present nonetheless.[11]

Moreover, it may be the motivation is mixed. Perhaps there have crept into the considerations of the judge or the legislator factors which should carry no weight—selfishness, vindictiveness, jealousy, bias.[12] To the extent that such factors have influenced the determination, law is not serving its true purpose. Rather, it is being perverted. However, it is believed that, although there is no way of proving this, in the bulk of the decisions made by judges and legislators in carrying out the law-making process the overall goals of social control play substantial and consistent parts.[13]

Naturally, the broad goals of society are not acted upon directly. The extent to which they are promoted depends upon the extent to

11 "(T)he institution of our law contains an ideology and a body of pervasive and powerful ideals which are largely unspoken, largely implicit, and which pass almost unenumerated in the books." Llewellyn, "My Philosophy of Law," My Philosophy of Law—Credos of Sixteen American Scholars 183, 184 (1941). "The ends to which courts have addressed themselves, the reasons and the motives that have guided them, have often been vaguely felt, . . . seldom explicitly avowed." Cardozo, The Nature of the Judicial Process 117 (1921).

12 Factors of this type may be causes, but they are not reasons.

13 "Every judge consulting his own experience must be conscious of times when a free exercise of will, directed to set purpose to the furtherance of the common good, determined the form and tendency of a rule which at that moment took its origin in one creative act." Cardozo, The Nature of the Judicial Process 103-04 (1921). "Law is indeed an historical growth, for it is an expression of a customary morality which develops silently . . . from one age to another. . . . But law is also a conscious and purposed growth, for the expression of customary morality will be false unless the mind of the judge is directed to the attainment of the moral end and its embodiment in legal forms. . . . The standards or patterns of utility and morals will be found by the judge in the life of the community. They will be found in the same way by the legislator." Id. at 105.

which numerous diverse interests on which they depend are in turn promoted. Thus, the goal of satisfying human wants is promoted by advancing any interest which encourages industry, efficiency, and invention, and the goal of moral betterment is promoted by advancing any interest which causes people to act honestly and unselfishly.

As the law-making process is carried out, many diverse interests, individual as well as social, are revealed. For example, there are interests in controlling and protecting one's physical person, in privacy, in reputation, in belief and opinion, in self-expression, in learning, and in relations with other persons. There are interests in property, including the interest in possessing, controlling, enjoying, excluding others from, and transferring property, either while living or at death. There are interests in contracts and other promised advantages, in cultural advantages, in opportunity, in industry, in political services and their development, in the security of social institutions, in morality, in justice, in safety, in peace, in health, in security, and in many other things.[14]

III. LAW-MAKING IN THE AREA OF BUSINESS TORTS

Law-making, whether by the court or by the legislature, is a dynamic process in which the various interests are constantly in a state of change, appearing in different combinations and in different settings, each competing with the others for increased recognition and weight as the various interests take their places on the scales of justice. The judge and the legislator are functioning most effectively when each of the relevant interests in a given situation is taken into consideration and given due weight.[15]

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14 See Sayre, Introduction to a Philosophy of Law 18 (1951). See also Pound, Outlines of Lectures on Jurisprudence, 56-59 (2d ed. 1914). Many other interests may be thought of, some of them worthy of protection, some unworthy. Discussion here proceeds on the basis of interests which should be advanced; but discussion also might proceed by referring to their opposites.

15 "Practically every rule of law originates out of a conflict of human interests, whether the controversy is settled and the rule enumerated by legislature or by judicial action." Dickinson, The Law Behind the Law, 29 Col.L.Rev. 285, 296 (1929). "The whole fabric of civilized, social and commercial life, and the enjoyment of liberty and ownership of property are based upon compromises and limitations. . . ." Judge Reese, in State v. Drayton, 82 Neb. 254, 260, 117 N.W. 768, 770 (1908).

"What we are seeking to do and must do in a civilized society is to adjust relations and order conduct in a world in which the goods of existence, the scope of free activity, and the objects on which to exert free activity are limited, and the demands upon those goods and those objects are infinite." Pound, "My Philosophy of Law"—Credos of Sixteen American Scholars 249-251 (1941).

"(Logic and history, and custom, and utility, and the accepted standards of right conduct, are the forces which singly or in combination shape the progress of the law. Which of these forces shall dominate in any case, must depend largely upon the comparative importance or value of the social interests that will be thereby promoted or impaired." Cardozo, The Nature of the Judicial Process 112 (1921).

When law-making takes place in the area of business torts, the process of weighing and balancing interests operates with full vigor as the interests of society and of the various individuals, enterprises, classes, and groups clamor for recognition.

To identify the interests which are most likely to be given substantial weight in developing principles which determine liability in the law of business torts, it is important to recognize that the basic assumption on which business activity is conducted in this country is that the free enterprise system is desirable.

A. Free Enterprise—A Basic Assumption

The term "free enterprise system" is likely to mean different things to different people.[16] To the writer, it conveys three basic ideas which have been expressed in various ways. One is the idea of freedom. Although freedom carries substantial weight in almost all areas of the law, here it is of major importance, particularly as it relates to the absence of restraint in the conduct of economic activities. Next is the idea of private property. This involves not only the right to possess and enjoy things but, more important, the right to exclude others from possessing and enjoying them except on such terms as the "owner" may establish. Finally, there is the idea of competition.[17] In the realm of economic activity, competition is deemed to be desirable for a variety of reasons.[18]

That the system is not without its flaws and that other systems of

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"Within the fields in which legal judgments are given, moral right, economic utility, public order, desire for social readjustment, or for social stability—all these things tend to break the pattern that technical law attempts to create out of past judgments and formulations, and there is almost never an occasion in which these considerations are willfully ignored by those who issue legal judgments." Rabin, "My Philosophy of Law," My Philosophy of Law—Credos of Sixteen Amereican Scholars 287, 299 (1941).

"If you ask how he (the judge) is to know when one interest outweights another I can only answer that he must get his knowledge just as the legislator gets it, from the experience and study and reflection; in brief, from life itself." Cardozo, The Nature of the Judicial Process 112-13 (1921).

16 An excellent discussion of the system is found in Loevinger, The Law of Free Enterprise (1949).

17 For generations there has been practical agreement upon the proposition that competition in trade and business is desirable, and this idea has found expression in the decisions of the courts as well as in statutes. Tuttle v. Buck, 107 Minn. 145, 149, 119 N.W. 946, 947 (1909). "Monopoly in trade, or in any kind of business in this country is odious to our form of government. . . . Its tendency is . . . destructive of free institutions, and repugnant to the instincts of a free people." State v. Nebraska Distilling Co., 29 Neb. 700, 716-17, 46 N.W. 155, 160 (1890). See Jones, Historical Development of the Law of Business Competition, 35 Yale L. J. 905 (1926) and 36 Yale L. J. 42, 207, 351 (1926-27).

18 "Public policy unquestionably favors competition in trade, to the end that its commodities may be afforded to the consumer as cheaply as possible, and is opposed to monopolies, which tend to advance market prices. . . ." Salt Co. v. Guthrie, 35 Ohio St. 666, 672 (1880).

conducting economic activity are possible, is admitted.[19] Nonetheless there is general agreement that the free enterprise system is best for us; and it is a deeply engrained tenet of our public policy to maintain and strengthen the system.

The interest which each person has in his freedom to pursue economic activity as he, rather than someone else, determines, is an important interest. So is the social interest in competition. Occasionally, as we shall see, they appear on opposite sides of the scales of justice. When they appear on the same side of the scales they carry great weight and a court is likely to declare the existence of the "right" to pursue a profit, which is usually considered to be the fundamental "right" in the law of business torts.[20]

B. The Right to Pursue a Profit

The "right" to pursue a profit is something more than freedom from liability to those who are injured as the result of such pursuit.[21] The "right" to pursue a profit also gives the backing of the courts to the interest one has in being free from unreasonable interference by others while he is pursuing his own economic advantages.[22] This principle runs through the entire fabric of the law of business torts.[23]

In most cases, analysis is not aided by assuming that there is a "right" to pursue a profit and then proceeding from that premise. For example, assume that the case is one in which defendant is found to be free from liability although the plaintiff was injured as the result of

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19 "Undoubtedly competition involves waste. What human activity does not?" Brandeis, The Curse of Bigness 105 (1934). "When competition is left free individual error or folly will generally find a correction in the conduct of others." Morris Run Coal Co. v. Barclay Coal Co., 68 Pa. 173, 186 (1871).

20 "(T)he right to acquire property by honest labor or the conduct of lawful business is as much entitled to protection as the right to guard property already acquired." International News Service v. Associated Press, 248 U.S. 215, 236 (1918).

21 If nothing more were involved, it might be better to refer to a "privilege." "The word 'privilege' is used. . . . to denote the fact that conduct which, under ordinary circumstances, would subject the actor to liability, under particular circumstances, does not subject him thereto." Restatement, Torts § 10 (a) (1934). "One who causes loss of business or occupation to another merely by engaging in a business or occupation in good faith is not liable to the other for the loss caused, though he knows that the loss will result." Restatement, Torts § 708 (1938). This privilege was recognized in Hompes v. B. F. Goodrich Co., 137 Neb. 84, 93-94, 288 N.W. 367, 372 (1939) wherein the court stated, "So long as the Goodrich Company . . . competed for business by the usual methods without any attempt to injure the plaintiff by stifling competition, it cannot be said that the Junkin (antitrust) Act has been violated."

22 Such unreasonable interference may be referred to by other names such as "unfair competition," "unfair methods of competition," or "unfair trade."

23 "It is this right that furnishes the basis of the jurisdiction in the ordinary case of unfair competition." International News Service v. Associated Press, 248 U.S. 215, 237 (1918). Unless there be regulation of competition, the excesses will lead to the destruction of competition and monopoly will take its place. Brandeis, The Curse of Bigness, passim.

defendant's pursuit of a profit. It might be reasoned that defendant is free from liability because he has a "right" to pursue a profit. It would seem sounder to reason that the social interest in maintaining competition, when combined with the defendant's interest in being free to pursue a profit, outweighs the plaintiff's interest in not being injured when this latter interest is unaccompanied by any other interest or combination of interests sufficient to tilt the scales in the plaintiff's favor.

Similarly, in a case in which the plaintiff has been injured while pursuing a profit, it is reasoned sometimes that the outcome must depend on whether or not the defendant's conduct was "justified" or on whether or not the defendant's conduct constituted an "unreasonable" interference with the plaintiff's "right" to pursue a profit. It would seem sounder to recognize that in a case of this kind the court is called upon to consider and weigh the various relevant interests to make a value judgment as to whether the promotion of one set of interests at the expense of the interests on the opposite side of the scales is more likely to promote the broad social goals which the judge has in mind or whether the reverse is true.[24]

IV. BALANCING INTERESTS IN TYPICAL BUSINESS TORT CASES

Perhaps a better appreciation of the operation of the process of weighing and balancing interests by the courts can be obtained by considering a few of the more familiar situations which have come before the courts.

> P *owned a prosperous barber shop.* D, *a local banker, opened a rival shop solely for the purpose of forcing* P *out of business.* D *succeeded.* P *sued. Judgment for* P.[25]

On *P's* side is society's interest in competition, which is promoted by constructive business conduct and offended by that which is merely predatory. On the same side is society's interest in morality, which is promoted by discouraging such malicious conduct. Also on *P's* side is his interest in freedom to pursue economic gain and his interest in being free from interference while he pursues economic gain. On *D's* side is society's, as well as *D's,* interest in the freedom of the individual to do whatever he pleases. Inasmuch as the interests in favor of *P* appear to be of much greater weight than those in favor of *D,* it would seem that there should have been relatively little doubt about the outcome of the case.

However, the court felt it necessary to devote a major portion of

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24 Rules are means, not ends. Pound, The Spirit of the Common Law 59 (1921). "Few rules in our times are so well established that they may not be called upon any day to justify their existence as a means to an end." Cardozo, The Nature of the Judicial Process 98 (1921).

25 Tuttle v. Buck, 107 Minn. 145, 119 N.W. 946 (1909).

its opinion to disproving the proposition, which appears to have had some support at the time, that an act otherwise lawful cannot be converted into an unlawful act by a bad motive. The net effect of the court's argument was that society's interest in morality is entitled to substantial weight and that when combined with society's interest in competition, and with the individual's interest in freedom to pursue his economic advantage without interference, outweighs the interest of the individual and of society in the individual's freedom to do as he pleases.

The holding in the case might have been explained in terms of broad legal principles, e.g., "*D* was liable because *P* had suffered an injury of which *D* was the legal cause and *D* had acted without justification." It might have been explained that "*D* was liable because he interfered unreasonably with *P's* conduct of his business," or that "*D* was liable because he had maliciously injured *P*." It is submitted that these explanations throw insufficient light on the issues involved. For example, consider the following case:

> P *is the owner of a newspaper,* D *a manufacturer of patent medicines.* P's *editorals are extremely critical of* D's *medicines. Intending to punish* P *and to earn whatever profit he can,* D *enters the newspaper business in competition with* P. *As the result* P *is forced out of business.* P *sues. Judgment for* D.[26]

What interests are involved? On *P's* side are much the same interests which appear on *P's* side in the barber shop case. There is society's interest in competition, *P's* interest in his freedom to pursue economic gain and to be free from interference while doing so, and there is society's interest in morality, which is offended by *D's* malicious conduct. As in the barber shop case, on *D's* side is society's, as well as *D's* interest in the freedom of the individual to do whatever he pleases.

If nothing more appears, it would seem that judgment must be for *P*, as in the barber shop case. What new interest has appeared on *D's* side to shift the scales in his favor? Several. Sufficient to tilt the scales is society's interest in competition[27] and the individual's interest in freedom to pursue a profit. These are enough to satisfy the court that judgment should be in *D's* favor.[28]

Of course, it might be argued that in the barber shop case the banker was competing and that the case therefore is substantially the

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26 Beardsley v. Kilmer, 236 N.Y. 80, 140 N.E. 203 (1923).

27 "(W)hen we . . . decide that there were also legitimate purposes the rule seems to be perfectly well established that there is no liability." Beardsley v. Kilmer, 236 N.Y. 80, 89, 140 N.E. 203, 205 (1923). "Why is a man at liberty to set up a business which he knows will ruin his neighbor? It is because the public good is supposed to be best subserved by free competition." Holmes, The Path of the Law, 10 Harv.L. Rev. 457, 466 (1897).

28 Also adding weight were society's interest in justice, which is promoted by permitting a person to act in self-defense, and society's interest in the dissemination of information through the additional newspaper.

same as the newspaper case. This argument has been rejected by the courts. It is pointed out that the interest which promotes society's goals is the interest to compete in the pursuit of economic gain and not the interest to compete solely to determine who can destroy the other.[29] It was *D's* interest in this destructive "competition" which the court, in the barber shop case, refused to recognize as worthy of protection.

Putting aside the question of bogus or simulated competition and assuming that the competition by *D* is genuine, and turning away from the case in which *D* acts in a spirit of spite and so offends society's interest in morality, let us ask whether there are any interests which may outweigh the interest of society in genuine competition and the interest of the individual to pursue in good faith his own economic advantage. Consider the following case:

> P *entered into a contract with* X *Hotel whereby he was to serve as exclusive agent in New England to book patrons for the Hotel and the Hotel was to pay him a commission based on the amount of patronage which resulted. Familiar with the nature of this contract, and wishing to obtain for himself an agency contract to perform similar service for the Hotel, but bearing no actual malice toward* P, D *persuaded* X *Hotel that it was a mistake to give an exclusive agency to one person, and thereby induced* X *Hotel to break its contract with* P. P *sued* D. *Judgment for* P.[30]

What interests are involved? Here, as in the newspaper case, there are present society's interest in competition and *P's* own interest in being free to pursue economic gain without interference. Since *D* is acting without actual malice, his conduct is not as offensive to society's interest in morality. However, there is some small offense to the interest in morality in the fact that *D* knows his conduct will injure *P*; but this interest is offended in almost all cases where one is competing. However viewed, it seems that up to this point, *P's* position is no stronger than in the newspaper case. Viewed from the standpoint of *D*, the same interests appear in *D's* favor. He is pursuing economic gain and has in his favor society's interest in promoting competition as well as his own interest in freedom to pursue economic gain.

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29 "It is not competition to resort to the methods of the prize ring, and simply 'knock the other man out.' That is killing a competitor." Brandeis, The Curse of Bigness 115 (1934). "To call such conduct competition is a perversion of terms." Tuttle v. Buck, 107 Minn. 145, 151, 119 N.W. 946, 948 (1909). "The laws of competition in business are harsh enough at best; but if the rule here suggested were to be carried to its logical and seemingly unavoidable extreme there is no practical limit to the wrongs which may be justified upon the theory that 'it is business.'" Dunshee v. Standard Oil Co., 152 Iowa 618, 623, 132 N.W. 371, 373 (1911). Cf. McCartney v. Berlin, 31 Neb. 411, 47 N.W. 1111 (1891).

30 Beckman v. Marsters, 195 Mass. 205, 80 N.E. 817 (1907). See also Lumley v. Gye, 2 El. & Bl. 216, 118 Eng. Rep. 749 (Q.B. 1853).

How can we account for judgment for *P* if it appears that the case is one in which *D's* position is the same as it was in the newspaper case and *P's* position is no stronger than it was in that case? The answer is that a new interest has appeared on *P's* side of the scales. This is the interest which *P*, as an individual, and society, in general, has in the security of contracts, a basic ingredient in the smooth functioning of the free enterprise system. This is a dominant interest in the law of contracts but only occasionally appears on the scales in business tort cases. However, when it does appear, it carries considerable weight. This lies behind the frequently stated principle that competition does not justify knowingly inducing a breach of contract.[31]

Although the interest of society and of the individual in the security of contracts carries great weight, it appears that other interests either in combination or alone sometimes outweigh it.[32] This appears in the following case:

> P *contracts to sell a described farm to* X. D *learns of this contract and, believing that he,* D, *is owner of the farm, so advises* X. *As the result,* X *breaks his contract with* P. P *sues* D *for damages sustained. Judgment for* D.[33]

The interests present here on both sides appear to be very much the same as those appearing in the exclusive agency case except that here *D* is not a competitor seeking to make a contract with *X*. However, it is generally agreed that this would not strengthen *D's* position but would, if anything, tend to weaken it. What new interest is present to tilt the scales in favor of *D*? It is *D's* interest in being free to assert and protect his claims to property.[34] This is highly important to the institution of property which in turn is one of the essentials of our free enterprise system. It is the interest which lies behind the court's decision to exonerate the patent holder who induces a licensee to break his licensing contract with another patent holder by charging that the exercise of the license constitutes an infringement of the defendant's patent.[35]

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31 "The fact that one is a competitor of another for the business of a third person does not create a privilege to cause the third person to commit a breach of contract with the other. . . ." Restatement, Torts § 768 (2) (1939). See also Sorenson v. Chevrolet Motor Co., 171 Minn. 260, 214 N.W. 754 (1927).

32 Prosser, Torts 737 (2d ed. 1955).

33 "(N)o action lay against one for saying that he himself had title or estate in lands, although it were false." Pennyman v. Banks (1956) Cro. Eliz. 427; accord, Briggs v. Coykendall, 57 N.D. 785, 224 N.W. 202 (1929); Bogosian v. First National Bank, 133 N.J.Eq. 404, 32 A.2d 585 (1943); Miller v. First National Bank, 220 Iowa 1266, 264 N.W. 272 (1935). See also Jeremiah Smith, "Disparagement of Property," 13 Col. L. Rev. 13, 30-36 (1913).

34 "One is privileged purposely to cause another not to perform a contract, . . . with a third person by in good faith asserting or threatening to protect properly a legally protected interest of his own which he believes may otherwise be impaired or destroyed by the performance of the contract." Restatement, Torts § 773 (1939).

35 See, e.g., Alliance Securities Co. v. DeVilbiss, 41 F.2d 668 (6th Cir. 1930).

V. REFLECTIONS OF THE PROCESS OF BALANCING INTERESTS

That the courts often think and act in terms of balancing interests also is evidenced by the frequency with which a particular interest is given substantially the same weight in the consideration of several quite different types of harmful conduct. Thus, the interest which has just been mentioned—the interest in being free to assert or to threaten to protect one's own property rights—very often tilts the scales in favor of defendant not only where the alleged wrong is inducing breach of contract but also where the wrong consists of disparaging, of defaming, or inducing refusal to deal.[36] Likewise, a person who answers one who has asked for information or advice, may be shielded from any of a number of different types of liability by the individual's interest and the social interest in freedom of communication and friendly intercourse.[37] Broad protection also is given to members of the judiciary and legislature and other public officers[38] on the basis of the interests which the performance of their duties is intended to promote.[39] Similarly, the public interest in the free dissemination of matters of public concern, which frequently is the basis for relieving members of the press from liability for libel,[40] also may furnish a shield against other types of liability.[41]

A. PRIVILEGE

Frequently the presence of some particular interest is suggested by the statement that a privilege exists.[42] Thus in a given case the court may state that a defendant's statement is privileged because it was made while he was performing some official duty[43] thereby indicating that the

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36 Restatement, Torts §§ 594, 596, 647 (1938), §§ 769, 773 (1939).

37 Id. §§ 592, 595, 596, 597, 648, 650 (1938), §§ 770, 772 (1939). "Why is a false and injurious statement privileged, if it is made honestly in giving information about a servant? It is because it has been thought more important that information should be freely given than that a man should be protected from what under other circumstances would be an actionable wrong." Holmes, Path of the Law, 10 Harv.L. Rev. 456, 466 (1897).

38 See, e.g., Greenwood v. Cobbey, 26 Neb. 449, 42 N.W. 413 (1889) where in an action for slander brought by the city attorney of a city against the mayor thereof for using the following language to the council of the city: "He is unfit to hold the office of city attorney; his opinion is too easily warped for money consideration," the court held that as the words were spoken by the mayor to the city council, which had power to remove the officer, the statement, if made in good faith, was privileged.

39 Restatement, Torts §§ 585, 586, 590, 591, 635, 640, 641, 645 (1938).

40 See, e.g., Fitch v. Daily News Publishing Co., 116 Neb. 474, 217 N.W. 947 (1928) in which the court affirmed a lower court dismissal of a suit brought by a lawyer against a newspaper for publishing a divorce petition filed by the lawyer's wife. The court said: "The general advantage to the country in having these proceedings made public more than counterbalances the inconveniences to the private persons whose conduct may be the subject of such proceedings."

41 Restatement, Torts §§ 598, 611, 642 (1938).

court recognizes the social interest in having government officers feel free to speak and act without fear of a civil suit. In another case the court may comment that a statement is privileged because it was communicated from a husband to his wife,[44] thus indicating that the judge has placed on the scales of justice the interest of the individual and of society in the individual's freedom to communicate with his spouse without fear of a lawsuit.

B. Abuse of Privilege

In the multitude of situations in which privilege is recognized, the scales of justice usually are almost evenly balanced. Consequently, the addition of an interest contrary to that which gave rise to the privilege often retilts the scales in favor of the plaintiff.[45] When this happens the court is likely to state that the privilege has been abused,[46] meaning that it has been destroyed.[47] Thus, where a defendant speaks on an occasion which is conditionally privileged the scales will be retilted if it appears that the defendant acts in a spirit of actual malice[48] because actual malice offends society's interest in morality. In another case a defendant may be denied the advantage of a privilege because, even though he believed what he said, he spoke without reasonable grounds for his belief,[49] thus offending the social interest in encouraging persons to exercise caution before performing acts potentially harmful to others.

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42 See, e.g., Hall v. Rice, 117 Neb. 813, 223 N.W. 4 (1929). Some privileges are said to be conditional, some absolute; but even where the privilege is said to be absolute, this is true only in a relative sense.

43 See, e.g., Greenwood v. Cobbey, 26 Neb. 449, 42 N.W. 413 (1889).

44 Restatement, Torts § 592 provides, "A husband or wife is absolutely privileged to publish to the other spouse false and defamatory matter of a third person." See Campbell v. Bannister, 79 Ky. 205 (1880). Cf. Dyer v. MacDougall, 93 F.Supp. 484 (E.D. N.Y. 1950); Springer v. Swift, 59 S.D. 208, 239 N.W. 171 (1931).

45 See, e.g., Bee Publishing Co. v. World Publishing Co., 59 Neb. 713, 82 N.W. 28 (1900).

46 See, e.g., Farley v. McBride, 74 Neb. 49, 103 N.W. 1036 (1905). The court, in a suit by a county sheriff against a newspaper which wrongfully charged that the sheriff had filed a fraudulent expense account, said: "No attack is so hard to resist, so difficult to withstand, nor so far-reaching in its consequences, as that which it is within the power of an unscrupulous writer to make upon one's reputation; and, while the press must not be muzzled, it is the duty of the courts to preserve in so far as may be the rights of the individual and his immunity from unwarranted attack."

47 Ibid.

48 See, e.g., Estelle v. Daily News Publishing Co., 101 Neb. 610, 164 N.W. 558 (1917) where in sustaining a verdict for a judge in a libel suit against a newspaper, the court said: "We are not inclined to adopt a rule which practically takes away all responsibility for the malicious publication of that which is knowingly false, libelous and defamatory." The defendant paper had charged that the plantiff judge, who was running for re-election, was associating with "the third ward crowd," which proof showed was largely composed of thieves, gamblers, pimps, and ballot-box stuffers.

49 See, e.g., Pierce v. Oard, 23 Neb. 828, 37 N.W. 677 (1888).

VI. TRADE-MARK AND TRADE NAME CASES

By very much the same process as that which already has been described, principles have developed to determine whether or not liability should be imposed on the ground of infringement of trade-marks and trade names.

To avoid confusion, it should be pointed out that these terms are used here in the common law sense and not as they have been defined in the Federal Trade Mark Act of 1946,[50] which applies in interstate commerce.

At common law, a trade-mark is any mark, word, number, design, picture, or combination of these in any form or arrangement, which is adopted and used by a person to denominate goods which he markets, provided it is affixed to the goods and is not used in a manner which is against public policy.[51] If it happens to be a generic, descriptive, or geographical term, or a surname, there is a further requirement that it be used in an arbitrary or fanciful sense.[52] Thus a designation cannot constitute a trade-mark if it is a generic term which the prospective purchasers are likely to regard as a common name for the goods;[53] a descriptive term which they are likely to regard as descriptive of the goods;[54] a geographical term which prospective buyers are likely to think indicates an actual geographical relation;[55] or if it is a personal name[56] which prospective purchasers are likely to regard as referring to a person who has an actual commercial association with the goods.

A. Terminology Used

There are some trade-marks such as "dacron" (fiber) which are considered "strong" because they have no meaning other than as a designation of a product which comes from a particular source. Others, not so strong, such as "Postum" (a drink made by Post), "Tums" (for acid indigestion, hence, "for the tummy"), "Sanka" (a coffee product from which caffeine has been extracted), and "V-8" (vegetable drink

50 Lanham Trade-Mark Act, 60 Stat. 427 (1946), 15 U.S.C. §§ 1051-1127 (1952). This act is a relatively comprehensive statement of the federal law on the subject. Despite radical changes in definition and use of terms, the act appears to have effected very few, if any, important changes in the substance of the common law of trade-marks and trade names. See Johnson v. Johnson, 175 F.2d 176 (2d Cir. 1949), cert. denied 338 U.S. 860 (1949). See also Report of Attorney General's Committee to Study Antitrust Laws 259 (March 31, 1955).

51 Restatement, Torts § 715 (1938).

52 See, e.g., Franklin Knitting Mills, Inc. v. Fashionit Sweater Mills, Inc., 297 F. 247 (S.D. N.Y. 1923), Drake Medicine Co. v. Glessner, 68 Ohio St. 337, 67 N.E. 722 (1903).

53 See, e.g., Wilhartz v. Turco Products, Inc., 164 F.2d 731 (7th Cir. 1947).

54 See, e.g., Franklin Knitting Mills, Inc. v. Fashionit Sweater Mills, Inc., 297 F. 247 (S.D. N.Y. 1923).

55 See, e.g., Elgin National Watch Co. v. Illinois Watch Case Co., 179 U.S. 665 (1901) and California Apparel Creators v. Wieder, 162 F.2d 893 (2d Cir. 1947).

56 See, e.g., Howe Scale Co. v. Wyckoff, Seamans & Benedict, 198 U.S. 118 (1905).

containing the juices of eight vegetables), subtly suggest other ideas. However, the vast majority of trade-marks are clearly generic, descriptive, or geographical terms or are surnames which qualify as trade-marks only because they are used in an arbitrary or fanciful way so that the public is not likely to regard them as having any significance other than as trade-marks. Familiar examples are "Aunt Jemima" (pancake flour), "Log Cabin" (syrup), "Arrow" (shirts), "Green Giant" (canned peas), "Camel" (cigarettes), "Prince Albert" (pipe tobacco), "LaTouraine" (coffee), "Birds Eye" (frozen foods), "Kiwi" (shoe polish), "Paris" (garters), and "Four Roses" (whisky).

A trade *name* may be any designation which is adopted by a person and used to denominate goods he markets or services he renders or a business he conducts, provided such use is not against public policy.[57] It makes no difference that the designation is a generic, descriptive, or geographical term or is a surname which has an actual relation to the goods, services or business with which it is used. However, the owner of the designation is not entitled to relief against the use of the designation by others unless the designation has acquired a secondary meaning;[58] i.e., unless through its association with such goods, services or business, the designation has come to be understood by a substantial number of present or prospective purchasers as indicating some particular source of the goods or services, or some particular business.[59] Examples of trade names are "Schlitz" (beer), "Maidenform" (bras), "Suds-Miser" (washing machine), "Greyhound" (bus service), and "Canadian Club" (whisky made in Canada).

In brief, a trade-mark may be used only in marketing goods whereas a trade name may be used in connection with goods, services or a business; a trade-mark must be attached to the goods whereas a trade name need not be attached to anything; a trade-mark may not be merely a generic, descriptive, or geographical term or merely a surname whereas a trade name may be; and finally, a trade-mark is entitled to protection as soon as it is used in marketing goods whereas a trade name is not entitled to protection until it has acquired a secondary meaning. These are the principal differences.

Obviously the lines are not clearly defined. There are many times when it is not at all clear whether the court is thinking in terms of trade-marks or trade names because the distinction would have no

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57 Restatement, Torts § 716.

58 See, e.g., Upjohn Co. v. Wm. Merrill Chemical Co., 269 F. 209 (6th Cir. 1920), Restatement, Torts § 716 (b).

59 Restatement, Torts § 716 (1938). "Any name, geographical or otherwise, applied to a product, becomes an asset to the person who advertises and markets that product as soon as the public begins to associate that name with that product." Hartman v. Cohn, 350 Pa. 41, 43, 38 A.2d 22, 24 (1944).

effect on the outcome of the case.[60] However, differences in terminology often suggest the presence or absence of particular interests which may have a bearing on the outcome. For this reason attention to the distinctions may be helpful in analyzing individual cases. Let us turn now to a more specific consideration of the interests which may be involved in a case involving alleged infringement of a trade-mark or of a trade name.

B. Principal Interests in Trade-Mark and Trade Name Cases

One of the major interests in the law of trade-marks and trade names is society's interest in competition, which requires that buyers be informed with respect to the various sellers and their offerings. This interest adds weight to the plaintiff's side of the scales because principles which give recognition to trade-marks and trade names support a system of trade in which members of the public can distinguish the sources of the available goods and services.[61]

The principles of law relating to infringement of trade-marks and trade names—unfair competition in the narrow sense—have evolved from the action of deceit,[62] which required an intent to deceive. This indicates that one of the weightier factors on plaintiff's side of the scales has been society's interest in morality, which is offended whenever one merchant palms off his goods as the goods of another. At one time this probably was the primary interest, because the success or failure of plaintiff's case depended upon his being able to show that the defendant acted with intent to deceive.[63] That this interest has lost some of its weight is shown by the readiness with which courts now grant relief without reference to whether or not any fraudulent intent has been shown.[64] That society's interest in honesty has not lost all of its weight is shown

60 See, e.g., Newbro v. Undeland, 69 Neb. 821, 96 N.W. 635 (1903). "The evidence in this case fails to establish any reasonable likelihood that deception did or would result by reason of the use of the name 'Big Chief' by the defendant." Peterson & Co. v. Jay, 158 Neb. 305, 309, 63 N.W.2d 174, 177 (1954).

61 "The purchaser may say to himself, so long as I deal at the basket store, I will get the goods for a less price. . . ." Basket Stores v. Allen, 99 Neb. 217, 219, 155 N.W. 893, 894 (1915).

62 Restatement, Torts Introductory Note to Chapter 35 (Confusion of Source) at 539 (1938).

63 Ibid.

64 "(W)hen similarity is established, good faith—even if proven—is no defense." LaTouraine v. Lorraine Coffee Co., 157 F.2d 115, 118 (2d Cir. 1946), cert. denied 329 U.S. 771 (1946). "The undisputed evidence shows that the name adopted by defendants and their manner of displaying it on their truck will quite likely mislead the public. . . . Without questioning the motives or honesty of defendants . . . a court of equity should hold that they have made no defense to this suit." Carter Transfer & Storage Co. v. Carter, 106 Neb. 531, 535, 184 N.W. 113, 114 (1921).

by the frequency with which the granting of relief beyond an injunction is conditioned upon the showing of fraudulent intent.[65] It also is shown by the fact that the presence or absence of fraudulent intent usually will tilt the scale in close cases in which the plaintiff's mark is weak,[66] as well as in cases where there is uncertainty as to whether or not plaintiff's trade name has acquired a secondary meaning.[67]

Weighing in favor of plaintiff in trade-mark and trade name cases is society's interest in encouraging industry and integrity, which is advanced whenever plaintiff is permitted to reap the benefits of furnishing goods or services of high quality.[68] On the same side of the scales is the plaintiff's interest in freedom to pursue economic opportunities without unreasonable interference. Also favoring plaintiff is society's, as well as the individual's, interest in the security of economic advantage which is given weight whenever a court refers to the plaintiff's "good will" and treats the plaintiff's interest in his mark or name as property.[69]

Carrying substantial weight on defendant's side of the scales in trade-mark and trade name infringement cases, as in most other business tort cases, is the individual's interest in freedom to pursue economic advantage. Also weighing on defendant's side is the social interest as well as the individual interest in freedom to draw upon the existing store of words and symbols, since these interests are sacrificed to some degree every time a trade-mark or trade name is given legal protection. This interest is usually the determining factor in cases where relief is

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65 "But there was here no showing of fraud or palming off. Their absence, of course, does not undermine the finding of unfair competition. (citations omitted) But the character of the conduct giving rise to the unfair competition is relevant to the remedy which should be afforded." Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 130. See also Note "Measure of Recovery in the Law of Trademarks and Unfair Competition," 30 Col. L. Rev. 242 (1930) and Restatement, Torts § 745 (1938).

66 See, e.g., Consolidated Fuel Co. v. Brooks, 91 Neb. 421, 136 N.W. 60 (1912). Plaintiff corporation obtained an injunction against the use by defendant, a former employee, of "Canon Cristo" in the sale of coal even though the Court conceded that the name was both descriptive and geographical and that the coal sold by both parties originated at the same mine.

67 See, e.g., Chadron Opera House v. Loomer, 71 Neb. 785, 99 N.W. 649 (1904).

68 See, e.g., Basket Stores v. Allen, 99 Neb. 217, 155 N.W. 893 (1915).

69 This appears to be a vital interest in cases wherein the courts grant relief even though the parties are not in competition. See Aunt Jemima Mills Co. v. Rigney, 247 F. 407 (2d Cir. 1917), cert. denied 245 U.S. 672 (1918) wherein the court granted the maker of pancake flour an injunction against the defendant's use of plaintiff's mark in marketing syrup. See also Tiffany & Co. v. Tiffany Productions Inc., 147 Misc. 679, 264 N.Y.S. 459 (Sup.Ct. 1932), aff'd 262 N.Y. 482, 188 N.E. 30 (1933) in which the court enjoined the use of the name "Tiffany" by a distributor of motion pictures although there was no likelihood that anyone would think that motion pictures had any relationship to plaintiff's jewelry business.

said to be denied on the ground that a designation is merely generic,[70] descriptive,[71] or geographical,[72] or is merely a surname.[73] The importance of this interest is greatly diminished when a designation is used in an arbitrary or fanciful sense because, in this case, there is very little likelihood that anyone other than the plaintiff will wish to use it in the same arbitrary or fanciful sense except for the purpose of riding the plaintiff's coattails. Consequently, where a mark or name is used in an arbitrary or fanciful sense, the interest in freedom to draw on the existing store of words and symbols rarely tilts the scales in defendant's favor.[74]

The interest in freedom to draw on the available store of words and symbols is sometimes overbalanced by society's interest in avoiding injustice by preventing a defendant from reaping where he has not sown, at the expense of the plaintiff.[75] Where a trade-mark is involved, the fact that plaintiff is required to show some ingenuity either by creating a new symbol or by using an old one in a fanciful or arbitrary sense, means that the point of injustice may be reached even before the public has come to recognize the mark as designating the goods of the plaintiff.[76] In the case of a trade name (which does not call for the exercise of ingenuity), the courts do not recognize any serious offense

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70 See, e.g., Nebraska Loan & Trust Co. v. Nine, 27 Neb. 507, 43 N.W. 348 (1889). The court affirmed a lower court denial of an injunction to restrain the defendant from using the name, "The Nebraska Loan and Trust Company." The plaintiff had started using the name four years before defendant. The court said: "The words 'loan and trust' are simply indicative of the character of the business which they propose to carry on . . . there can be no special property or right in them. As a general rule geographical names are not the subject of property as a trade name."

71 "A descriptive mark is bad for two reasons: First, because it does not advise the public that the goods come from a single source; and second that, if so, since the word is descriptive of the goods, the protection of the word as a trademark would be an infringement upon common speech. . . ." NuGrape v. Guest, 164 F.2d 874, 876 (10th Cir. 1947), cert. denied 333 U.S. 874 (1947). See e.g. Franklin Knitting Mills, Inc. v. Fashionit Sweater Mills, Inc., 297 F. 247 (S.D. N.Y. 1923).

72 See, e.g., Nebraska Loan & Trust Co. v. Nine, 27 Neb. 507, 43 N.W. 348 (1889).

73 See, e.g., Howe Scale Co. v. Wyckoff, Seamons & Benedict, 198 U.S. 118 (1905).

74 See, e.g., Hamilton Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251 (1916). In Johnson v. Johnson, 175 F.2d 176, 180 (2d Cir. 1949), cert. denied 338 U.S. 860 (1949), the court refused to enjoin defendant's use of "Johnson" in marketing a cleaner even though such use caused confusion among purchasers of plaintiff's wax products. The court stated, "In the case of fabricated marks which have no significance save as they denote a single source or origin of the goods to which they are attached, the first user's right may go so far. The second user can then show no interest of his own; and if . . . his only purpose is to trade on the first user's good will, it is indeed time to intervene."

75 "If defendants seek to take advantage of the name under which the plaintiff has been doing business, it is, to say the least, unfair. If theirs is a good store, they can build up a reputation of their own." Basket Stores v. Allen, 99 Neb. 217, 220, 155 N.W. 893, 984-95 (1915).

76 See, e.g., Morgans Sons Co. v. Ward, 152 Fed. 690 (7th Cir. 1907).

to the interest in justice until the plaintiff's mark has acquired a secondary meaning; that is, until an appreciable portion of the public has come to recognize the name as designating goods or services of which plaintiff is the source.[77]

Carrying great weight in trade-mark and trade name cases is the social interest in avoiding confusion and mistake among members of the public.[78] Indeed, the cases are few[79] wherein the courts will grant relief against trade-marks or trade name infringement unless it is shown that this interest has been offended. That this interest is not sufficient of itself to override all possible interests which may appear on the defendant's side of the scales is shown by the fact that the courts will sometimes refuse injunctive relief even though it is quite likely that defendant's continued use of a designation will lead to confusion among members of the public.[80]

VII. THE TRADE SECRET CASES

Turning from trade-marks and trade names to trade secrets, one finds some familiar as well as some new interests. On the side of the claimant in almost all trade secret cases will be found the interest in rewarding and encouraging initiative as well as the interest in justice which is promoted when one person is prevented from reaping where another has sown. As important as these interests are, however, standing alone they are usually outweighed by the interest in the free promulgation and use of ideas and other interests which usually follow in its wake. If one asserting rights in a trade secret is to succeed, some additional interest must appear on his side of the scales.[81]

If the action is one in which the claimant is seeking to bar or recover for the revelation or use of the idea, this additional interest

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77 See, e.g., Upjohn Co. v. Wm. S. Merrill Chemical Co., 269 Fed. 209 (6th Cir. 1920).

78 "(T)he paramount interest to be protected in these . . . cases is the consumers'." Judge Frank, dissenting in LaTouraine v. Lorraine, 157 F.2d 115, 124 (2d Cir. 1946), cert. denied 329 U.S. 771 (1946). See California Fruit Growers Exchange v. Sunkist Baking Co., 166 F.2d 971, 973-74 (7th Cir. 1948) wherein the court denied relief to the owner of the mark "Sunkist" used in marketing fruits and vegetables against the use of "Sunkist" in marketing bread. The court remarked, "Unless 'Sunkist' covers everything edible under the sun, we cannot believe that anyone whose I.Q. is high enough to be regarded by the law would be likely to be confused in the purchase of a loaf of bread branded as 'Sunkist' because someone else sold fruits and vegetables under that name." See also NuGrape v. Guest, 164 F.2d 874 (10th Cir. 1947), cert. denied 333 U.S. 874 (1947), wherein, although plaintiff had spent $800,000 in advertising its soft drink as "NuGrape" and it was assumed for the sake of argument that the name had acquired a secondary meaning, relief was denied against defendant's using "TruGrape" in selling a similar drink because plaintiff failed to show a likelihood of confusion.

79 See, e.g., Tiffany & Co. v. Tiffany Productions, Inc., 147 Misc. 679, 264 N.Y.S. 459 (Sup. Ct. 1932) aff'd 262 N.Y. 482, 188 N.E. 30 (1932).

80 Johnson v. Johnson, 175 F.2d 176 (2d Cir. 1949), cert. denied 338 U.S. 860 (1949).

81 Restatement, Torts § 757.

may appear in the interest in the security of contracts. This interest tilts the scales in favor of the claimant in cases in which the person about to use or reveal the information is under an obligation, by virtue of an express or an implied contract, not to do so.[82] If it does not appear that there is any contractual duty to refrain from using or communicating the idea, the extra weight necessary to tilt the scales in favor of the plaintiff may be the interest in morality which is offended whenever a confidence is violated.[83] Where there is no contract or confidence on which to base an obligation not to use or reveal an idea, the scales may be tilted in favor of the claimant of the trade secret by the interest in morality which is offended by the fact that the defendant has been chargeable with some impropriety in obtaining the trade secret.[84]

Even though it appears that the scales have been tilted in favor of a claimant of a trade secret by the fact that the disclosure of an idea would violate an obligation based on a contract or a confidence, the interest in justice may cause them to re-tilt in favor of a defendant if it appears that, at the time the defendant induced the disclosure of the idea, he was unaware that there was any obligation not to divulge it and, before learning of the obligation, substantially changed his position.[85]

VIII. BUSINESS TORTS BASED ON STATUTE

It has been said that trade-marks, trade names and trade secrets are creatures of the courts rather than of the legislatures. In contrast, the principles which govern patents and copyrights are based almost entirely on statute, the Constitution,[86] and other acts of Congress.[87] Nonetheless, much the same type of analysis can be made in considering these latter types of intangible business property.

A. Infringement of Patents

A patent gives the patent holder the right to exclude others from making, using or vending anything within the scope of that patent for a period of seventeen years.[88]

At the heart of the patent laws is society's interest in economic

82 See, e.g., Spiselman v. Rabinowitz, 270 App. Div. 548, 61 N.Y.S. 2d 138 (1946).

83 "It is the usual incident of confidential relations. If there is any disadvantage in the fact that he knew the plaintiffs' secrets he must take the burden with the good." E. I. DuPont DeNemours Powder Co. v. Masland, 244 U.S. 1700, 102 (1917).

84 See, e.g., Stone v. Goss, 65 N.J.Eq. 756, 55 Atl. 736 (1903).

85 See, e.g., Conmar Products Corp. v. Universal Slide Fastener Co., 172 F.2d 150 (2d Cir. 1949). Restatement, Torts § 758 (b).

86 "The Congress shall have 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." U. S. Const., art. 1, § 8, cl. 8.

87 Patents: 35 U.S.C., §§ 1-293 (1952); Copyrights: 17 U.S.C., §§ 1-215 (1952).

88 35 U.S.C. § 154 (1952).

development which is promoted by encouraging the conception, revelation and exploitation of useful ideas of a limited type.

It is important to realize that the courts do not view the patent laws as evidencing any policy to promote the social interests in *ordinary* productive effort. The maintenance of the system of competition, and the principles governing trade secrets[89] apart from the patent laws, are deemed to be sufficient for this purpose. That is why the Supreme Court has refused to recognize the validity of a patent which is based upon an advance which demonstrates nothing more than the work of one "skilled in the art," and has insisted that a patent must be based upon an advance which displays a "flash of creative genius."[90]

However, even the display of genius is not, standing alone, a sufficient interest to justify the granting of a patent. It must be accompanied by the interest which society has in the *revelation* of the invention so that it may some day be used by persons other than the inventor and his successors.[91] The public interest in revelation lies behind the principle which denies the right to a patent where it appears that the invention has been exploited secretly prior to the application for the patent.[92] It also lies behind the limitation on the time within which a patent application must be filed,[93] as well as the rule which requires that the

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89 See, e.g., A. O. Smith Corp. v. Petroleum Iron Works Co., 73 F.2d 531 (6th Cir. 1934).

90 Cuno Engineering Corp. v. Automatic Devices Corp., 314 U.S. 84 (1941). See also Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp., 340 U.S. 147, 156 (1950), in which the Supreme Court declared invalid a patent on a counter with an extension to receive a bottomless self-loading tray with which to push the contents of the tray in front of a cashier. It was stated that the Patent Office "has placed a host of gadgets under the armor of patents—gadgets that obviously have had no place in the constitutional scheme of advancing scientific knowledge." (concurring opinion). The courts have expressed the requirements of invention in various terms. Some lower courts have followed the Supreme Court and have required that the work be "the result of inventive genius." See, e.g., Love Tractor Inc. v. Continental Farm Equipment Co., 91 F.Supp. 193, 198 (Omaha D. Neb. 1950). Many lower courts have accepted something less. "(W)e are rejecting the flash of genius test." Chicago Steel Foundry Co. v. Burnside Steel Foundry Co., 132 F.2d 812 (7th Cir. 1943). In the hope of achieving a higher degree of uniformity and to establish a less severe standard than "display of creative genius" the 1952 Patent Laws provided: "A patent may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made." 35 U.S.C. § 103 (1952). However, this may not be the final word. "The standard of invention is written into the Constitution." Original Foods, Inc. v. Chun King Sales, Inc., 244 F.2d 909 (9th Cir. 1957). For the historical background of the problem, see Lyon v. Bausch & Lomb Optical Co., 224 F.2d 530 (2d Cir. 1955).

91 See, e.g., Refrigeration Patents Corp. v. Stewart-Warner Corp., 159 F.2d 972 (7th Cir. 1947).

92 See, e.g., Huszar v. Cincinnati Chemical Works, 172 F.2d (6th Cir. 1949); Macbeth-Evans Glass Co. v. General Electric Co., 246 Fed. 695 (6th Cir. 1917).

93 35 U.S.C. § 102 (b) (1952).

application describe the invention with sufficient clarity and completeness to enable one skilled in the art to understand and use it.[94]

Regardless of the quality of the mental effort which gives rise to an advance, and regardless of the thoroughness with which it is revealed, the social interests involved are not deemed to be sufficient to justify the granting of a patent if it appears that the invention is already within the field of readily available public knowledge (e.g., where it already is known or used by others in this country or where it already has been patented or described in a printed publication anywhere in the world),[95] even though it is conceded that the applicant inventor had no knowledge of any prior work.[96]

Behind the highly complicated rules which are applied in determining who among several rival inventors has satisfied the requirement of priority of invention[97] is the interest in justice which is promoted by holding that first in time is first in right and which also is promoted by an orderly procedure for determining rights on the basis of criteria which may be tested objectively.

The basic right which arises when a patent is granted is the right to exclude[98] others from making, using, or vending, the subject matter of the patent. The fact that this creates a limited monopoly which is offensive to the system of competition, weighs heavily in favor of the defendant in every infringement action. The interest in competition also lies behind the action of the courts in declaring a patent invalid after it has been granted by the Patent Office;[99] it lies behind the rule which permits any interested party to bring an action to have a patent declared invalid;[100] it lies behind the rule that a patent should be declared invalid when it claims too much and there is an unreasonable delay in making a disclaimer;[101] it lies behind the rule that a patent

94 35 U.S.C. § 112 (1952).

95 35 U.S.C. § 102 (a) (1952).

96 See, e.g., Jungerson v. Ostby & Barton Co., 335 U.S. 560 (1949) wherein the Supreme Court declared invalid a patent on the complicated process which had revolutionized the cheap jewelry industry, largely on the ground that the process was nothing more than a refinement of a method described in the Treatises of Goldsmithing and sculpture written by Benvenuto Cellini in the 16th century.

97 45 U.S.C. § 102 (g) (1952).

98 35 U.S.C. § 154 (1952). "(I)t does not give him the right to make, use, or sell his own invention if it happens to infringe the claims of some prior patent even though his invention may be a decided improvement on the device illustrated in the prior patent." Hoar, Patent Tactics and Law 7 (3d Ed. 1950). Until a patent is granted, all persons who lawfully learn of the invention are free to exploit it if doing so does not infringe a patent already issued. Gayler v. Wilder, 10 How. 477, 493 (1850).

99 See, e.g., U. S. Chemical Corp. v. Plastic Glass Corp., 243 F. 892 (3rd Cir. 1957).

100 28 U.S.C. §§ 2201-2202 (1952).

101 See, e.g., Marconi Wireless Telegraph Co. of America v. United States, 320 U.S. 1, 58 (1943).

must be narrowly construed in determining whether or not infringement has occurred[102] and it lies behind the time limitation of seventeen years provided in the patent laws as well as in the provision for a time limitation in the constitutional provision on which these laws are based. In fact, the bulk of the rules relating to patents can be appreciated only by taking into consideration society's interest in maintaining competition.

B. Infringement of Copyrights

In general, a copyright entitles a copyright holder to bar others from exploiting the copyrighted work without his permission. This right is initially granted for twenty-eight years but it may be extended a like period at the option of the copyright holder.[103]

Many of the interests given weight in patent cases are also given weight in copyright cases. For example, the social interest in promoting constructive effort and the social interest in permitting a person to reap where he has sown are likely to be found on the plaintiff's side of the scales whereas the social interest in competition and the individual interest in being free to do as one pleases are likely to be found on the defendant's side. Of course, where the same interest is given weight in both types of cases, the relative weight assigned to the interest is likely to be different in a copyright case from what it is in a patent case. Furthermore, some of the interests which carry weight in patent cases carry no weight in copyright cases and vice versa. Thus, the social interest in the introduction of new ideas which is paramount in the patent laws carries no weight in the copyright laws which are concerned only with the social interest in the *expression*[104] of the ideas. Thus, if a writer independently prepares a description of a well known system, he is entitled to protection against the copying of his manner of expression even though he, himself, has contributed no new ideas.[105]

To give rise to a statutory copyright, it is necessary that the work when published contain a proper notice of copyright[106] so that all the world may know that copyright is claimed.[107] Since most of the works which come to the attention of members of the public either are not copyrighted at all or are no longer protected by copyright, because the period of time provided by the copyright statutes has expired, the interest

102 See, e.g., Independent Pneumatic Tool Co. v. Chicago Pneumatic Tool Co., 194 F.2d 945 (7th Cir. 1952).

103 17 U.S.C. § 24 (1952).

104 See, e.g., Holmes v. Hurst, 174 U.S. 82 (1899), and Universal Pictures Co. v. Harold Lloyd Corp., 162 F.2d 354 (9th Cir. 1947).

105 See, e.g., Baker v. Seldon, 101 U.S. 99 (1879).

106 17 U.S.C. § 10 (1952). See, e.g., State v. State Journal Co., 75 Neb. 275, 106 N.W. 434 (1905).

107 See, e.g., Washington Publishing Co. v. Pearson, 306 U.S. 30, 40 (1939).

in justice is served by this principle which requires that reasonable notice be given before charging a person with infringement.

Even assuming that there has been complete compliance with the copyright statute requirements with respect to notice, the right to sue for infringement is contingent upon depositing copies of the work in the copyright office.[108] This provision protects the public interest in preserving worthy works for the diffusion of knowledge as well as the public interest in being informed with respect to the existence and extent of alleged copyright monopolies.[109]

Under the copyright laws, an original work, reduced to recognizable form and duly registered, is entitled to protection in the courts. There is no need to display invention or a special quality of effort as in the case of a patent.[110] This apparent laxity in granting legal protection does not reflect a lack of concern for work of high quality. Rather it is felt that the interest in such work can be best promoted by a liberal policy which avoids the risk of discouraging further effort by those who already possess real ability and at the same time encourages the development of new talent. A liberal policy in this regard also reflects an interest in maintaining the dignity of the courts which would be jeopardized if judges were called upon to determine the merits of alleged works of art.[111] Finally, it reflects the fact that the social interest in competition is not as great in copyright as in patent cases because of the far greater economic consequences of patent monopolies.

C. Business Torts Based on Violations of the Antitrust Laws

There are a number of statutes relating to business conduct which provide a civil remedy to anyone injured by a violation. Where this is so, the violation is a business tort.

Some of these statutes are state and some are federal. By far the most important of these statutes are two of the federal antitrust laws[112]—the Sherman Act, which declares it to be illegal to restrain trade or

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108 17 U.S.C. § 13 (1952).

109 Washingtonian Publishing Co. v. Pearson, 306 U.S. 30, 47-50 (dissenting).

110 See, e.g., National Comics, Inc. v. Fawcett Publications, 191 F.2d 594, 600 (2d Cir. 1951).

111 "It would be a dangerous undertaking for persons trained only in the law to constitute themselves final judges of the worth of pictorial illustrations, outside the narrowest and most obvious limits. At the one extreme some works of genius would be sure to miss appreciation. Their very novelty would make them repulsive until the public had learned the new language in which their author spoke." Bleistein v. Donaldson Lithographing Co., 188 U.S. 239, 251 (1903).

112 Sherman Anti-Trust Act: 26 Stat. 209 (1890), 15 U.S.C. §§ 1-7 (1952). Robinson-Patman Act: 49 Stat. 1526 (1936), 15 U.S.C. § 13 (1952). Although the Federal Trade Commission Act, 38 Stat. 717 (1914), 15 U.S.C. §§ 41-58 (1952) is usually considered to be one of the major antitrust statutes, it is not considered here because "unfair methods of competition" proscribed by section 5 of the act do not afford a basis for a private action except where the right of action would have existed even without the Act.

to monopolize, or to attempt to monopolize, and the amendment to the Clayton Act known as the Robinson-Patman Act, the principal purpose of which is to induce sellers to refrain from discriminating among buyers. Although the state statutes are far from uniform, in general they embody the same broad principles which are found in the federal statutes.[113]

Among the different types of conduct which may constitute violations of the Sherman Act as well as many of the state acts dealing with restraints of trade and monopolies are: agreements to fix prices,[114] agreements to divide markets,[115] agreements to limit output,[116] individual refusals to deal,[117] group boycotts,[118] agreements not to compete,[119] misuse of patents,[120] misuse of copyrights,[121] predatory trade practices,[122] intimidation,[123] underselling,[124] and many other types of misconduct.

Some of these practices give rise to a private right of action for damages even in the absence of any statute. However, some of the statutes go further. Thus, the Sherman Act provides that anyone who has been injured as the result of conduct which violates the Act has the right to recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee.[125] Similar relief is available to those who acquire a private right of action by virtue of violations of the Robinson-Patman Act.[126] Some of the state statutes also grant similar relief.[127] These provisions for civil action are based in part upon the social and individual interest in justice which is promoted by permitting

113 See, e.g., Neb. Rev. Stat. Ch. 59 (Reissue 1952) Monopolies and Unlawful Combinations.

114 See, e.g., Mandeville Island Farms, Inc. v. American Crystal Sugar Co., 334 U.S. 219 (1948).

115 See, e.g., United States v. Addyston Pipe & Steel Co., 85 Fed. 271 (6th Cir. 1898).

116 See, e.g., Morris Run Coal Co. v. Barclay Coal Co., 68 Pa. 173 (1871).

117 See, e.g., Eastman Kodak v. Southern Photo Materials Co., 273 U.S. 359 (1927).

118 See, e.g., Marsh-Burke Co. v. Yost, 98 Neb. 523, 153 N.W. 573 (1915).

119 See, e.g., United States v. Addyston Pipe & Steel Co., 85 Fed. 271 (6th Cir. 1898).

120 See, e.g., United States v. Line Material Co., 333 U.S. 287 (1948).

121 See, e.g., Straus v. American Publishers' Ass'n., 231 U.S. 222, 236 (1913).

122 See, e.g., Binderup v. Pathe Exchange, 263 U.S. 291, 312 (1923).

123 See, e.g., Cleland v. Anderson, 66 Neb. 252, 92 N.W. 306 (1902).

124 See, e.g., Story Parchment Co. v. Patterson Parchment Paper Co., 282 U.S. 555 (1931).

125 Sherman Anti-Trust Act, § 7, 26 Stat. 209 (1890), 15 U.S.C. § 15 (1952).

126 Clayton Act, § 4, 38 Stat. 731 (1914), 15 U.S.C. § 15 (1952).

127 See, e.g., Neb. Rev. Stat. § 59-821 (Reissue 1952) which provides that: "Any person who shall be injured in his business or property by any other person or persons, by reason of anything forbidden or declared to be unlawful by sections 59-801 to 59-828 (these sections deal with unlawful restraints of trade) may sue therefor in any court of record in this state, in the county in which the defendant or defendants reside or are found, without respect to the amount in controversy, and shall recover threefold the damages by him sustained and the costs of suit, including a reasonable attorney's fee."

an injured party to recover from one who has caused him forseeable harm and in part upon the social interest in discouraging violations of the antitrust laws.[128]

Of course, the fundamental interest intended to be promoted by the antitrust laws is society's interest in competition.[129] This interest lies behind the rules which govern the many diverse types of conduct which have been held to violate these laws. This is true even though the wrongs may appear to have little in common and the principles occasionally appear to be working at cross-purposes. Thus, while the Robinson-Patman Act restrains the freedom of sellers to charge what they please, its basic purpose is to increase competition at various levels and to block one of the most effective paths to monopoly—discrimination.[130]

Society's interest in competition is not the only interest sought to be promoted by the antitrust laws. Various degrees of importance are assigned also to the interest in economic freedom which is promoted by preventing monopoly; the interest in justice which is promoted when opportunity in the economic area is not limited to the few; the interest in sound government which is promoted by a system which shields against government by business; the interest in national defense which is promoted by a system which protects the government against the hazards

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128 The 1955 amendment to the federal antitrust laws raising the maximum fine for antitrust law violations of $5,000 to $50,000 also promotes the latter interest. 69 Stat. 282 (1955), 15 U.S.C. §§ 1-3 (Supp. III, 1955).

129 "The Sherman Act seeks to protect men in the right freely to compete and to prevent practices which must result in oppressing competition." Brandeis, The Curse of Bigness 127 (1934). "The public interest is best protected from the evils of monopoly and price control by the maintenance of competition." United States v. Trenton Potteries Co., 273 U.S. 392 (1927).

130 Discrimination which has nothing to do with efficiency creates a path to monopoly for the beneficiary of the discrimination. Brandeis, The Curse of Bigness 140 (1934). "If this method of competition were approved, the pattern for the growth of monopoly would be simple." Moore v. Mead's Fine Bread, 348 U.S. 115, 119 (1954).

"It is within the knowledge of all that . . . people have depressed prices in one locality where there was competition, and increased them in others, where there was none, thus avoiding a loss, until the competitior was driven out of business, when prices would be raised to an unreasonable and oppressive extent. . . ." State v. Drayton, 82 Neb. 254, 260, 117 N.W. 768, 770 (1908). See Learned and Isaacs, "The Robinson-Patman Law: Some Assumptions and Expectations," 15 Harv. Bus. Rev., Winter 1937, p. 137. For a detailed analysis of the Robinson-Patman Act as well as other antitrust laws see Oppenheim, Unfair Trade Practices (1950), and Federal Anti-trust Laws (1948).

Fair trade legislation also has been criticized on the ground that it restrains sellers in setting their prices. However, such legislation has been described as "an aid to competition, preventing as it does, the extension of the trust and chain stores." Brandeis, The Curse of Bigness 128 (1934). Compare McGraw Electric Co. v. Lewis & Smith Drug Co., 159 Neb. 703, 68 N.W.2d 608 (1955) holding unconstitutional the Nebraska Fair Trade Act, Neb. Rev. Stat., ch. 59, art. 11.

of being dependent upon a single business for the implements of defense, and various other interests. Nevertheless, the interest in competition remains the dominant interest in cases under the antitrust laws, just as it is dominant in most other cases in the field of business torts.

IX. CONCLUSION

Business torts arising from violations of the antitrust law appears to be a suitable subject with which to close. It has not been the purpose of the foregoing discussion to consider all of the reasons behind all of the rules in the law of business torts and at times the picture has been painted with a rather broad brush. However, it is hoped that the discussion has been sufficiently detailed to demonstrate an approach to businesss tort problems which should facilitate the work of finding and understanding the reason behind the rules in this area of the law.

One who has acquired the habit of proceeding by first familiarizing himself with the facts and then seeking to identify and evaluate the various interests involved in a given situation is well along the road to obtaining a sound grasp of legal principles in whatever area of the law he happens to be studying. More important, he has developed an attitude and facility which, properly used in the law-making process, whether by judge, legislator, administrator, attorney, teacher, sociologist, political scientist, or anyone else engaged in the law-making process, should strengthen the hope that the law will better serve the purpose of social control aimed at goals worthy of man.