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SUPERIOR COURT OF NEW JERSEY
APPELLATE DIVISION
DOCKET NO. A-2807-01T2

DASHMASH TRANSPORTATION, INC.
d/b/a YELLOW CAB COMPANY,

Plaintiff-Appellant,

v.

TORGRO TRANSPORTATION, INC.
d/b/a YELLOW CAB COMPANY, JOHN
GROFF, SR. and JOHN GROFF, JR.,

Defendants-Respondents/
Third-Party Plaintiffs,

v.

RAJINDER PALS BAJWA, DILDER SINGH,
CITY OF CAMDEN, DEPARTMENT OF
LICENSES AND INSPECTIONS, HERBERT
LEARY, MARTIN JONES and REYES SANCHEZ,

Third-Party Defendants.

Argued November 13, 2003 - Decided

Before Judges King, Lintner and Lisa.

On appeal from the Superior Court of New
Jersey, Chancery Division, Camden County, C-
139-00.

Ronald A. Graziano argued the cause for
appellant.

Saul J. Steinberg argued the cause for
respondents (Sufirin, Zucker, Steinberg &

Wixted, attorneys; Mr. Steinberg, on the brief).

PER CURIAM

Plaintiff, Dashmash Transportation Company, appeals from the denial of its motion for new trial following an adverse determination in the Chancery Division, finding that: (1) plaintiff had no right to the "Yellow Cab" service mark and (2) the covenant contained in an agreement between the parties restricting defendant Torgro Transportation Company's right to compete for two years was unenforceable as unconscionable. On appeal, plaintiff asserts that it was entitled to the protection afforded by its service mark and the restrictive covenant preventing defendant from competing for a period of two years in Camden, Burlington, and Gloucester Counties, upon termination of their agreement.¹ We conclude that, although plaintiff is entitled to protection of its service mark and the color of its vehicles in the City of Camden, it is not entitled to any additional benefit under the restrictive covenant. Accordingly, we affirm in part and reverse in part.

We restate the relevant facts. In 1991, Glen Roberts purchased the Yellow Cab Company of Camden from Murray

¹ At oral argument on appeal plaintiff abandoned its claims for damages.

Rosenberg, who also owned the Yellow Cab Company in Atlantic City. The purchase included the right to use the name "Yellow Cab" in the Camden area, the yellow color scheme, a base radio station, ten mobile radios, and the use of two telephone numbers. For a period of five years before purchasing the company, Roberts was an owner-operator for Rosenberg. According to Roberts, he learned at the time of the purchase that there were no other yellow cabs operating in the area and he knew that Rosenberg had purchased the operation in 1979 or 1980 and that, according to the older drivers in the area, the company went back to 1952. Over the years, Roberts expanded the company from seven cabs to twenty.

At some point during his ownership, Roberts became aware that another yellow cab company was operating in Camden. As a result, Roberts notified the Camden Department of Licenses and Inspections, because the city ordinance prohibited two companies from operating with the same name and color scheme. Camden responded by requiring the usurper to change its name and color scheme. Testimony was given by Daniel Whitehouse, who drove a taxicab for ten years beginning in 1991 for various companies in the Camden area. During that period of time the only company that operated as Yellow Cab Company other than those operating for Roberts was a company named Express Cab, a Division of

Yellow Cab, owned by Al Lopez. Lopez was eventually forced by Roberts to change the color of his cabs from yellow to black.

According to Roberts, he chose the name "Camden County Yellow Cab Company" instead of "Yellow Cab Company" to get ahead of other cab companies in the telephone book yellow pages. On cross-examination, Roberts testified that he was unable to incorporate the name "Camden County Yellow Cab Company" because Rosenberg, who continued to operate in Atlantic City, had previously incorporated his company as the "Yellow Cab Company of New Jersey, Inc." He also testified that the Camden County Recorder's Office would not allow him to register a name containing a color.

Roberts sold the company to plaintiff in October 1997 for \$240,000. According to Roberts, at the time of the sale there were no other cab companies in the county with the name Yellow Cab written on the doors. The bill of sale listed Mordadis, Inc. and Camden County Yellow Cab Co., Inc. as the sellers and plaintiff as purchaser. Roberts testified that the bill of sale, which specified that Camden County Yellow Cab Company was incorporated, was erroneous. He explained that it was typed that way by the firm that prepared the document. The Bill of Sale described the business as the "Camden County Yellow Cab

Company" and specified that the sale included, among other things, the trade name.

According to Rajinder P. Bajwa, one of plaintiff's owners, the sale included three taxicabs worth approximately \$2000, radio equipment valued at approximately \$14,000, and some office furniture. The vast bulk of the purchase price was for the "Yellow Cab" name. He detailed that the name "Yellow Cab" was valuable because at the time of the purchase there were sixty-two taxicabs in the Camden area, approximately twenty-five of which were Yellow Cabs. He stated that "Yellow Cab was bigger than any other cab company in Camden, everybody knows its Yellow Cab, and it has been around for a long time." At the time of the trial, plaintiff owned ten cabs and derived at least seventy-five percent of its business from Camden with fifteen percent from Pennsauken and ten percent from Cherry Hill.

In 1997, Bajwa incorporated the names "Camden County Yellow Cab Company," "Gloucester County Yellow Cab Company," and "Burlington County Yellow Cab Company." He was unable to register the name "Camden County Yellow Cab Company" with the Secretary of State in Trenton because the name was too similar to the name of other companies.

Prior to forming his own company, John Groff, Sr. drove for Roberts' Yellow Cab Company from "1997 for about one year."

Having been raised in Camden, he conceded that Yellow Cab Company had been operating in Camden for about fifty years. Groff incorporated Torgro Transportation Company (Torgro) in 1997. After checking on the Internet, it was his understanding that "no one owned the Yellow Cab." Defendant owned four taxicabs and had a total of seven licenses, two issued by Cherry Hill, four issued by Pennsauken, and one issued by Camden. Defendants' drivers were independent contractors who paid for their use of the cab. Defendants provided insurance, maintenance, and advertising. Approximately eighty percent of defendants' business came from Camden County with the rest coming from Gloucester and Burlington. At the time of the trial, defendant was only operating one vehicle and was not turning a profit.

Groff signed the subject contract as Torgro's president in January 2000. The agreement identified plaintiff as Dashmash Transportation, Inc., doing business as Yellow Cab Company, and Torgro as the vehicle owner of a 1988 Ford LTD wagon. It provided that Torgro, as vehicle owner, would pay \$170 per week "for the Trade Name Yellow Cab and the Yellow Cab Wire Service." Other pertinent provisions stated:

3. Vehicle owner is aware that he/she may terminate this contract at any time. In

addition, Dashmash Transportation, Inc., may terminate this contract at any time.

. . . .
8. Vehicle owner agrees that upon termination of this contract, he/she will not engage in a competing business for two (2) years in Camden, Burlington or Gloucester Counties. Vehicle color must be changed (at the expense of the taxicab owner) and trade name lettering must be removed immediately upon termination of this contract. . . .

Plaintiff terminated the agreement in October 2000. The parties disputed the reason for the termination. According to Bajwa, defendants' car was out of service for five months and its driver often paid the dispatcher for the best jobs. Groff, on the other hand, claimed that the dispatchers were directing the best jobs to Bajwa's brother, a co-owner of plaintiff. At the time the agreement was in effect, defendants' cab had a Yellow Cab logo similar to plaintiff's.

Prior to entering into the agreement, Groff's cabs were painted yellow and had "Torgro Yellow Cab" logo on the door. After the agreement was terminated, Torgro again used "Torgro Yellow Cab Logo" on the door inside a circle. According to Groff, in December 2000, Camden required the circle because otherwise his vehicles looked too much like plaintiff's. At trial, Bajwa conceded that he did not object to defendants'

competition in Burlington and Gloucester Counties. He then stated:

Actually I don't . . . mind with nothing John Groff. If he changes the color, I don't worry about anything. Change the color, change the name. I'm fine. I no worry about it.

In October 2000, following termination of the agreement, Groff ascertained from officials in Camden, Burlington, and Gloucester Counties that no one had registered the service mark "Yellow Cab." Groff then registered the name "Yellow Cab Company" with Camden, Gloucester, and Burlington Counties and the State. On the State application Groff represented under oath that he owned the service mark to be registered and that no one else had a right to use it. Groff acknowledged on cross-examination that he knew plaintiff was operating as Yellow Cab Company, that he himself had worked for Roberts and was aware that the Yellow Cab Company had been operating in Camden for some fifty years. He conceded that he did not provide this information at the time he registered for the service mark.

Since purchasing the company, plaintiff has used the same advertisement in which "YELLOW CAB" is set forth in large letters with its phone number, stating that it serves the greater Camden area. In December 2000, defendant handed out circulars indicating in large letters "GRAND OPENING" in an arch

under which appeared in smaller letters circled in with a black background "A TORGRO COMPANY." Under that, in large black letters, appeared the words "YELLOW CAB CO."

Bajwa testified that he called 411 several times and asked for the Yellow Cab Company. Sometimes he would be given plaintiff's number and at other times Torgro's. He also related that he received calls from customers asking if plaintiff had changed its number and complaining that their taxicabs had not arrived. He ascertained that the customers who had complained that the cabs had not arrived had called Torgro's number.

On appeal, plaintiff asserts that it was entitled to (1) the use of the service mark "Yellow Cab Company" and protection afforded by the Federal Trademark Act of 1946 (the Lanham Act) and (2) enforcement of the restrictive covenant preventing defendant from engaging in a competing business in Camden, Burlington, and Gloucester Counties. We consider first whether plaintiff's proof entitled it to protection of the service mark "Yellow Cab." Section 43(a)(1) of the Federal Trademark Act of 1946 (the Lanham Act) provides:

Any person who, or in connection with any goods or services . . . uses in commerce any word, term, name . . . or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact which ¶(A) is likely

to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

[15 U.S.C.A. § 1125(a)(1).]

Section 43(a)(1) of the Lanham Act protects unregistered service marks in the same manner and to the same extent as registered marks. Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768, 112 S. Ct. 2753, 2757, 120 L. Ed. 2d 615, 623, reh'g denied, 505 U.S. 1244, 113 S. Ct. 20, 120 L. Ed. 2d 947 (1992); accord Time Mechanisms, Inc. v. Oonaar Corp., 422 F. Supp. 905, 911 (D.N.J. 1976) ("Trademark rights arise from use and not registration."). N.J.S.A. 56:4-1, which prohibits unfair competition, is the "state statutory equivalent of section 43(a)(1) of the Lanham Act." FM 103.1, Inc. v. Universal Broadcasting of New York, Inc., 929 F. Supp. 187, 198 (D.N.J. 1996). Thus, violation of section 43(a)(1) of the Lanham Act is equivalent to a finding of liability under N.J.S.A. 56:4-1. Id. at 199.

In order to prevail on a claim of service mark infringement, plaintiff must establish that (1) the names are distinctive and thus protectable service marks, (2) the service

marks are owned by the plaintiff, and (3) use of the same mark by defendant is likely to create confusion among the relevant consumers. Commerce Nat'l Ins. Servs., Inc. v. Commerce Ins. Agency, Inc., 214 F.3d 432, 437 (3d Cir. 2000); Birthright v. Birthright, Inc., 827 F. Supp. 1114, 1134 (D.N.J. 1993). 15 U.S.C.A. § 1127 defines a service mark as "any word, name, symbol, or device, or any combination thereof . . . [used] to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services. . . ." Service marks are "classified in categories of generally increasing distinctiveness." Two Pesos, supra, 505 U.S. at 768, 112 S. Ct. at 2757, 120 L. Ed. 2d at 623. These categories, which range from inherent distinctiveness to no distinctiveness, are: (1) fanciful, (2) arbitrary, (3) suggestive, (4) descriptive, and (5) generic. Ibid.

A generic mark which "refers to the genus of which the particular product is a species has no distinctiveness and is not protected." Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., supra, 469 U.S. 189, 194, 105 S. Ct. 658, 661, 83 L. Ed. 2d 582, 587; accord A.J. Canfield Co. v. Honickman, 808 F.2d 291, 297 (3d Cir. 1986). Generic marks can be "inherently generic," or can, through usage, lose "their distinctive sense,

characteristic, or meaning." Christian Sci. Bd. of Dirs. v. Evans, 105 N.J. 297, 311 (1987).

The next higher level is the descriptive service mark, which is not inherently descriptive and cannot be protected unless it acquires a secondary meaning. Two Pesos, supra, 505 U.S. at 769, 112 S. Ct. at 2757, 120 L. Ed. 2d at 623..

Finding plaintiff not entitled to service mark protection the judge stated:

Now there's testimony that Yellow Cab Company, as such, goes back tens of years, probably 60 or 70. I think a Court could almost take judicial notice of Yellow Cab Company because it was the only company for cab service around basically from childhood, and I've been a resident of this City for 68 years. It's the cab company.

. . . .
What raises a question even more cogently in the court's mind, I forget what piece of paper that was on, 18 names or entities with Yellow Cab. Now, how does that happen if someone has the exclusive right? I don't know. Exclusivity means one, not 18 . . . only one, which would mean you have a right to say to the world, which the world may be Camden County or Burlington County or Gloucester County, I am the only one that has a right.

. . . .
So, what are we left with? The name, Yellow Cab, which gets us into the registration arena as far as the name. Defendants put into evidence we registered because we found nothing here, found nothing there, found nothing here. State allows it, County allows it, Federal Government allows it. Now what do we have here? A big issue

as to Yellow Cab as a name and who owns it to the exclusion of everybody else. I don't know how many people own Yellow Cab as a name.

It's been testified Trenton, Newark, throughout the State, Atlantic City, whoever. It seems like everybody can adopt a name that's not -- if it's not registered. Now we only have . . . Torgro who went out with Counsel and registered it because no one else seemed [sic] fit to register it. And he wants the protection provided by law. That's the status of this case, the facts of this case.

You take those facts, and I find those to be the facts, and applied to this agreement, the trade name, undisclosed trade name, is not protectable by Mr. Bajwa. One, its not even described in the agreement; two, there's a registration by Torgro with respect to the name. All we have is an assumption, the best I can understand the testimony, from [the parties] I wanted to run my cabs with his company and I worked with the predecessor also. But then we had a falling out, so I figured, I would go into my own business. And in doing so, he went through his registrations and found that it was open and there he is and here we are because of that.

Although the judge did not directly address the question of whether Yellow Cab Company was generic or descriptive, he found that the use of the name was common in different communities.

The determination of a mark's level of distinctiveness, whether descriptive or generic, is a question of fact. A.J. Canfield, supra, 808 F.2d at 307 n24. Generally, competitors must be allowed to describe their products "as what they are" so

that the mark's owner will not be granted a monopoly. Id. at 304. Thus, the test of whether a mark is descriptive rather than generic is generally satisfied if a term signifies a product that emanates from a single source, i.e., a brand name, but is not satisfied if the product that emanates from a single source is not only a product brand but is also a product's genus. Id. at 300-01. For example, the term "Diet Chocolate Fudge Soda" has been found to be generic. Id. at 308.

On appeal, defendants argue that plaintiff never proved that its predecessor in title, Rosenberg, had exclusive ownership over the name "Yellow Cab." They also argue that the term "Yellow Cab" is so prevalently used all "over the country" that plaintiff should not be afforded a protection of a service mark. Defendants' arguments miss the mark.

First, the term "Yellow Cab" is not generic because it primarily signifies the producer, not the service. The term does not describe the service. Because there are other names that could effectively designate transportation between two points, protecting "Yellow Cab" will not result in granting plaintiff a monopoly due to an absence of any other way to describe the service. Nor does the term "Yellow Cab," like "Diet Chocolate Fudge Soda," describe a functional or distinctive characteristic of the product itself. It does not

describe a superior ride such as a faster engine, better mechanics, more comfortable interior, or more skilled or courteous drivers. Instead, it describes the producer, a characteristic of plaintiff's transportation service: i.e., its yellow colored cabs.

Our determination that the term "Yellow Cab" is descriptive does not end our inquiry. Protection is only afforded if there is a showing that the descriptive mark has acquired secondary meaning. Again, the judge did not address the issue of secondary use. Secondary meaning is shown when the primary significance of the term in the minds of the consuming public is not the product but the producer. Scott Paper, supra, 589 F.2d at 1228; see also 20th Century Wear, Inc. v. Sanmark-Stardust, Inc., 815 F.2d 8, 10 (2d Cir. 1987). The test is met even if the producer or source of the service is unknown or anonymous. A.J. Canfield, supra, 808 F.2d at 300. "To show secondary meaning, a party must show that the descriptive mark is recognized by the public as denoting a single seller or source." Christian Sci. Bd. of Dirs., supra, 105 N.J. at 309. Plaintiff must also establish that the product or service had acquired secondary meaning in a particular geographic area at the time defendant began use of the mark. Commerce, supra, 214 at 438. Several factors must be considered in determining whether a

plaintiff has established secondary meaning. They include "the extent of sales and advertising leading to buyer association, length of use, exclusivity of use, the fact of copying, customer surveys, customer testimony, the use of the mark in trade journals, the size of the company, the number of sales, the number of customers, and actual confusion." Ford Motor Co. v. Summit Motors Prods., Inc., 930 F.2d 277, 292 (3d Cir.), cert. denied, 502 U.S. 939, 112 S. Ct. 373, 116 L. Ed. 2d 324 (1991).

We are satisfied from our review of the record that the proofs established the requisite secondary meaning. Plaintiff advertised in the yellow pages and the Courier Post every year after acquiring the company. Roberts testified that plaintiff's predecessors had used the name "Yellow Cab" since 1952 and that he had worked for the prior owner, Rosenberg, for five years before purchasing the Yellow Cab Company in 1991. The judge noted that he could "almost take judicial notice of Yellow Cab Company because it was the only cab company" in Camden since his childhood.

The evidence was somewhat contradictory concerning exclusive use by plaintiff. Although on cross-examination, Bajwa admitted that the 1996 Camden telephone book had a "Yellow Cab" ad that was not Roberts, the record does not indicate the name of the company or its specific address. Groff, Jr.

testified that there was another Yellow Cab Company, which was dissolved in 1994. However, it is unclear as to whether that company served Camden, Burlington, or Gloucester Counties.

Defendant used a list of some eighteen other companies named "Yellow Cab," however, the record is silent as to the geographic area served by those companies.

On the other hand, the testimony of both Roberts and Whitehouse made it clear that other companies that attempted to use the name "Yellow Cab" in Camden were prevented from doing so by legal action. The evidence also established that defendants copied plaintiff's name by registering "Yellow Cab Company" with the State and not advising the State that there was another company that preceded it in Camden. Groff admitted, as did Bajwa's brother and Whitehouse, that the name had value in the Camden area and people recognized it. Plaintiff established that his company comprised a significant number of the total taxicabs in Camden at the time it purchased the company. Plaintiff also proved actual confusion amongst its customers after defendants used the mark, following termination of the agreement.

We are also satisfied that the judge mistakenly focused on use of "Yellow Cab" in areas outside the geographic area of Camden in finding that the service mark was too widely used to

afford protection to plaintiff. Plaintiff must establish secondary meaning only in the geographic area in which it uses and seeks protection of its mark. Commerce, supra, 214 F.3d at 438. In Natural Footwear Ltd. v. Hart, Schaffner & Marx, 760 F.2d 1383, 1394 (3d Cir.), cert. denied, 474 U.S. 920, 106 S. Ct. 249, 88 L. Ed. 2d 257 (1985), the court held that "the senior user of a common law mark may not be able to obtain relief against the junior user in an area where it has no established trade, and hence no reputation and no good will." See Allard Enters., Inc. v. Advanced Programming Res., Inc., 249 F.3d 564, 572 (6th Cir. 2001) (common law rights to a mark are limited to the "geographic area in which the mark is used"); Union Nat'l Bank of Tex., Laredo v. Union Nat'l Bank of Tex., Austin, 909 F.2d 839, 842-43 (5th Cir. 1990) (the right to use a mark is "subject to limits imposed by the senior user's market and natural area of expansion"). "Even if a mark is descriptive but has attained a secondary meaning, if many others in other product markets are using the term, the mark may be labeled as 'weak' and entitled only to narrow protection." FM 102.1, supra, 929 F. Supp. At 195 (quoting 1 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 11.21[3] at 11-111 to 11-112 (3d ed. 1992)).

We conclude that the proofs were sufficient to establish that in the City of Camden the consuming public identified the name "Yellow Cab" with its source, rather than with taxicab service in general. Plaintiff is therefore privileged to protection of the service mark "Yellow Cab Company" limited to the Camden geographic area.

We come to a different conclusion respecting plaintiff's claim that the judge erred in not enforcing the restrictive covenant. The judge correctly found that plaintiff's business was not significant enough in either Burlington or Gloucester Counties to warrant enforcement of the non-compete clause. In this regard we need only look to Bajwa's own testimony that, so long as his service mark was protected and cab color was protected, he was not concerned with competition from defendants in either Burlington or Gloucester Counties.

At oral argument, defendants asserted that the non-compete clause was unconscionable as applied against them because plaintiff conceded that individual drivers were not prevented from operating cabs for themselves or others after terminating their employment. Plaintiff responded that the service mark provides adequate protection when individual drivers terminate their relationship. Plaintiff distinguishes Torgro from individual drivers because Torgro is a commercial enterprise

and, therefore, argues it is entitled to far more latitude in enforcing its restrictive covenant. Coskey's Television & Radio Sales & Serv., Inc. v. Foti, 253 N.J. Super. 626, 633 (App. Div. 1992); see also Cox v. Simon, 278 N.J. Super. 419, 426 (App. Div. 1995).

Although Torgro is technically a commercial business enterprise, a close look at the agreement reveals that at the time Torgro entered into the agreement its scope was limited to its ownership and operation of one vehicle licensed in Camden, a 1988 Ford LTD Wagon. It was more akin in appearance to the employment of an individual owner-operator than an agreement between equivalent commercial business enterprises. More importantly, the express wording of the covenant makes it clear the protection sought by plaintiff was not the elimination of competition but instead a change in vehicular color, presumably from that used during the time defendants were operating its taxicab under the agreement and removal of plaintiff's service mark. We, therefore, conclude that the non-compete clause is subsumed by the protection afforded plaintiff under the Lanham Act and plaintiff is not entitled to additional protection beyond its service mark and the color of its vehicles in the City of Camden.

Affirmed in part; reversed in part.

I hereby certify that the foregoing is a true copy of the original on file in my office.


CLERK OF THE APPELLATE DIVISION