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

By: Jim Astrachan

Good afternoon to each of you. I am very pleased to be here today to tell you 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 written by Justice Brandeis that cost NABISCO the exclusive rights to manufacture a pillow shaped breakfast cereal and call it SHREDDED WHEAT.

Trademarks.

Trademarks, sometimes called brands or just marks, 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. When we see the word NIKE or the NIKE SWISH on a pair of shoes, we know who made the shoe. That trademark allows us to judge whether the manufacturer is reliable and whether its products are desirable or are to be avoided. A mark

is a shorthand way to describe the attributes of the product and identify its source. One hundred words are condensed into a word, logo or slogan.

Sometimes a manufacturer has done such a great job marketing its product under a mark, or such 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, BIKINI, CELLOPHANE, COLA (not Coca-Cola, however), ESCALATOR, JUNGLE GYM, HULA-HOOP, THERMOS, LINOLEUM and YO-YO all were once proprietary trademarks. Today, each of these marks describes the common name of the object – These former trademarks have come to answer the question: "What is it?" with "It's an escalator!" 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. Online, you can buy 10 brands of trampolines.

Some products are on the brink of becoming generic but not quite there yet. This and how owners police use of their marks is illustrated by a letter written to the general counsel of Dow Corning by an enterprising lawyer in North Carolina. The lawyer 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 is really asking for a photocopy, blue jeans, and facial tissue. But the speaker has improperly used the brand as a noun or a verb. Owners of marks such as XEROX and LEVIS spend lots of money to police how the public uses their marks to keep them from becoming generic.

The exclusive legal right of a mark's owner to use the mark to brand its products is a huge competitive advantage when the mark is well known. For example, JELL-O on the grocery store shelf next to a lesser known brand. Sometimes, a mark's owner sues for infringement and the court declares the mark generic. Bayer's loosing suit to enforce rights to its ASPIRIN mark is an example.

Cold Cereal. Once There Was None.

For much of the 19th century, and the first quarter of the 20th, breakfast of the rich was about the same as dinner. English-style, heavy on eggs, pork and other meats; light on fiber. Not surprisingly, this diet caused many people to suffer painful gastric problems including constipation. These diet-induced gastric problems filled 19th century health sanitariums with wealthy people looking for a cure.

Enter cold breakfast cereals, which were developed by evangelical crusaders for health and spiritual reasons in the 19th century, many of whom ran health sanitariums and wanted to create diet alternatives for their patients. Today there are more than 400 varieties of cold, ready-to-eat cereal; then there were none.

The first known cold cereal in the U.S. was created in 1863 by Dr. James Caleb Jackson, who called it GRANULA. Dr. Jackson ran a health sanitarium and was a disciple of Dr. Sylvester Graham (creator of the Graham cracker). Dr. Graham was a "colorful and interesting character." He had been expelled from Amherst Academy in 1823 for assaulting a woman, and was 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, along with many other prominent health care professionals of the day, that most health problems were caused by diet, sexual desires and self abuse 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 of it good. He traveled the lecture circuit preaching 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.

Dr. Jackson's GRANULA was very difficult to prepare and it had to be soaked over night to be edible; it was pretty much tasteless. Only Dr. Jackson's captive residents at his sanitarium in upstate New York ate the stuff. GRANULA hardly filled the market place vacuum for cold cereal.

Enter, in 1876, Dr. John Harvey Kellogg, the patent holder for peanut butter made from steamed peanuts. He was the superintendent of the Seventh Day Adventist Medical and Surgical Sanitarium in Battle Creek, Michigan. His professional career was also heavily influenced by Dr. Graham and his beliefs. Dr. Kellogg, whose medical and spiritual training

was supervised at every stage by the Adventists, believed, like Jackson and Graham, that diet, sexual desire and self abuse 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. Like Dr. Graham, Dr. 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 was a mix of cornmeal and oatmeal, baked into biscuits and ground. He named this product GRANULA – the same as Dr. Jackson's. Dr. Jackson sued Dr. Kellogg when he learned his cereal's name had been hijacked, so Dr. Kellogg changed the name of his cereal to GRANOLA. Under modern trademark law, that minor change would not have sufficed.

Another evangelical crusader/entrepreneur at the time was a man named C.W. Post, who, in 1893, at the age of 38 spent time at Dr. Kellogg's Sanitarium after he collapsed following a string of entrepreneurial failures.

His 1893 stay at the Sanitarium failed to cure what ailed him, but Post took note of a potential market for cold cereals, and he leased a farm house in Battle Creek where he began to experiment with coffee substitutes and his own cereals using a pre-owned two burner stove, a peanut roaster, a coffee grinder and a mixer. His first product was POSTUM cereal beverage. Two years later he developed GRAPE NUTS.

In those days there was no FTC controlling the health claims of advertisers. Post wrote all his own ad copy, and claimed GRAPE NUTS was a treatment for an inflamed appendix, cured malaria and fixed loose teeth. Every buyer of GRAPE NUTS received Posts' pamphlet, *The Road to Wellville*. 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.

This is a tale about SHREDDED WHEAT, so I should tell you that SHREDDED WHEAT was introduced at the 1893 World's Fair and it was described as "Tasting like a shredded door mat. "Dr. Kellogg continued to experiment for years with healthy cereals. One day he was handed a SHREDDED WHEAT biscuit. He described its taste and texture as "eating a whisk broom."

The SHREDDED WHEAT cereal Dr. Kellogg sampled was made by Henry Perky of Denver. Perky had developed a process for making these things, and in 1895, Mr. Perky and William Ford, a machinist, 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 were 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 in one of the nation's most modern and hygienic food plants. National and international expansion came fast.

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. Like today, the biscuits were eaten with milk straight from the box and they were sold globally. 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. KRAFT eventually took over the manufacture and sale of SHREDDED WHEAT.

Willie Kellogg.

The business manager of Dr. Kellogg's sanitarium was his younger brother Willie Keith Kellogg. Looking to exploit the commercial market for cold cereals, Willie and Dr. Kellogg founded the SANITAS NUT COMPANY in 1897 to sell peanut butter to local grocery stores. Soon, they experimented with cold cereal, but fought over whether it should contain sugar. Willie quit the sanitarium and resigned from SANITAS NUT COMPANY to establish 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 had become very well established and entered the SHREDDED WHEAT biscuit market following the expiration of the Perky and Ford patents. Still, Natural Food objected to the sale of a SHREDDED WHEAT product and Kellogg, for a few years, stopped selling the stuff. Likely he thought his time was better spent in the food lab than the courtroom.

But Kellogg didn't stop for long, and by 1927 he was seriously 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.

The Lawsuit.

Nabisco was an aggressive competitor, not above using the courts for its marketing purposes. Nabisco's habit was to sue anyone who made or sold SHREDDED WHEAT. The SHREDDED WHEAT patents had long expired, so its 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. Suit against Kellogg was brought in a federal court, and you should know there are 3 levels in the federal system: Trial in the District Court; appeal to the Circuit Court; and final appeal to the Supreme Court if the Supreme Court elects to hear the case, which it does not have to do.

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 disagreed and reversed the trial court. The United States Supreme Court then elected to hear the case, possibly because the case was reminiscent of a case heard 20 years before whose decision needed correction.

The Supreme Court 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, it could call the product 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 – highly 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. So 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

If the Supreme Court was to allow Kellogg to copy the shape then it also had to find a way to allow it to describe the product by name: SHREDDED WHEAT. The court held the NAME to be generic 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.

Once ruled generic, the term SHREDDED WHEAT was free for anyone's use. A generic term can not be protected. Not ever.

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 used the decision to codify in the Lanham Act that generic marks can never be protected, and added that the 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.

What immediately follows does not impact on SHREDDED WHEAT, but it is of interest. 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.

