HOW SHREDDED WHEAT'S COMPETITION GOT TO CALL THEIR CEREAL SHREDDED WHEAT

By: Jim Astrachan

This is a true story about the intersection of trademark law, the invention of cold breakfast cereal and a landmark decision of the United States Supreme Court that cost NABISCO the exclusive rights to manufacture a pillow shaped breakfast cereal and call it SHREDDED WHEAT.

Trademarks

Trademarks are one of the most valuable types of intellectual property; they instantly identify a product’s source - its maker. They help us to decide what to buy, to judge whether the manufacturer is reliable or whether it should be avoided.

A manufacturer can do such a great job marketing its product under a mark, or a poor job in policing how the public uses its mark, that the trademark comes to mean the product and not the source of the product. TRAMPOLINE, ASPIRIN, NYLON, CELLOPHANE, ESCALATOR, JUNGLE GYM, HULA-HOOP and THERMOS all were once proprietary trademarks. Today, each of these marks describes the common name of the object. In trademark law, this is called genericism and sometimes this is part of a mark’s evolution - obscurity to genericism.

When a mark becomes generic - when it has become the common name of the product it brands - all competitors have the right to use the mark to describe their products. Today, anyone can make a TRAMPOLINE or a THERMOS and call it that.

Some products are on the brink of becoming generic but not quite there yet. This is illustrated by a letter written to the general counsel of Dow Corning by an enterprising lawyer in North Carolina, who identified a home builder and wrote,

“This builder is advertising in the newspaper that he is using Styrofoam insulation on his new houses when he’s really only using some cheap closed-cell insulation. I xeroxed his advertisement in case you wanted to take some action; and by the way, I’d be happy to help you.”

A few weeks later, the lawyer received a response to his letter, not from Dow but from the general counsel at Xerox, who wrote,
“While I am certain that Bob Jones at Dow Corning appreciates that you brought the builder's mislabeling of Dow's product to his attention, Xerox Corporation does not appreciate the use of its trademark as a verb...”

When you hear a person say, “Make me a XEROX.”, “I need a new pair of LEVIS.”, “Pass me a KLEENEX,” that person may really be asking for a photocopy, blue jeans, and facial tissue.

**Cold Cereal. Once There Was None.**

In the 19th century breakfast of the rich was the same as dinner. Heavy on eggs, pork and other meats; light on fiber. Not surprisingly, this diet caused painful gastric problems including constipation, and filled 19th century health sanitariums with wealthy people.

Enter cold breakfast cereals, developed by 19th century evangelical crusaders of health and spiritual causes, many of whom ran health sanitariums and wanted to create diet alternatives for their patients.

GRANULA was the first known cold cereal in the U.S., created in 1863 by Dr. James Caleb Jackson. Dr. Jackson ran a health sanitarium and was a disciple of Dr. Sylvester Graham (creator of the Graham cracker), a colorful and interesting character, described by one 19th century newspaper as “a greater humbug or a more disgusting writer never lived.” Prompting this editorial was Dr. Graham’s deep belief that most health problems were caused by diet and sexual desires and that a diet involving the ingestion of huge quantities of whole grains and a regiment of water and yogurt enemas would dampen those desires. Likely, they did.

Graham was a prolific lecturer whose theories attracted much attention, not all good. He preached that Americans ate too much meat and should bake their own bread using only whole grains. One of Graham’s Boston lectures was cancelled by the Boston police out of fear that the town’s butchers and bakers would burn Armory Hall to the ground in protest.

GRANULA was difficult to prepare and hardly filled the market vacuum for cold cereal.

In 1876 Dr. John Harvey Kellogg, the patent holder for peanut butter made from steamed peanuts, was the superintendent of a sanitarium in Battle Creek, Michigan. Dr. Kellogg believed, like Jackson and Graham, that diet and sexual desire were the causes of most health problems, including constipation, and that all health problems could be solved by a good diet and a great enema. Kellogg believed that meat, tobacco, alcohol, white bread and stimulants such as coffee and tea should be avoided. A good diet included lots of fiber, and Dr. Kellogg determined to develop a fiber-rich, ready-to-eat cold cereal for his patients.

Dr. Kellogg’s first cereal product named GRANULA was a mix of cornmeal and oatmeal, baked into biscuits and ground. Dr. Jackson sued for trademark infringement and Dr. Kellogg changed the name of his cereal to GRANOLA.

In 1893 38-year old C.W. Post spent time at Dr. Kellogg's Sanitarium after he collapsed following a string of entrepreneurial failures.

Post wasn’t cured, but he took note of the market for cold cereals, and leased a farm house in Battle Creek where he began to experiment with coffee substitutes and his own cereals. His first product was POSTUM cereal beverage. Two years later he developed GRAPE NUTS.
Then, there was no FTC controlling the health claims of advertisers and Post wrote his own ad copy, claiming GRAPE NUTS was a treatment for an inflamed appendix, cured malaria and fixed loose teeth. Post's company soon became the country's largest advertiser, and Battle Creek became the mecca of fast food and advertising with more than 40 cereal manufacturers setting up shop.

Henry Perky introduced SHREDDED WHEAT at the 1893 World's Fair; it was described as “Tasting like a shredded door mat. Perky had developed a process for making these things, and in 1895, Mr. Perky and William Ford were issued utility patents for SHREDDED WHEAT and the machine that made it. Perky’s business plan was to sell the machines and not the cereal. But the biscuits proved more popular than the machines and he founded a company to bake them in Boston and Worcester, eventually moving the company to Niagara Falls so that his biscuit could be made by hydro-electricity.

SHREDDED WHEAT was made by boiling, drying, pressing, shredding and baking the paste into a pillow shaped biscuit with a center bulge and thin ends. A long-running English TV advertisement claimed that eating 3 would give you superhuman powers. Someone quipped, “A bald person should eat 2 and wear one on his head.”

Perky died in 1908 but his company, the Natural Food Co., continued on, becoming the Shredded Wheat Company and later the National Biscuit Company, or NABISCO.

Willie Kellogg.

The business manager of Dr. Kellogg’s sanitarium was his younger brother Willie Keith Kellogg. Willie and Dr. Kellogg founded the SANITAS NUT COMPANY in 1897 to sell peanut butter to local grocery stores. They experimented with cold cereal, but fought over whether it should contain sugar. Willie quit the sanitarium, resigned from SANITAS NUT COMPANY and established what would soon be called THE KELLOGG COMPANY. Dr. Kellogg and Willie never spoke to each other again, and Dr. Kellogg, who performed more than 22,000 abdominal surgeries with hardly any deaths, died in 1943 holding more than 30 patents. Willie, on the other hand, invented CORN FLAKES in 1903.

By 1912 THE KELLOGG COMPANY was well established and entered the SHREDDED WHEAT biscuit market following the expiration of the Perky and Ford patents. Natural Food objected to the sale of a SHREDDED WHEAT product and Kellogg, for a few years, stopped selling the stuff.

Kellogg didn't stop for long, and by 1927 he was manufacturing and selling SHREDDED WHEAT biscuits similar to those sold by the Shredded Wheat Company, National Food’s successor in interest, who sued Kellogg. The suit was settled when Kellogg agreed to call its product KELLOGG’S WHOLE WHEAT BISCUITS, and not SHREDDED WHEAT.

In 1930 Nabisco bought The Shredded Wheat Company and Kellogg again began to market its product by the name SHREDDED WHEAT. NABISCO sued.

The Lawsuit.

The SHREDDED WHEAT patents had long expired, so NABISCO’s legal theory was based on trademark and unfair competition laws. Trademark law provides redress against a competitor who uses a confusingly similar mark to sell its products and unfair competition laws prevented passing off your goods as those of a competitor. Nabisco claimed rights in the name and shape of SHREDDED WHEAT and asserted that Kellogg, by using the name and shape, was passing-off its products as NABISCO’s, causing confusion among their customers.
Nabisco sued Kellogg for three things: 1) use of a cereal box with a picture of 2 pillow-shaped biscuits submerged in a milk bowl; 2) manufacture of the biscuit in Nabisco’s pillow shape; and 3) use of the name SHREDDED WHEAT to describe the product.

The trial court threw out NABISCO’s suit, ruling that SHREDDED WHEAT described both KELLOGG’s and NABISCO’s product. Because the term no longer indicated a single source for the product in consumer’s minds, it had become GENERIC and could no longer serve anyone as a trademark.

The appellate court reversed.

The Supreme Court granted cert. and held that KELLOGG’s competition with NABISCO was proper and in the public’s interest. In a short 7-2 opinion authored by Justice Brandeis the Supreme Court reversed the appellate court. The end result was that Kellogg could manufacture the pillow shaped biscuit, call it SHREDDED WHEAT and a precedent of trademark law was established that is still followed 80 years later. Here’s why.

**The Shape**

The court held the shape unprotectable for 3 reasons: 1) it was functional; 2) it was not distinctive; and 3) with the expiration of the patent on the equipment that made SHREDDED WHEAT the public had the right to use the machine that made the shape to make the shape. Thus the court reasoned, the pillow shape was dedicated to the public when the patent expired.

The court further justified its decision by making a factual determination – unusual for the Supreme Court – that there was no consumer confusion because the Kellogg’s brand was prominently featured on the product’s box, and the Kellogg biscuit was 2/3 the size of Nabisco’s biscuit. Even those Kellogg products sold to hotels and restaurants where they were served without the box were distinguishable from Nabisco’s.

Functional shapes are not protected as trademarks for to prevent their use by competitors could dampen the market. Trademarks, unlike patents, last as long as the mark is used; there are trademarks in use over 500 years old. Today, patents expire 20 years from date of filing. If this shape was protected indefinitely by trademark law, Kellogg’s would be harmed because the cost of manufacturing would be increased (the machines would need to be altered) and quality decreased (the shape absorbed milk and shipped easily).

Finally, the court ruled the pillow shape was generic, having become associated with the article and not the producer.

**The Name: SHREDDED WHEAT**

The Supreme Court wanted Kellogg to be able to describe the product by name: SHREDDED WHEAT, and held the NAME to be generic and unprotectable because it did not identify a single source for consumers. The brand had become the object.

It had become known simply as Shredded Wheat cereal; not SHREDDED WHEAT brand cereal by NABISCO.
But Justice Brandeis’ analysis left a bit to be desired. In some ways it was perfunctory and did not address the relationship among the different grounds of the decision and so it has been since cited as standing for numerous propositions.

Congress may have referenced the decision to codify in the Lanham Act that generic marks can never be protected, and that registrations of marks that become generic during their lifetime can be cancelled.

Some have cited the opinion as permitting free manufacturing and use of another’s trade dress (the look of a product or package) after the expiration of a patent. The decision really did not say this, however. What it held was that if a defendant can establish the functionality of a shape, it can copy that functional shape because function can only be protected by patent law and not by trademark law. The decision also caught Congress’ eye and it added a provision to the Lanham Act that allows the existence of a utility patent pertaining to trade dress function to be a factor in deciding whether the shape of a product is functional once the patent expires.

Justice Brandeis, a Jew, was appointed to the Court in 1916, and his appointment was attacked by business interests and anti-Semites. The hostility of former U.S. Attorney General and Associate Supreme Court Justice James McReynolds toward Jews was so strong that Chief Justice Taft had to cancel the annual photograph of the Justices because McReynolds refused to sit next to Brandeis. McReynolds was no fan of Roosevelt who wasn’t a Jew, and he opposed Roosevelt’s New Deal legislation. His animus toward Roosevelt was so strong that he was quoted, without denial, as saying, “I’ll never resign from (the Court) as long as that crippled son-of-a-bitch is in the White House.” Known as “Scrooge”, he was considered one of the most unpleasant members to ever sit on the Court and his bigotry knew no bounds.

Justice Brandeis had offered to retire from the Supreme Court in 1937 but the Chief Justice would not accept his resignation. KELLOGG was one of his last opinions and he retired a few months after it was written. At the time he wrote KELLOGG he was, perhaps, distracted for he was holding private meetings with President Franklin Roosevelt to urge that the President and the United States take steps to save European Jews who were being persecuted by Nazi Germany. Brandeis likely had Roosevelt’s ear because, unlike McReynolds, he had favored government intervention to control the economy and had defended most of Roosevelt’s New Deal legislation with the exception of the National Recovery Act.

When Brandeis wrote KELLOGG, perhaps he had recalled a case in which he was the lone dissenter some 20 years earlier. Brandeis used his decision in Kellogg to vindicate the position he alone took in that earlier case and to establish a part of the law of unfair competition as he thought it should be written.

*This is an abridged version of a lecture given to the 90 year old Baltimore Lecture Group in January, 2007.

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