

and the briefs will be forwarded to you for your consideration in determining this point."

"Supplementing our letter of December 8th we wish to state that Safeway Stores Inc., of Texas was incorporated on January 18, 1916, and that Safeway Auto Loan Plan Inc., was incorporated on June 19, 1941. The former company has a capital stock of \$100,000.00, whereas the Loan Company has a capital stock of \$2,000.00.

"When the charter for the loan company was granted the grocery corporation was not notified but immediately after the charter was granted the grocery corporation protested any further charter using that name.

"Attorneys for the Safeway Stores Inc., of Texas have submitted a brief on the subject which is attached to this letter for your convenience."

We have also carefully considered the briefs submitted by the applicant for charter and by Safeway Stores, Inc., of Texas.

The applicant for charter, states in its brief, after citing authorities:

"We respectfully submit that under the facts in the particular controversy the foregoing authorities compel a ruling by your Department that the Secretary of State should grant the requested charter. Certainly is this true when it is realized that the corporations involved are doing business in different cities and a different line of business, and with a proposed corporate name substantially and materially different from the existing objecting corporation."

Safeway Stores, Inc., of Texas, states in its brief, after citing authorities:

"Already Safeway operates more than 160 stores in Texas, stores from El Paso to Texarkana and from Denison South to Austin. New stores go into operation each year in new counties. In the normal operation and expansion of Safeway's business it will develop that small area of South Texas, not now served by Safeway.

"It is a matter of common knowledge that Safe-

way Stores, Inc. of Texas has spent many thousands of dollars all over the State in advertising to build up and put its name before the public. And that through many years of merchandising high grade products has built up an enviable reputation so that its trade name 'Safeway' is a valuable ensigna and symbol of its reputation and good-will. Through its conduct and through its advertising it has built a well established mercantile reputation and its trade name is of considerable value to it. Safeway operates in every section of the State and we do not feel that a corporation whether in the business of merchandising groceries or in any other type of business should be allowed to capitalize upon the well established mercantile reputation built up by Safeway Stores over many years of fair dealing and the expenditure of large sums of money for advertising."

The case of Board of Insurance Commissioners vs. National Aid Life (Austin Court of Civil Appeals) 73 S.W. (2nd) 671, writ of error refused by the Texas Supreme Court, holds:

"1. Trade-marks and trade-names and unfair competition

"Rule that equity will protect corporation in use of name applies where subsequent corporation attempts to use similar name to that of existing corporation.

"2. Trade-marks and trade-names and unfair competition

"In absence of statute, administrative agency granting charters, articles of incorporation, or permits to carry on business will not permit use by subsequent corporation of name similar to or so nearly like that of another as would be likely to produce confusion.

"3. Corporations

"Under statute authorizing refusal of permit to do business to domestic insurance corporation if name is so similar to existing corporation's as to be likely to mislead public, which provision subsequently was made condition upon which foreign insurance corporations should be permitted to do business, Board of Insurance Commissioners had power to refuse permit to foreign insurance cor-

poration where name similar to that of another foreign corporation was likely to cause confusion (Rev. St. 1925, arts. 4700, 5068).

"4. Corporations

"Statute authorizing refusal of permit to do business to insurance corporation with name similar to 'any other insurance company' applied where permit had already been issued to foreign insurance corporation with similar name and which was then engaged in business (Rev. St. 1925, arts. 4700, 5068).

"5. Trade-marks and trade-names and unfair competition

"There is an unlawful appropriation where one corporation appropriates and uses distinctive portion of another corporation's name.

"6. Corporations

"Name 'National Aid Life' held so similar to name 'National Aid Life Association' as to justify Board of Insurance Commissioners in refusing permit to do business to the 'National Aid Life' on ground that similarity of names would be likely to mislead the public in that the distinctive portion of two names was identical (Rev. St. 1925, arts. 4700, 5068).

"7. Constitutional law

"Statute authorizing Board of Insurance Commissioners to refuse permit to do business to insurance corporation with name so similar to that of existing corporation as to be likely to mislead public held not unconstitutional as delegation of arbitrary power (Rev. St. 1925, arts. 4700, 5068)."

We quote from the Court's opinion in said case as follows:

"Article 4700 vests in the Board of Insurance Commissioners, whose duty it is to issue permits to both foreign and domestic life insurance corporations to carry on such business in this state, the power to refuse a permit where the name of the subsequent domestic corporation is 'so similar to that

of any other insurance company as to be likely to mislead the public'. This statute merely adopts the universal rule that equity will protect a corporation in the use of a name selected and used by it, which rule likewise applies where a subsequent corporation attempts to use a similar name to that of an existing corporation. Thompson on Corporations (3d Ed.) Vol. 1. pp. 85-87, §77; Holloway v. Memphis, etc. R. Co., 23 Tex. 465, 76 Am. Dec. 68. The statutes of many states expressly adopt the rule, and it has been held, even where no such express statutory provision exists, the court, officer, or administrative or ministerial board whose duty it is to grant or refuse charters, or articles of incorporation, or certificates of authority, or permits to transact or carry on business within a state, will not permit the use by any subsequent corporation of a name similar to or so nearly like that of another corporation as would be likely to produce mistake or confusion. Philadelphia Trust, etc., Co. v. Philadelphia Trust Co. (C.C.) 123 F. 534; Thompson on Corporations (3d Ed.) vol. 1, p. 80, and cases there cited.

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It may be remarked that since the statute against similarity of names has merely adopted the equity rule aforementioned, cases construing such rule necessarily control.

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"Nor did the Board abuse its discretion in concluding that the names of the two corporations involved were so similar as to likely mislead the public dealing with them. The general rule is that 'there is an unlawful appropriation where one corporation appropriates and uses the distinctive portion of another corporation's name'

"It is clear that the distinctive portion of the names of the two corporations in the instant case is 'National Aid Life', and the mere omission of the word 'Association' by appellee to its name would not distinguish it from the other existing corporation.

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In the case of The Grand Temple, etc. vs. Independent Order, K. & D. of T., 44 S.W. (2nd) 973 (Texas Commission of Appeals), it was held that the name "Knights and Daughters of Tabor of the International Order of Twelve" and Independent Order of Knights and Daughters of Tabor of America", were similar as a matter of law, entitling the former corporation to injunctive relief against the latter. This case further holds that a corporation may be enjoined from using a name similar to that of another corporation or association, regardless of the character of the corporations. We quote from the Court's opinion in said cause as follows:

"A corporation cannot lawfully adopt either the same name as that of an existing corporation created by or under the laws of the state, or of an unincorporated association or partnership therein, or a name so similar to that of an existing corporation or association that its use is calculated to deceive the public and result in confusion or unfair and fraudulent competition (14 C.J. p. 312), and may be enjoined from such use, whatever may be the character of the corporations, and whether or not they are formed for profit, to the same extent and upon the same principles that individuals are protected in the use of trade-marks and trade-names (14 C.J. p. 326). And there can be no distinction in principle between taking the entire name of the prior corporation and taking so much of it as will mislead into the belief that the two concerns are the same. The mischief is of precisely the same character, differing only in degree. Similarity, and not identity, is the usual recourse where one corporation seeks to benefit itself by the name of another. 7 R.C.L. p. 134."

We quote from the case of Wall vs. Rolls-Royce of America, 4 F. (2nd) 333, as follows:

". . . that by reason of the high standard of its product and the volume and spread of its trade the name Rolls-Royce has become associated all over the world with the excellence of its product, and is associated in the public mind with high-grade work, and gives its owners an established, distinctive, and valuable business asset;

". . . it is clear that the purpose of Wall was to take and use the good will, fair name, and

trade record which the two companies had, through years of business integrity, given to the name 'Rolls-Royce', and thereby create in the minds of the public the impression that his mail order tubes bore some connection with the real Rolls-Royce companies. Upon no other theory than a purposed appropriation to himself, and an intent to convey to the public a false impression of some supposed connection with the Rolls-Royce industries, can Wall's actions and advertisements be explained. Seeing, then, that by putting his individual business under the name 'Rolls-Royce', and utilizing its trade reputation and earned good will, Wall could greatly benefit himself, the converse of the proposition follows: That this veiling of his business under the name 'Rolls-Royce' might, and indeed almost surely would, injure the real Rolls-Royce industries, and substantially detract from their good will and fair name. It is true those companies made automobiles and aeroplanes, and Wall sold radio tubes, and no one could think, when he bought a radio tube, he was buying an automobile or an aeroplane. But that is not the test and gist of this case. Electricity is one of the vital elements in automobile and aeroplane construction, and, having built up a trade-name and fame in two articles of which electrical appliances were all important factors, what would more naturally come to the mind of a man with a radio tube in his receiving set, on which was the name 'Rolls-Royce', with nothing else to indicate its origin, than for him to suppose that the Rolls-Royce Company had extended its high grade of electric product to the new, electric-using radio art as well. And if this Rolls-Royce radio tube proved unsatisfactory, it would sow in his mind at once an undermining and distrust of the excellence of product which the words 'Rolls-Royce' had hitherto stood for.

"In addition to what has been said, it is quite possible that the use of such a name might lead third parties to credit the plaintiff's business, on account of its name of 'Rolls-Royce', with an unwarranted financial reliability, and if such assumptions eventually prove unfounded the name of 'Rolls-Royce' would suffer accordingly. Indeed, from the standpoint of commercial integrity, fair business, and trade equity, we feel the court below, sitting in equity, was justified in pre-

venting the defendant from veiling his business under the name of 'Rolls-Royce', for he had, and could have had, but one object in view, namely, to commercially use as his own a commercial asset that belonged to others, the continued use and abstraction of which is so fraught with such possibilities of irremediable injury that the only way to remedy it is to stop it at the start."

In the case of L. E. Waterman Co. vs. Gordon, 72 Fed. (2nd) 272, the owner of a trade name "Waterman" who manufactured fountain pens and pencils was allowed to enjoin the junior use of the same name by a corporation manufacturing electric razors.

In the case of Armour & Company vs. Master Tire and Rubber Company, 34 Fed. (2nd) 201, it was held that a meat packer was entitled to enjoin the defendant's use of the word "Armour" as a trade name in the business of manufacturing and selling tires. The Court held in this case that in a suit for injunction based on unfair competition in using a trade name, direct competition in plaintiff's field is not a necessary element. We quote from said case as follows:

"..... The Armour family, through various and successive representatives thereof, was continuously identified with the business, and through the successive years large sums of money were expended for the building up of the good will and reputation of the company's products.

"Defendants claim the selection of the word 'Armour' was for the purpose of signifying the tough, stable, and hardy character of the automobile tires; that is, that the product was in some unaccountable way 'armoured', and was calculated to in some way create the impression of strength. The reasonableness of this contention is not sufficiently persuasive to even require comment.

"The inescapable conclusion, drawn from the tenor of the entire record, is that the use of the word 'Armour' in the corporate name of the selling company, and as a brand and trade-name to the product, was selected for the purpose of taking advantage of the business reputation of the plaintiff company, the family name of the organizer, and of those prominently interested in that company throughout its existence, in the good will of that company gained by years of ingenious advertising and the expenditure of vast sums of money

therefor, and for the purpose of confusing the public and leading defendant's patrons to believe by the use of the word 'Armour'; that its product was of a superior standard and quality, and to induce other members of the public to become patrons under such a belief. Fraud, or the attempt at fraud, is discernible as the underlying and appealing conclusion.

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"And the court furthermore says:

"'With a practically unlimited field of distinctive names open to it for choice, when the defendant lately entered the automobile industry, the fact that it chose to take a name that had no connection or association with the automobile trade, except the good will and association which the plaintiff had given it, shows conclusively that the name was given to this new venture in the automobile field because of its established high regard in that industry, which had been given it by the plaintiff.'

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In the case of Alfred Dunhill of London, Inc. vs. Dunhill Shirt Shop, 3 F. S. 487, a corporation making pipes and smoker's supplies was allowed to enjoin a corporation selling shirts from using the same name.

The case of Great Atlantic & Pacific Tea Co. vs. A. & P. Radio Stores, 20 Fed. Supp. 703, held that the owner of a nationally known and valuable trade-name could restrain third party use of trade-name in connection with a noncompeting business even though custom and trade was not divided by such use, since the owner's reputation might be tarnished thereby. We quote from said case as follows:

"The plaintiff seeks to restrain the defendant from using its trade-name 'A & P' in connection with its business of selling radios, washing machines, and electric refrigerators. None of these articles is sold by the plaintiff. Consequently the first question presented is whether the owner of a nationally known and valuable trade-name may restrain its use by a third party in connection with a noncompeting business. It is quite clear that in such a case the defendant is not ac-

tually diverting custom and trade from the plaintiff. Such an injury, however, is not the only one which may result. As was said by Mr. Justice Shientag in Philadelphia Storage Battery Co. v. Mindlin, 163 Misc. 52, 296 N.Y.S. 176, 178: 'The normal potential expansion of the plaintiff's business may be forestalled. * * * His reputation may be tarnished by the use of his mark upon an inferior product. * * * A false impression of a trade connection between the parties may be created, possibly subjecting the plaintiff to liability or to the embarrassments of litigation, or causing injury to his credit and financial standing.'

"The underlying principle involved in these cases was well put by Circuit Judge Learned Hand in Yale Electric Corporation v. Robertson (C.C.A.) 26 F. (2d) 972, 974, as follows: 'However, it has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask.'

"It is on the basis of this developing conception of unfair competition that the courts have repeatedly restrained the use of similar trademarks on noncompeting goods. See Walter v. Ashton, 1902, 2 Ch. 282; Aunt Jemina Mills Co. v. Rigney & Co. (C.C.A.) 247 F. 407, L.R.A. 1918C, 1039, cert. den. 245 U.S. 672, 38 S. Ct. 222, 62 L. Ed. 540; Aluminum Cooking Utensil Co. v. Sargoy Bros. & Co. (D.C.) 276 F. 447; Vogue Co. v. Thompson-Hudson Co. (C.C.A.) 300 F. 509; Wall v. Rolls-Royce of America (C.C.A.) 4 F. (2d) 333; Hudson Motor Car Co. v. Hudson Tire Co. (D.C.) 21 F. (2d) 453; Duro Co. v. Duro Co. (C.C.A.) 27 F. (2d) 339; Standard Oil Co. v. California Peach & Fig Growers (D.C.) 28 F. (2d) 283; Del Monte Special Food Co. v. California Packing Corporation (C.C.A.) 34 F. (2d) 774; Waterman Co. v. Gordon (C.C.A.) 72 F. 272; Alfred Dunhill of London v. Dunhill Shirt Shop

(D.C.) 3 F. Supp. 487; Great Atlantic & Pacific
Tea Co. v. A. & P. Cleaners & Dryers (D.C.) 10
F. Supp. 450.

"." (Underlining ours)

In the case of Sweet Sixteen Co. vs. Sweet "16" Shop, 15 Fed. (2nd) 920, the plaintiff in 1916 opened a dress shop using the name "Sweet Sixteen" in San Francisco and by 1921 had five stores in states touching the Pacific ocean. In 1923 the defendant started a dress shop in Salt Lake City, Utah, using the name "Sweet 16" despite the protest of plaintiff. The evidence in this case also showed that Utah was the natural sphere of expansion for plaintiff. The Court held that the plaintiff was entitled to enjoin the defendant from using the name "Sweet 16" even though the plaintiff did not have any stores in Utah. We quote from said case as follows:

"It may be suggested whether, in these days of rapid and constant intercommunication and extended commerce between nations, any narrow line of demarkation should be established, on the one side of which should stand moral wrong with legal liability, and upon the other moral wrong with legal immunity. If, however, the courts of a particular government can, with respect to the subject in hand, take cognizance only of wrongs committed within the geographical boundaries of the country, it is still not necessary, in our judgment, that a trade in an article should be fully established, in the sense that the article be widely known, before the proprietor of its trade-mark or trade-name may be entitled to the protection of equity for the preservation of his rights. Otherwise it might be impossible, with respect to a valuable and desirable article or product of manufacture, designated by a particular brand or in a particular manner, ever to establish a trade. Craft and cunning, discerning the value of the product, and the profit to be acquired, would, at the inception of the business, flood the market with spurious and cheaper articles or preparations of the similitude of the genuine, and strangle the trade in the genuine at its birth. It is enough, we think, if the article with the adopted brand upon it is actually a vendible article in the market, with intent by the proprietor to continue its production and sale. It is not essential that its use has been long continued, or that the article should be widely known, or should have attained great

reputation. The wrong done by piracy of the trade-mark is the same in such case as in that of an article of high and general reputation, and of long-continued use. The difference is but one of degree, and in the quantum of injury. A proprietor is entitled to protection from the time of commencing the user of the trade-mark.'"

We quote from the case of United Brotherhood, etc. vs. Carpenters and Joiners, etc., 110 S.W. (2nd) 1209, as follows:

"We are impressed with the language of the Court in Barton vs. Rex-Oil Company, C.C.A. 2 F. (2nd) 402, 40 A.L.R. 424: Why with all the words of the English Language at its disposal (appellee here) it should adhere to these particular words?"

The distinctive portion of the name of Safeway Stores, Inc. of Texas is clearly "Safeway". It is undoubtedly true, as represented in the brief for Safeway Stores, Inc., that it has expended large sums of money for advertising and now has built up a splendid and honorable business reputation and that Houston is undoubtedly within its normal sphere of business expansion. On the other hand, applicant for charter, has never used the name "Safeway", has never created any good will for or added any lustre to the name "Safeway". We pose this question: "Why it is, with thousands of other words in the English Language at applicant's disposal, it should determine on the use of the word "Safe-way" (which is idems sonans with "Safeway") in its proposed corporation?"

You are, therefore, respectfully advised that it is the opinion of this department that your question should be answered in the negative. It is our further opinion that under the facts related the Secretary of State in the exercise of his discretion would be justified in refusing to allow the applicant to use the name "Safe-way" in its charter.

Very truly yours

ATTORNEY GENERAL OF TEXAS

By s/Wm. J. Fanning
Wm. J. Fanning
Assistant

WJF:mp:wc

APPROVED JAN 23, 1942
s/Grover Sellers
FIRST ASSISTANT
ATTORNEY GENERAL

Approved Opinion Committee By s/BWB Chairman