

DESIGN PIRACY

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The very name "design piracy" has been called a misnomer, a clever labeling of certain lawful acts with the stigma of bloodshed and robbery on the high seas. This criticism of terms seems entirely justified; "copying" rather than "piracy" would seem to be a term much better adapted to an analytical discussion of the design-protection problem and will be used henceforth in this paper. In 1914 the agitation for protection against copying of non-functional designs which could neither be patented under the design-patent statute, nor copyrighted, first became articulate in the form of a bill introduced to the sixty-third Congress by Hon. W. A. Oldfield, the then Chairman of the Commission on Patents in the House of Representatives.¹ This bill was the direct result of judicial decisions interpreting the patent statutes and of rulings of the Librarian of Congress as to the copyright statutes. Non-functional designs, involving no strict originality had long been held by the courts not to be patentable under the Patent Statutes. To allow the protection of non-functional designs, Design Patent statutes were enacted in 1842, reenacted in 1861, 1870, and revised in 1902.

However, wisely or unwisely, judicial decision² soon required under the design-patent law the same quality of "invention" (i.e., must differ from prior devices not merely by changes that could be produced by a skillful worker in the particular art involved, but by completely original changes that could be produced only by inventive genius) as was required under the regular patent law. Most of the non-functional designs in the growing clothing industry fell outside this requirement. The Copyright Law was equally unsatisfactory. Section 5 (g) of the Copyright Act read as follows:

Sec. 5. Classification of works for registration. The application for registration shall specify to which of the following classes the work in which copyright is claimed belongs: ***

(g) Works of Art; models or designs for works of art.

* Now in the Armed Forces of the United States.

1. H.R. Rep. No. 11321, 63d Cong., 2nd Sess. (1914).
2. *Eloesser-Heynemann Co. v. Kuh Bros.*, 297 Fed. 831 (C.C.A. 9th, 1924); *Steffen et al v. Steiner et al.*, 232 Fed. 862 (C.C.A. 2nd, 1916).

The Librarian of Congress promulgated rules, defining the section as follows:

- Rule 12 (g) Works of Art and models or designs or works of art. This term includes all works belonging
- fairly to the so-called fine arts (paintings, drawings, and sculpture).

These rules impliedly excluded dress designs, patterns, textile designs, etc.³ The result was that non-functional designs which were not completely "original" in the patent sense were not connected with the fine arts and were unprotected.

The 1914 attempt to get legislative relief represented the first stirring of the movement to secure complete design protection covering the designs beyond the copyright and design patent law. The first design-patent bills were drawn to cover all non-functional designs, no particular industries were excluded. Though, as may be plainly seen, design protection problems cover all industry and all designs, perhaps the industry in the greatest need of relief, since it relies chiefly on designs which are unpatentable and beyond the Copyright Act, is the garment and textile industry. This article deals chiefly with this phase of the design-protection problem.

The first design bills of 1914, it is important to note, were introduced just about the time when the ready-made apparel industry of the United States was beginning its development into the million-dollar proportions it possesses today. Though "ready-made" clothing got its start back in Civil War days, up until 1893 the custom tailors and manufacturers paralleled each other in supplying the demand for apparel. After that time the manufacturers slowly forged ahead—the custom tailor became for all practical purposes a thing of the past, "store clothes" ceased to be a novelty.

There are several reasons for the demise of the tailoring establishment. After 1900, department stores, as we know them now, and mail-order houses developed rapidly; they sold good quality "ready-made" clothing at low prices and were able to do so because of the large stocks they were able to carry. The use of automobiles which enabled the village shoppers to drive into their county-seat town to shop, tended to develop larger stores and cut out the small town tailoring

3. *Kemp & Beatley Inc. v. Hirsch et al.*, 34 F. (2d) 291 (E.D. N.Y., 1929); *Rosenbach v. Dreyfuss*, 2 Fed. 23 (S.D. N.Y. 1880).

business. With the exception, possibly, of women's apparel, national advertising did much to swing public taste to certain brands of men's and children's clothing. The first World War accelerated the trend. Women found a new "freedom" during this period of social disturbance. Outdoor life and sports for women first became a fad and then a permanent part of feminine life, requiring, of course, a complete new variety of female wardrobe. The Feminist movement which culminated in women suffrage, was part of the same general trend.

During the First World War the number of business women, holding what had previously been men's jobs, increased greatly. The sixteen-dollar a week Kitty Foyle of 1918 had very little time for sewing and comparatively ample means for buying ready-made clothes. The result is obvious—home-sewing and individual tailoring ceased for a great portion of the American people. The end of the war in 1918 saw the clothing business becoming a full-fledged industry. Nor did its growth tend to slack off in 1918. The returning soldiers who were by that time completely apathetic to things military, in general, and olive-drab uniforms in particular, were a complete new block of consumers for men's wear.

The same reaction against war-economizing and its de-emphasis of the luxuries of clothing styles which affected the returning soldiers caught up the whole general populace and sent the demand for style-clothing up in everheightening spirals. As might be expected, prices led this dizzy race, always danced alluringly just ahead of the demand. As only a few very wary observers predicted, the end finally came. Early in 1920, the lethargic and easy-going public began to realize that, as consumers they were being thoroughly gouged by high commodity prices in general and particularly by high clothing prices. Consumer clubs were formed pledged to restrict buying of new clothing until manufacturers and retailers lowered prices. Peculiarly enough, the consumer attack was rather successful in lowering the demand for style-clothing, the demand fell off rapidly and didn't again become normal until 1923.

The 1921 depression was the new clothing industry's first taste of hard times, by no means its last, however. The industry in general found itself faced with a fifty percent

over-capacity in production facilities. In the boom days just after the war, because of the small amount of capital, in relation to the large returns, needed to cut in on this new business, a host of additions were made to the list of garment and textile manufacturers. The result was too many small plants with a small average number of employees. Another astonishing development had been the rise of the stock-house or jobbing organization. The jobber bought all the necessary fabrics but turned them all over to the manufacturers on a contract basis, for cutting, trimming, and finishing. Completed garments were then returned to the jobber who attended to the selling to the retail trade. By 1924, eighty percent of women's apparel was turned out through jobbers.

Among the reasons for the jobbers' rise to prominence was their practice of making manufacturers bid for the work and thus they secured the lowest possible prices; their overhead was small because they had no operating factory and most of them had no designing department, but bought designs from free-lance designers. They employed no traveling salesmen and merely displayed their large stocks to visiting buyers of retail establishments.⁴

The jobbers were not afflicted with labor troubles which worried the ordinary manufacturer. They could give immediate delivery and furnish first-hand inspection of goods sold, not merely take orders as the manufacturers themselves were forced to do. This jobber-manufacturer system encouraged the already flourishing business of copying designs of textiles and finished clothing because jobbers bought designs from free-lance designers and were not particular as to whether the same design had already been sold to someone else or not. Also giving the design out to several sub-manufacturers who worked on different parts of the finished goods, multiplied the chances of copying. Recently, the trend is for regular manufacturers to take over the high-priced apparel trade and for jobbers to concentrate on low cost clothing. It would be a valid inference that since design copying is magnified under the jobber system, most of the copying as to women's apparel is done in the low-priced field. This has proved to be true.⁵

4. See Copyright Approach in this article for more detailed discussion of the transient buyer system of marketing.
5. Mr. J. M. Golby, Exec. Secy. of Fashion Originator's Guild of America, in a letter to this author dated July 14, 1941, states,

Another change in the industry which took place after 1921 was the growth of "hand-to-mouth" buying by the retail buyers. Hand-to-mouth buying is the placing of orders merely for such quantities as can be sold immediately. This greatly increased the strain on manufacturers and jobbers because they had to take the entire responsibility of making up a stock of goods without any advance orders from retailers during dull seasons. This resulted in an increase in design copying for it put a premium on guessing ahead of time what was going to "catch on." It encouraged copiers to wait until a design-originating manufacturer produced a popular design and then step in and copy it.

Hand-to-mouth buying also resulted in non-uniform production throughout the year for orders poured in asking for immediate delivery during the actual selling seasons leaving the manufacturers idle during the off-seasons. Recently this tendency has been reduced by consumers spreading their buying throughout the year and not concentrating it, as they did before 1921, during the spring and fall.

From the above it can be seen that design copying really did not become a problem until after 1921. It grew contemporaneously with the growth of the jobber system, the natural growth of the industry, and with the practice of hand-to-mouth buying by retailers. The depression of 1929 and the lean thirties caused copying to grow to gigantic proportions. Thus, though the first design copying legislation was attempted in 1914,⁶ before the ready-made clothing industry had assumed anything like the present size, the clothing industry soon sought an easier way out of the problem than through national legislation and turned to the courts for the solution of their difficulties.⁷

UNFAIR COMPETITION APPROACH

Though at one time an action for unfair competition appeared to be the avenue of escape for the be-deviled textile manufacturer, it has proven to be a blind alley. The leading case in the United States and one of the first to

" . . . most of the 'piracy' in our judgment, is done in dresses that wholesale at \$8.75 and under."

6. Note 1, *op. cit.*, *supra*.

7. For a detailed description of the development of the clothing industry in U.S., see Nystrom, *The Economics of Fashion*, and Nystrom, *Fashion Merchandising*.

set out the general principles of unfair competition is *McLean v. Fleming*,⁸ decided in 1877. This case reiterated the general requirement of palming-off as a proof of actual loss of customers by the plaintiff. By the early nineteen-hundreds the rules as to imitation of functional and non-functional parts of an article had been established. Where an article of manufacture was not protected by a patent, anyone was at liberty to copy the functional parts of the article in all its forms and features.⁹ What is functional is, of course, not a completely objective fact, but in general has been held to mean parts that are actually necessary for the mechanical operation of the thing, as distinguished from mere ornamentation. As to non-functional parts, two conflicting rules developed. A minority line of decisions¹⁰ developed, of which *Rushmore v. Manhattan Screw & Stamping Works*,¹¹ decided in 1908 is typical. These cases held that though there was no actual palming-off (i.e. defendant used his own name and mark on the article) and though there was no secondary meaning shown (i.e. a definite connection by the buying public of the appearance of an article with its source), the imitation would be enjoined if it was "likely to deceive purchasers."

Another line of cases¹² treated the copying of non-functional features as merely a phase of the doctrine of secondary meaning and held that unless secondary meaning was established and there was a failure to negative palming-off, the copying would not be enjoined. Typical of the spirit of this rule is *Crescent Tool Co. v. Kilborn & Bishop Co.*¹³ in which Judge Learned Hand used the following language, ". . . the plaintiff has the right not to lose his customers through false representations that those are his wares which in fact are not, but he may not monopolize any design or pattern, however trifling. The defendant, on the other hand, may

8. 96 U.S. 245 (1877).

9. 22 J. Pat. Off. Soc. 570 (1940).

10. *Rushmore v. Badger Brass Mfg. Co.*, 198 Fed. 379 (C.C.A. 2nd, 1912); *Yale & Towne Mfg. Co. v. Alder*, 154 Fed. 37 (C.C.A. 2nd, 1907).

11. 163 Fed. 939 (C.C.A. 2nd, 1909).

12. *Stewart v. Hudson*, 222 Fed. 584 (E.D.Pa. 1915); *Enterprise Mfg. Co. v. Landers, Fraey & Clark*, 131 Fed. 240 (C.C.A. 2nd, 1904); *Buck's Stove & Range Co. v. Kitckle et al.*, 76 Fed. 758 (C.C.D. Ind., 1896).

13. 247 Fed. 299 (C.C.A. 2nd, 1917).

copy the plaintiff's goods slavishly down to the minutest detail; but he may not represent himself as the plaintiff." The rule represented by the Crescent Tool Co. case is the rule which has survived.¹⁴ A textile design or dress design probably cannot be considered to be a functional part of the finished textile or dress, though the more emphasis that is placed on style and appearance, the closer design comes to being actually a functional part of the cloth. However, whether one considers textile or dress design functional or non-functional the result is the same—if it is functional and not patented it can be copied with impunity; if it is non-functional, since in textile and dress sales secondary meaning is almost never present and since the copier never attempts to palm-off his articles as those of the plaintiffs, the rule of the Crescent Tool Co. case prevents relief.

COPYRIGHT APPROACH

At common law the author or creator of an intellectual production has an exclusive "property right" in the subject of his intellectual effort. One who appropriates it to his own use can be enjoined as to future appropriation and be forced to account for profits already received because of such appropriations. However, by "publication" the creator loses all exclusive rights in his works and the creation passes into the public domain and thereafter it can be copied for any purpose with impunity. "General publication" which puts the creation into the public domain naturally varies depending on the type of literary creation under consideration; in general, it is a communication, disclosure, or circulation to any one or more members of the general public, the most frequent example being the putting on general sale of a copy of the creation by the creator.¹⁵

The copyright statutes do not destroy the common law copyright but merely supplement it. By observing the statutory requirements (affixing notice to each copy, registering with copyright office within six months of the first publication, etc.) the creator secures to himself the exclusive right to multiply and sell copies of the creation after pub-

14. *Lewis v. Vendome Bags, Inc.*, 108 F. (2d) 16 (C.C.A. 2nd, 1939); *Krem-ko Co. v. R. G. Miller & Sons, Inc.*, 68 F. (2d) 872 (C.C.A. 2nd, 1934); *Sinko v. Snow-Craggs Corp.*, 105 F. (2d) 450 (C.C.A. 7th, 1930).

15. *American Tobacco Co. v. Werckmeister*, 207 U.S. 284 (1907).

lication. In other words, statutory copyright takes up where the common law copyright leaves off—prevents publication from destroying the creator's exclusive rights. The common law rule as to publication was accompanied by a modifying doctrine that a "limited publication," that is, an exhibition to a limited number of persons for special purposes, was not such a publication as to put the creation in the public domain.¹⁶

The "ticker cases" are typical; dissemination of trade information among certain persons bound by contract, was held not to be a publication and did not give copiers the right to appropriate the information.¹⁷ This principle of "limited publication" would seem to fit exactly the case where copies are made by spectators at a dress-manufacturer's style show.

Several weeks before the opening of a dress "season" the larger manufacturers either separately or in combination hold a style show at which the models for the coming season are shown. This exhibition is not open to the public but is strictly an invitation affair. The invitees include "buyers" for retail women's wear outlets. Rules of the exhibition prohibit any sketching or copying of the dresses shown. From models exhibited at these style shows the buyers make their orders for the coming season. Exhibition at these shows seem to fall directly within the limited publication rule, and thus one who copies designs under these circumstances could presumptively be enjoined for there has been no general publication.¹⁸

This still leaves for consideration the case where the manufacturer puts his dresses or textiles on general display, either personally, or through retail outlets which have bought from him, and the copier sketches a copy of the design, thereafter turning out and selling duplicates of the design displayed. Here there is certainly a general publication and therefore the original manufacturer has prima

16. *Donaldson v. Becket* (H.L. 1774) 4 Burr. 2408. *Ferris v. Frohman*, 223 U.S. 424, 32 Sup. Ct. 263 (1912).

17. *Board of Trade of the City of Chicago v. Christie Grain & Stock Co.*, 198 U.S. 236, 25 Sup. Ct. 637 (1905).

18. *Fashion Originators Guild of America, Inc. v. Federal Trade Commission*, 114 F. (2d) 80 (C.C.A. 2nd, 1940). (Last paragraph of the opinion by Justice L. Hand relieved the operation of the Federal Trade Commission order where there has been no general publication).

facie, lost all his rights in the exclusive use of the design. The morally shocking result thus obtained, i.e., the copier taking a "free-ride" on the originator's work and investment in producing an original design, persuaded a few courts to grant relief on the ground that copying a design by deceit (for example, where the copying-firm has its agent pose as an ordinary customer and buy some of originator's merchandise for the sole purpose of copying it) was unfair competition.¹⁹ Since it ignores the "palming-off" element of unfair competition and is therefore completely out of line with established unfair competition principles, the doctrine of these cases has not been followed.

In cases where the copier induced disclosure by one bound by contract with the design-owner not to disclose, relief might conceivably be obtained under the inducement of the breach of contract doctrine. Almost any case that would fit that doctrine would also be a case where there was no general publication. The common law copyright principles would therefore furnish a much less precarious basis of recovery.²⁰

A fleeting ray of hope appeared when in 1918 the United States Supreme Court, speaking through Mr. Justice Pitney, handed down the decision in *International News Service v. The Associated Press*.²¹ The defendants copied news from the plaintiff's public bulletin boards, used the news in their own newspapers—clearly a "free-ride" case. Faced with the fact that there had been a general publication by the plaintiff, Mr. Justice Pitney immediately disclaimed all intentions of basing the decision on common law copyright principles and announced that principles of unfair competition were controlling, and that the defendant's copying of the plaintiff's news, while it was still "news," to be re-used in competition with the plaintiff was unfair competition. Since there was

19. *Montegut v. Hickson*, 164 N.Y. Supp. 858 (1917). *Corinbert v. Cohn*, 169 Misc. 285, 7 N.Y.S. (2d) 351 (1933). (The court expressly says that exhibiting samples to a few prospective customers was a publication, but that "by their inequitable conduct defendants have precluded themselves from enjoying the rights of the general public to the disclosure." Relief probably could have been based on the theory that there had been no general publication but only a limited publication, under the "ticker cases," note 10 supra.)

20. *Board of Trade of the City of Chicago v. Christie Grant & Stock Co.*, 198 U.S. 236, 25 Sup. Ct. 637 (1905).

21. 248 U.S. 215, 39 Sup. Ct. 68 (1918).

no proof of "palming-off" or that defendant was misleading customers as to the source of the news, Mr. Justice Pitney found unfair competition to be a rather shaky basis for relief and soon began talking in terms of "quasi-property as between the plaintiff and defendant"—which certainly did not make any clearer the basis on which the decision rested. In a short, lucid dissent, Holmes stated what is probably the law today—that the defendant was free to copy the plaintiff's news after publication, subject only to the condition that he credit the source of the news and thereby negative any misleading of customers.

The facts of the usual dress or textile design copying case seemed to fit rather closely the facts in the International News Service case. The copier appropriates the design-originating manufacturer's designs after a general publication but while the designs are still "news" and uses the copied design in direct competition with the original design owner. A few years later when design copying had grown from an irritating but economically negligible item to a real problem, relying chiefly on the decision in the International News Service case, Cheney Brothers, sued Doris Silk Corporation alleging the copying of certain Cheney designs by the defendant.²² Cheney Brothers had printed on the selvage of the goods that it was an original design and that they reserved all rights against competitive copies. The Doris Company, nevertheless, copied the design and offered the copies in competition with Cheney Brothers. The district court denied an injunction and their decision was affirmed in *Cheney Brothers v. Doris Silk Corporation*.²³

One of the agreed facts on which the case was decided was that the defendant knew it was copying a design of the plaintiff's, thus making the strongest possible case under *International News Service v. Associated Press*.²⁴

Using the *Crescent Tool Case*²⁵ and the *Rushmore Case*,²⁶ Judge Hand denied relief on the grounds of "secondary"

22. See the statement of Mr. Horace B. Cheney before the Committee on Patents of House of Representatives. H.R.Rep. No. 7243, 71st Cong., 2nd Sess. (1930).

23. 35 F. (2d) 279 (1929).

24. See note 14 *supra*.

25. See note 1 *supra*.

26. See note 4 *supra*.

meaning or "non-functional" imitation.²⁷ He excluded the applicability of the Associated Press case because as he said, ". . . we think that no more was covered than situations substantially similar to those then at bar. The difficulties of understanding it are otherwise insuperable. We are to suppose that the courts meant to create a sort of common law patent or copyright for reasons of justice. Either would flagrantly conflict with the scheme which Congress has for more than a century devised to cover the subject-matter." Judge Hand then acknowledged the obvious injustice of the result.

"It seems a lame answer in such a case to turn the injured party out of court, but there are larger issues at stake than his redress. Judges have only limited power to amend the law; when the subject has been confined to the legislature, they must stand aside, even though there be an hiatus in completed justice."

Completely barred from relief in the courts and armed with Judge Hand's letter of recommendation to the legislature, the design-originating manufacturers now began to fight in earnest for design protection legislation. From 1914 on, design protection bills were intermittently before both the House and the Senate.²⁸ In 1926, Hon. A. H. Vestal first

27. See "Unfair Competition" in this paper, page

28. (1) H.R. 11321, 63rd Cong., 2nd Sess. (1914), by Hon. W. A. Oldfield, Chairman of the Committee on Patents.
 (2) H.R. 18223, 63rd Cong., 2nd Sess. (1914) by Hon. W. A. Oldfield, Chairman of the Committee on Patents.
 An amended bill.
 (3) H.R. 6458, 64th Cong., 1st Sess. (1915) by Hon. W. A. Oldfield, Chairman of the Committee on Patents.
 (4) H.R. 14666, 64th Cong., 1st Sess. (1916) by Hon. M. A. Morrison. Sought protection for "Any design, new and original, as embodied in or applied to any manufactured product," copyright protection, and registration in Patent Office.
 (5) H.R. 17209, 64th Cong., 1st Sess. (1916) by M. A. Morrison. "Any new and original surface design."
 (6) S. 6925, 64th Cong., 1st Sess. (1916) by Hon. Thomas Taggart.
 (7) H.R. 20842, 64th Cong., 2nd Sess. (1917) by Hon. M. A. Morrison.
 (8) H.R. 10028, 65th Cong., 2nd Sess. (1918) by Hon. C. B. Smith.
 (9) S. 2601, 68th Cong., 1st Sess. (1924) by Hon. Arthur Clapper.
 (10) H.R. 7539, 68th Cong., 2nd Sess. (1924) by Hon. A. H. Vestal. "The Author is one who originates a design and
 (11) H.R. 1035, 68th Cong., 2nd Sess. (1924) by Hon. A. H. Vestal. (Bill was drafted by T. Solberg, Register of Copyright.)

introduced a bill to the sixty-ninth Congress. Amended and re-amended, this bill received the attention of the House Committee on Patents until 1930 when it was passed by the House but not by the Senate.

- (12) H.R. 13117, 69th Cong., 1st Sess. (1926) by Hon. A. H. Vestal. See favorable report in H.R. Rep. No. 1521, 68th Cong., 2nd Sess. (1925).
- (13) H.R. 13117, 69th Cong., 1st Sess. (1926) by Hon. A. H. Vestal. Copyright based upon registration. Term of protection, 2 years plus 18 years.
- (14) H.R. 9358, 70th Cong., 1st Sess. (1928) by Hon. A. H. Vestal. "The Author is one who originates a design and contributes intellectual effort to the composition thereof."
- (15) H.R. 13453, 70th Cong., 1st Sess. (1928) by Hon. A. H. Vestal.
- (16) H.R. 7243, 71st Cong., 2nd Sess. (1929) by Hon. A. H. Vestal. (Same as H.R. 9358, amended.)
- (17) H.R. 7495, 71st Cong., 2nd Sess. (1929) by Hon. W. I. Sirovich. "Any person who created or is the author of any creation, style, and/or design may secure a copyright."
- (18) H.R. 11852, 71st Cong., 2nd Sess. (1930) by Hon. A. H. Vestal. No limitation of classes of articles; term of protection, 2 years plus 18 years. (Passed House July 2, 1930.)
- (19) H.R. 11852, 71st Cong., 2nd Sess. (1930) in Senate July 3, 1930. Senate Committee hearings were Jan. 8, 1931. Bill amended as follows: protection limited to (1) textiles, laces, and embroideries of all kinds; (2) furniture; (3) lamps and lighting fixtures; (4) shoes and other footwear; (5) jewelry or articles manufactured from precious metals. Term of protection, 2 years plus 18 years. Reported to Senate Jan. 26, 1931.
- (20) H.R. 138, 72nd Cong., 1st Sess. (1931) by Hon. A. H. Vestal. This bill amended H.R. 11852. "This act shall not apply to or include designs for automobiles and for containers made of glassware and the like."
- (21) S. 138, 72nd Cong., 1st Sess. (1931) by Hon. Felix Herbert.
- (22) H.R. 12897, 72nd Cong., 1st Sess. (1932) by Hon. W. I. Sirovich. "To provide for protection of ladies' handbags, pocketbooks, vanities, and other designs applicable to pouch bags and other ladies' novelty handbags."
- (23) S. 5057, 72nd Cong., 1st Sess. (1932) by Mr. Hastings for Hon. Felix Herbert. "Registration of designs for textiles, laces and for embroidery of every kind."
- (24) S. 241, 73rd Cong., 1st Sess. (1933) by Hon. W. I. Sirovich (Same as S. 5075).
- (25) H.R. 4115, 73rd Cong., 1st Sess. (1933) by Hon. W. I. Sirovich (Same as S. 241)
- (26) H.R. 7359, 73rd Cong., 2nd Sess. (1934) by Hon. T. A. Peyser. A bill declaring design piracy to be unfair competition.
- (27) S. 3166, 73rd Cong., 2nd Sess. (1934) by Hon. G. P. Nye.
- (28) S.J. Res. 120, 73rd Cong., 2nd Sess. (1934) by Hon. J. F. Byrnes. "To secure information regarding the piracy, imitation, or infringement of designs. . . ."
- (29) H.R. 5859, 74th Cong., 1st Sess. (1935) by Hon. W. I. Sirovich. Only applies to textiles, laces and embroidery. Term of protection, five years. Requires search.
- (30) S. 3208, 74th Cong., 1st Sess. (1935) by Hon. A. Lonergan.
- (31) H.R. 8099, 74th Cong., 1st Sess. (1935) by Hon. T. O'Malley. "Protection for author of a design (1) applied to surface

The Vestal Bill provided essentially for registration of designs in the Copyright Office by any citizen of the United States, "who is author of any design as hereinafter defined or the legal representative or assignee of said author." The "author" was designated in the bill as "one who originates a design and in so doing contributed intellectual effort to the composition thereof." "Design" was defined as "a pattern, shape, or form of a manufactured product, or dies, molds, or devices by which a pattern, shape or form may be produced, original in its application to or embodiment in such manufactured product and which produces an artistic or ornamental effect or decoration, but shall not include shapes or forms which have merely a functional or mechanical purpose."

Section 3 (1) contained a provision that was to subsequently provoke a flood of condemnation in the later committee hearings: "As prerequisite to copyright protection under this act the author or his legal representative or his assignee must (1) actually cause the design to be applied to or embodied in the manufactured product." The certificate issued by the copyright office was to give prima facie evidence of the date of the creation of the design, etc., in any subsequent judicial proceedings. It provided for a reasonable marking of the goods giving notice of the registration. The period of protection was for two years from the first sale with the opportunity for an eighteen-year extension. Infringement was defined to include "colorable imitation of the copyright design or of any characteristic original feature thereof in manufactured products of the same class, or any similar product; or selling or publicly distributing or exposing for sale any such product embodying such a colorable imitation." This last phrase secured for the bill the bitter and undying enmity of the large department-store retailers.

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- of any textile fabric, (2) is result of original weave of any fabric, (3) compromises the same shape or form of a manufactured product." Term of protection, five years.
- (32) S. 3047, 74th Cong., 1st Sess. (1935). Contains Senator Vanderburg's Amendment to include "models or designs intended to be embodied in manufactured products." Term of protection, 20 years. No search. Excepts automobile industry (Note that Senator Vanderburg was from Michigan).

The above list comprises thirty-two bills. Of these, five were reported out of committee, two passed; the Vestal Bill passed the House and the Duffy Bill, including Vanderburg Amendment passed the Senate.

They balked at thus defining infringement at every turn.²⁹

Prior to the 1928 committee hearings, the bill was amended to provide, "If such sale or public distribution or exposure for sale or public distribution is by anyone other than the manufacturer of the copy or colorable imitation, it shall be unlawful only as to goods purchased after actual notice in writing that the design is copyrighted." It was the hope of the House Committee on Patents when they began their hearing of the bill that this amendment would placate the retailers. Section 9 of the bill excepted from the operation of the bill, (1) repair parts manufacturers; (2) family dressmakers; (3) fashion magazines printing dress designs; and (4) the motion picture industry in general. These exceptions represented the bitter fight of previous committee hearings; each one was the result of organized opposition to the bill by the particular group affected. Hoping it had eliminated most of the difficulties the House Committee began its hearings on H.R. 9368 on March 16, 1928.

The most persistent and vociferous opponents of the Vestal Bill soon came forward with their objections. The National Retail Dry Goods Association,³⁰ speaking through Mr. Lew Hahn, a director of that organization, and Mr. P. L. Ryan of R. H. Macy and Co., New York City, flatly refused to support a bill which did not require a search, similar to the design patent system, in order to determine the originality of the applicant's design. Of course, this struck at the very heart of the bill, for one of the principle failures of the design-patent law was the necessity for a search which resulted in approximately a six-month interval between the application and the granting of a design patent.³¹ This requirement was completely unsuited to the fleeting popularity and value of style-merchandise. The bill was drawn so that a retailer might sell the whole stock on hand of a particular infringing design even after notice of the infringement. What it did forbid was re-orders of infringing goods.

29. Hearings before House Committee on Patents on H.R. 9358, 70th Cong., 1st Sess. (1929). Statements of Mr. Hahn at 25 and of Mr. Ryan at 40.

30. This trade association comprises some 3000 stores located throughout the United States, but principally represents the large department stores of the country.

31. Hearings before the House Committee on Patents on H.R. 9358, 70th Cong., 1st Sess. (1929) 7. Statement by Mr. H. D. Williams, representing the American Bar Association.

The result was that a premium would be placed on being able to tell when one design infringed another so that the retailer could, if he thought it safe, deliberately spurn the complaining company's notice and continue to re-order. To be able to do this the retailer would have to maintain a design-infringement staff of investigators. This extra expense the retailers, especially the large department stores, were not anxious to assume.

At a later hearing on the Vestal Bill³² the retailers again attacked the bill on the ground that it put the responsibility of determining what was an infringement on the retailer. Section 3 of the bill was also attacked because, it was contended, it shifted the protection from the author of the design to the manufacturer-owner of the design.³³ Section 3 of the bill provided that one of the prerequisites of registration of a design was that the author or his assignee "must actually cause the design to be applied to or embodied in the manufactured product." Obviously under this provision the struggling young designer received no protection from the copying of his designs unless he procured a patron who would use it in an actual product and embody it in a manufactured article. This provision, however, had been put into the bill to block the flood of design-registrations if the bill was enacted. It was hoped that this requirement would restrict the registration, more or less, to the professional designers and keep out the registrations of cranks. This provision of Section 3, in spite of opposition, remained in the bill.

Supported by the American Bar Association and principally by manufacturers and designers of style-apparel, opposed principally by the Retail Dry Goods Association, the Vestal Bill was introduced into the House and passed by that body on July 2, 1930. To fully realize what a triumph this was for the bill's supporters, one must remember that with the exception of a few industries (fashion news magazines, repair parts manufacturing) this bill covered the whole field of non-functional design.

The bill went into the Senate Committee on Patents

32. Hearings before the House Committee on Patent; on H.R. 7243, 71st Cong., 2nd Sess. (1930).

33. Statement of Mr. H. D. Ames, Chairman of the Design Copyright Committee of National Retail Dry Goods Association. *Op. cit.* supra note 32.

on January 8, 1931. By this time many industries had been aroused and opposed the Vestal Bill vigorously.³⁴ This opposition won out in the Senate Committee. The bill was amended to limit protection to (1) textiles, laces and embroideries; (2) furniture; (3) lamps and lighting fixtures; (4) shoes; (5) jewelry. Dress-designers were left unprotected, except for two-dimensional textile designs.

The bill was reported to the Senate January 26, 1931, but the seventy-first Congress adjourned before any action was taken. This took the supporters of the bill right back to where they had started—with the additional adverse effect of having thoroughly alarmed the automobile industry, glass-manufacturing industry, pottery industry, and others who felt no crying need for any change in the status quo of design protection. From this time on the popularity of the Vestal Bill rapidly waned. In the next session of Congress the bill was re-introduced with amendments excluding the automobile, glassware, and several other industries from protection. In these hearings the American Bar Association withdrew its support of the bill.³⁵

The new bill provided for a search but under such improved conditions that the protection could be given within three days after application. The registration was to be taken care of through the Copyright Office and the bill was made to refer to "design protection" and thus was kept out of either of the old categories of patent or copyright. It was limited to flat, two-dimensional designs only. At first the House Committee on Patents imagined it finally had a bill that pleased almost everyone. But from 1932 to 1936, throughout the hearings on the bill, one by one, its supporters deserted the fight. Fashion magazine publishers,³⁶ the automobile industry,³⁷ railroad car manufacturers,³⁸ agricul-

34. A good example of this sort of opposition is contained in the statement of Mr. Isaac Laude in Hearings before the Committee on Patents on H.R. 7243, 71st Cong., 2nd Sess. (1930) 95.

35. Hearings before Committee on Patents on H.R. 138, 72nd Cong., 1st Sess. (1932) 87. Statement by Prof. Karl Fenning.

36. Hearings before Committee on Patents on H.R. 138, 72nd Cong., 1st Sess. (1932) 74.

37. Hearings before Committee on Patents on H.R. 8099, 74th Cong., 1st Sess. (1935) 15.

38. Hearings before Committee on Patents on H.R. 8099, 74th Cong., 2nd Sess. (1936) 786.

tural machinery manufacturers,³⁹ glass container industry⁴⁰—all joined the swelling chorus of opposition. Until 1935 the bill never reached the floor of either the House or the Senate. On July 29, 1935, the bill was passed by the Senate. However, it contained Senator Vandenburg's amendment which radically changed the old bill. It did away with the requirement of search and provided merely for registration of designs. It covered the whole field of design and exempted only the automobile industry.

At the later House Committee hearings on this new bill, the retail department stores immediately reiterated their old stand against any design protection legislation not involving the principle of search, they went even further and announced that although "retailers did attempt to get together with supporters of the Sirovich bill (requiring a search), nevertheless that attitude on the part of the retailers was ill-advised," and that they now opposed any sort of design protection legislation whether it involved the principle of search or not.⁴¹ This bill was never acted upon in the House.

From this time on a general lull occurred in all attempts at design protection legislation, scattered committee hearings considered the problem, but, in general the textile and finished garment manufacturers slowly began to realize that relief through legislation was almost as improbable as relief through the courts.

ATTEMPTS BY THE INDUSTRY ITSELF TO SOLVE THE DESIGN COPYING PROBLEM

In 1932, soon after the discouraging failure of the Vestal Bill, the dress and textile manufacturers, under the impetus of the N.R.A.,⁴² began an attempt to remedy the copying malady by voluntary cooperation within the industry. The

39. Op. cit. supra note 36, 35.

40. Op. cit. supra note 36, 57.

41. Op. cit. supra note 37, 840.

42. Under the N.R.A. the design problem was worked out in the code of each separate industry, and no uniform design copying code (as was first proposed) was established. The resulting non-uniformity and confusion brought only occasional enforcement of the design codes. Out of 175 codes, 100 of them made no specific reference to the design copying problem. For an exhaustive study of design protection under the N.R.A. codes see the brief of Mr. Karl Fenning of Washington, D.C. Hearings before the Committee on Patents, House of Reps., seventy-fourth Congress, first session (May 23, 1935).

only project of this sort to attain any sort of success was the Fashion Originators' Guild of America. This organization consisted at first of about fifteen of the leading dress-manufacturing houses in the United States. Its mainstay was a "declaration of cooperation" which if offered to retailers in the principal cities under which the signers pledged themselves not to buy dresses which were not originals. The Guild maintained a detective system which kept close watch of retail sales, discovered copies, and notified the member-retailers.

The Guild also provided a "piracy committee" at which the alleged copy was "put on trial" and at which its manufacturer was given a hearing on the issue as to whether the dress was in fact a copy. From this decision, an appeal could be had to a mediation board composed of one man chosen by the copy-manufacturer, one by the complaining manufacturer, and a third chosen by these two.

A registration bureau was provided wherein manufacturer members of the Guild registered all designs on which they desired the Guild's protection. Manufacturer members of the Guild were provided with a card-index of all cooperative retailers, retailers who failed to sign the "declaration of cooperation" or who had signed it but refused to sell only originals were listed on red cards which were sent to the manufacturer-members. This system of listing the retailers gave the Guild its teeth—no manufacturer could sell to a red-carded retailer, under penalty of rather large fines.⁴³

The registration gave no presumption of the originality of the design registered, merely fixed the date of its first use, originality was determined later in actual contested cases before the "piracy committee." Manufacturer-members were also prohibited from selling to persons who conducted their business in residences, hotels, or apartment houses, retail advertising by manufacturers was prohibited, and no manufacturer could furnish a retailer with samples for a "style show" unless the retailer had, in fact, bought the samples so displayed. These requirements of the Guild received no particular emphasis, however, the copying problem being the main reason for the Guild's existence. By 1935 a registration bureau similar to the Guild's had developed in the

43. One manufacturer-member was fined \$1500 by the Guild, another was threatened with a fine of \$5000. 28 F.T.C. 464 (1939).

textile-manufacturing field, this bureau was maintained by the National Federation of Textiles Inc. The Guild immediately linked this bureau with its own, adopted this bureau as the exclusive source from which its manufacturer members could pick the textiles from which they manufactured finished dresses, member-manufacturers were fined if they bought textiles from one who had copied textile-designs registered with the National Federation of Textiles. Obviously, the effectiveness of the whole scheme depended on the number of retail outlets and the number of manufacturers which the Guild could control.

By 1935, about 12,000 retailers had signed the "declaration of cooperation" and the Guild controlled approximately 42 percent of the sales of women's dresses wholesaling for more than \$10.75, 10 percent of those under that price.

The Guild's first test in the courts was *Wolfenstein v. F.O.G.A.*⁴⁴ The Guild had red-carded a retailer who sold dresses from a down-town apartment in New York City. The retailer secured in the lower New York court, an injunction against the Guild under New York's Donnelly Act which made unlawful contracts creating a monopoly in the manufacture or sale of commodities in common use. On appeal the New York Supreme Court reversed the lower court and dissolved the injunction. The court indicated that since the Guild did not refuse to let its manufacturer-members sell to this retailer, but merely forced those who wanted to buy to first comply with the conditions required by the Guild, that the Guild was within the letter or the spirit of the Donnelly Act. This reasoning was supplemented by strong reliance on *Appalachian Coals Inc. v. United States*.⁴⁵ When this decision was later limited in *Sugar Institute v. United States*,⁴⁶ the Guild's position became less secure.

In March, 1936, the United States District Court of Massachusetts decided *Filene Co. v. F.O.G.A.*⁴⁷ Here a red-carded retailer sought an injunction against the Guild under Section 15 of the Clayton Act. Since the plaintiff had not posted the statutory bond, the Court decided the case under the Sherman Act, holding that since manufacturers could

44. 280 N.Y. Supp. 361 (1935).

45. 288 U.S. 344, 53 Sup. Ct. 471 (1933).

46. 297 U.S. 553, 56 Sup. Ct. 629 (1936). See also *United States v. Socony-Vacuum Corp.*, 310 U.S. 150, 60 Sup. Ct. 811 (1940)

47. 14 F. Supp. 353 (1936).

cooperate with the Guild or not, and since members were perfectly free to compete among themselves on price, the Guild was not a violation of the Sherman Act. The Court used as authority principally the Appalachian Coals⁴⁸ case and Board of Trade of Chicago v. United States.⁴⁹

The Circuit Court of Appeals for the first circuit, affirmed the District Court's position in favor of the Guild, the case having been brought to them on appeal.⁵⁰ This decision was also based on the dubious authority of the Appalachian Coals case and Board of Trade v. United States. Previously the Federal Trade Commission had found the Millinery Quality Guild (an organization almost identical with F.O.G.A., but confined to the millinery industry) to be unreasonably in restraint of trade.⁵¹ The court distinguished that organization from F.O.G.A. on the ground that in the Federal Trade Commission case the Millinery Guild controlled "a substantial portion" of the market, which the court said was not true of the Guild.

In three courts, the New York Supreme Court, the Federal District Court, and the Circuit Court of Appeals of the first district, the Guild had been upheld. But April, 1936 saw the beginning of the end. In that month the Federal Trade Commission began its hearing on the Guild's practices which allegedly were in unreasonable restraint of trade.⁵² In February, 1939, the Commission issued its cease and desist order against the Guild, compelling the Guild to cease coercing its members to sell only to retailers who cooperated with the Guild. An appeal was taken to the Circuit Court of Appeals for the second circuit and in July, 1940, that court upheld the Commission.⁵³ Judge Learned Hand, who had previously

48. *Op. cit. supra* note 45.

49. 246 U.S. 231, 38 Sup. Ct. 242 (1917).

50. 90 F. (2d) 556 (C.C.A. 1st, 1937).

51. In matter of Millinery Quality Guild, 24 F.T.C. 1137 (1937).

52. In matter of Fashion Originators Guild of America, Inc., et al., 28 F.T.C. 430 (order issued Feb. 8, 1939). The Federal Trade Commission itself has never attempted to clamp down on design piracy as unfair competition for it was generally conceded that in such controversies the requisite public interest on which the jurisdiction of the Commission depends is not present. 15 U.S.C.A. §45, (1927); cf. Federal Trade Commission v. Klesner, 280 U.S. 19, 50 Sup. Ct. 1 (1929).

53. Federal Trade Commission v. Fashion Originators Guild of America, Inc., 114 F. (2d) 80, (C.C.A. 2nd, 1940).

decided *Cheney Brothers v. Doris Silk Co.*,⁵⁴ wrote the opinion. He indicated that although the Guild did not attempt to fix prices and therefore *United States v. Socony-Vacuum Oil Co.*⁵⁵ did not control, yet the Guild was within the spirit of the prohibition in that case, and since the common law of unfair competition and of copyright afforded no legal basis for the Guild's action, the Guild was by coercion of numbers preventing retailers from doing what they had a clear common law right to do—sell copies of original dresses. The court said that the case was indistinguishable from *Filene Co. v. F.O. G.A.*⁵⁶ and indicated that it was consciously deciding contra to that decision.

Thus in five times before the courts and once before the Federal Trade Commission, the Guild had been upheld three times and condemned three times. The First and Second Circuits had disagreed on the Guild's legality under the Sherman Act. Because of the conflict, the Supreme Court granted certiorari, and in March, 1941, decided *Federal Trade Commission v. F.O.G.A.*⁵⁷ holding that the Commission's cease and desist order against the Guild was proper. Justice Hugo Black wrote the opinion in which, relying on the *Socony-Vacuum* case, he upheld the Commission's refusal to hear any evidence of F.O.G.A. as to the evils of design copying and the consequent reasonableness of the combination. The Guild's lack of control of the industry was held unimportant, since the purpose of the Federal Trade Commission was to prevent monopolies in their incipiency.

The decision did not affect Judge Hand's ruling that the Commission's order should not apply to cases where retailers have bought, dresses access to the design of which had been procured (1) by fraud, bribery, or any other crime, (2) through some breach of contract, (3) before "publication." These exceptions were the exact fact situations under which the courts had always allowed legal relief against copiers, the inadequacy of this sort of confined relief, however, had been the very thing that had called the Guild into being, and thus was small consolation for the Guild's death-knell in the principal holding. Since this decision of the Supreme Court, the

54. *Op. cit. supra* note 16.

55. *Op. cit. supra* note 46.

56. *Op. cit. supra* note 50.

57. 312 U.S. 457, 61 Sup. Ct. 703 (1941).

Guild has fought design-copying in every way left open to it, but the importance of F.O.G.A. in the women's dress industry has declined to a very great extent.

EPILOGUE

In this writer's opinion, there is probably slightly more reason to protect non-patentable and non-copyrightable designs, in the style-merchandise industry, than to leave protection in the status quo. In the women's clothing and textile industry, style has become the dominant factor, wear and durability are de-emphasized—yet the patent and copyright statutes of the early nineteen hundreds protect functional, durability processes but give no protection whatever to style designs. Protection furnished emphasizes the functional, which, in this one industry, has become outmoded.

The demand is for dresses and textiles original in design, the manufacturer who tries to meet this demand, by retaining a design department and by closely analyzing fashion trends, finds small reward for his efforts. Copying manufacturers attach themselves to him like parasites—grab up the "hits" and proceed to wring the profit out of the originator's effort in a few weeks.

But of course this is only half the argument. In any sort of design protection, at some place along the line, someone is going to have to take the risk of the alleged copy turning out to be not a copy at all. In the no-search, registration type of design protection, this risk is thrown on the retailer. His argument to the old Vestal Bill is almost unanswerable. It is true that generally under a registration-type statute, he will have to decide for himself whether the dress he is selling, made by Y Co., is a copy of X's registered original design. The risk will fall on him—this will require an added staff of experts and an additional increment added to the cost of distribution before the dress reaches the consumer. Under the search-type of legislation that risk is shifted from him—he has the assurance that, when X claims Y's dress, which he is selling, is a copy, X's contention is backed up by a search through a voluminous well of already registered designs. And yet the search-type law has its difficulties. Naturally there is the element of time. A government staff of searchers would have to operate quickly or the

style-life of the design would be over long before protection could be secured.

Likewise, where in the beginning would the search office secure a list of all the designs already "in the public domain"? Could one get a patent, under this new law, on a polka-dot design if he got the application in before anyone else? Obviously not. But pick a design that has not had such general use—then who will say absolutely that it is in the public domain? These questions begin to hit at the real heart of the difficulty in search-statutes.

There seems to be no satisfactory solution to the problem. It can certainly be said, however, that a hundred years from now people will look back with amazement on the laws of the nineteen thirties and forties which refused protection to the non-functional designs of such great designers as Norma Bel Geddes, and yet gave protection to the creators of "Superman" and "Little Orphan Annie."