

COMMENTS

Analysis of A Statutory Violation of the Lanham Act §43(a)

I. INTRODUCTION

In 1956 Judge Clark regretted that the potential impact of §43(a) of the Lanham Act¹ had not been realized.² In 1965, another author advised that §43(a) had been seldom used and that its utility required amending legislation.³ However, in 1974, another commentator concluded of §43(a) that "you've come a long way, baby—too far, maybe?"⁴

Section 43(a) is a strong and flexible federal cause of action for false representation of goods or services in commerce. Although §43(a) has been a viable vehicle for consumer protection, it has not yet established itself in the Fifth Circuit. Only a handful of cases in the Fifth Circuit have directly confronted the issue, but the results have produced a hardy hybrid of interpretation. It is the purpose of this comment to familiarize the reader with its broad boundaries and to encourage its growth in the Fifth Circuit.

The law of unfair competition incorporates all statutory and nonstatutory causes of action arising out of business conduct which is contrary to honest commercial practices.⁵ Section 43(a) does not encompass all claims of unfair competition.⁶ But it does create a federal cause of action for false representation of goods or services in commerce. False representation may be in the form of palming-off, unfair advertising, deceptive marketing, misrepresentative packaging, copying, or similar misleading activities.

Section 43(a) of the Lanham Trade-Mark Act provides in part:

Any person who shall . . . use in connection with any goods or services
. . . a false designation of origin, or any false description or representation

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1. 15 U.S.C.A. §1125(a) (1970).
 2. *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 546 (2d Cir. 1956) (concurring opinion).
 3. *Derenberg, The Twenty-Fifth Year of Administration of the Lanham Trademark Act of 1946*, 62 TRADEMARK REP. 393, 493 (1972).
 4. *Germain, Unfair Trade Practices Under Section 43(a) of the Lanham Act: You've Come a Long Way, Baby—Too Far, Maybe?* 64 TRADEMARK REP. 193 (1974).
 5. *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3 (5th Cir. 1974).
 6. *Royal Lace Paper Works, Inc. v. Pest-Guard Prods., Inc.*, 240 F.2d 814 (5th Cir. 1957). *Cf. Wiener King, Inc. v. The Wiener King Corp.*, 407 F. Supp. 1274 (D.N.J. 1976), *rev'd on other grounds*, 546 F.2d 421 (3d Cir. 1976) (§43(a) merely incorporated the federal common law of unfair competition).

. . . and shall cause such goods or services to enter into commerce . . . shall be liable to a civil action . . . by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.⁷

The application of §43(a) is not limited to federally registered marks, and federal jurisdiction conferred by the Lanham Act is concurrent with that of state courts.⁸

Pre-Lanham law offered relief against false advertising only in limited situations. This limitation was highly criticized by the commentators.⁹ Even so, the initial judicial interpretation of §43(a) was conservatively limited to actual palming-off¹⁰ or false representations which were of the same economic nature as trade-market infringement.¹¹

In *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*,¹² the Third Circuit radically departed from the restrictive precedents. It was emphasized that §43(a) was not a mere codification of pre-Lanham common law, but rather a federal provision "which, with clarity and precision adequate for judicial administration, creates and defines rights and duties and provides for their vindication in the federal courts."¹³ Because of the dire need for the federal remedy in this area of unfair competition, the limitations quickly fell and a violation of the statute was recognized as a statutory tort, *sui generis*. Indeed, the Fifth Circuit has since heralded the section as the birth of a new federal law of unfair competition.¹⁴

7. 15 U.S.C.A. §1125(a) (1970).

8. 15 U.S.C.A. §1121 (1970); *Chemical Corp. of Am. v. Anheuser-Busch, Inc.*, 306 F.2d 433 (5th Cir. 1962). See also *Boston Professional Hockey Ass'n v. Dallas Cap & E. Mfg., Inc.*, 510 F.2d 1004, 1010 (5th Cir. 1975), *cert. denied*, 423 U.S. 868 (1975). *Accord*, *Florida v. Real Juices, Inc.*, 330 F. Supp. 428 (M.D. Fla. 1971); *Apollo Distrib. Co. v. Apollo Imports, Inc.*, 341 F. Supp. 455 (S.D.N.Y. 1972).

9. See, e.g., J. MCCARTHY, 2 TRADEMARKS AND UNFAIR COMPETITION §27:1 (1973); Handler, *False and Misleading Advertising*, 39 YALE L.J. 22 (1929); RESTATEMENT OF TORTS (FIRST) §761 (1939).

10. See, e.g., *Chamberlain v. Columbia Pictures Corp.*, 186 F.2d 923 (9th Cir. 1951), which was the first interpretation by a court of appeals of the scope of §43(a) protection. The estate of Samuel Clemens brought suit under §43(a) alleging that defendants had falsely advertised their motion picture as being based on Mark Twain's short story. It was alleged that in fact the picture was "corny" and depreciated the commercial value of Twain's work. On appeal, because of insufficient injury to plaintiff's property rights and lack of actual "passing off" of the picture as that of Twain's, no remedy was granted. In fact, the court went so far as to comment: "Deceiving the public by fraudulent means . . . does not give the right of action unless it results in the sale of the goods as those of the complainant." 186 F.2d at 925.

11. *Samson Crane Co. v. Union Nat'l Sales, Inc.*, 87 F. Supp. 218 (D. Mass. 1949), *aff'd per curiam*, 180 F.2d 896 (1st Cir. 1950).

12. 214 F.2d 649 (3d Cir. 1954).

13. *Id.* at 651.

14. *Norman M. Morris Corp. v. Weinstein*, 466 F.2d 137, 141 (5th Cir. 1972). See also *Gold Seal Co. v. Weeks*, 129 F. Supp. 928, 940 (D.D.C. 1955), *aff'd sub nom S.C. Johnson & Son, Inc. v. Gold Seal Co.*, 230 F.2d 832 (D.C. Cir. 1955), *cert. denied*, 352 U.S. 829 (1956).

The Fifth Circuit entered the swampy bog of §43(a) of the Lanham Act in 1971 in *Alum-A-Fold Shutter Corp. v. Folding Shutter Corp.*¹⁵ The court held, uniformly with other jurisdictions,¹⁶ that §43(a) did create an independent federal cause of action for false representation of goods or services in commerce. More explicitly, the court approved the *L'Aiglon Apparel* approach and held that Congress had defined a statutory civil wrong of false representation of goods and had given a broad class of suitors injured or likely to be injured by such wrong the right to relief in federal courts. In *Alum-A-Fold*, complainant manufactured aluminum shutters. In connection with these sales, complainant offered certain literature with drawings and specifications relating to the shutters. The advertising material was used extensively in sales efforts by the complainant. It was alleged that defendant copied the shutters and also copied and published the advertising material. Based on such allegations, the complaint did state a federal cause of action under §43(a) of the Lanham Act and therefore the district court's dismissal for lack of federal jurisdiction was reversed.

The pervasive intent paragraph of §43(a)¹⁷ and the broad definitions used in the Act¹⁸ have led most courts to liberally interpret the scope of the section. Consistently with the congressional intent to extend the Lanham Act's protection to the fullest extent possible, the Fifth Circuit thus based jurisdiction in *Alum-A-Fold* directly on §43(a).

The section confers standing on:

- (1) . . . any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by
- (2) any person who believes that he is or is likely to be damaged by the use of any such false description or representation.¹⁹

A district court within the Fifth Circuit has found that a quasi-pecuniary interest was sufficient to satisfy the "person . . . damaged" test. In *Florida v. Real Juices, Inc.*,²⁰ the State of Florida was allowed standing under §43(a) to enjoin defendant's unauthorized use of Florida's citrus marketing phrase "Sunshine Tree." The proprietary right to the good will of

15. 441 F.2d 556 (5th Cir. 1971).

16. *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405 (6th Cir. 1963); *Bernard Food Indus., Inc. v. Dietene Co.*, 415 F.2d 1279 (7th Cir. 1969); *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649 (3d Cir. 1954); *Samson Crane Co. v. Union Nat'l Sales, Inc.*, 87 F. Supp. 218 (D. Mass. 1949), *aff'd per curiam*, 180 F.2d 896 (1st Cir. 1950).

17. The paragraph reads: "The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; . . . to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception. . . ." 15 U.S.C.A. §1127 (1970).

18. The word "person" includes all natural persons and all types of legal entities. The word "commerce" means all commerce which may be lawfully regulated by Congress. 15 U.S.C.A. §1127 (1970).

19. 15 U.S.C.A. §1125(a) (1970).

20. 330 F. Supp. 428 (M.D. Fla. 1971).

"Sunshine Tree" citrus was adequate damage, even though Florida was not a competitor, nor one with direct pecuniary interest in Real Juices' business.

In a California district court, "any person" was extended to a class action of consumers.²¹ On the other hand, consumers were prohibited from bringing suit under §43(a) in *Florida ex rel. Broward County v. Eli Lilly & Co.*²² Without extensive analysis the Florida federal district court said that §43(a) required competitive injury suffered from unfair competition. This was not deemed to be present in the State of Florida, suing on behalf of a class of consumers, who alleged false representations about the effectiveness and side effects of defendant's drugs. This limitation may be supported by the *L'Aiglon* approach and the purpose of the Act, which see the Act as generally intended for persons engaged "in commerce against unfair competition,"²³ although it is not clear at this point whether §43(a) will be limited to commercial plaintiffs.

Basically there are four elements which have been considered requisite for a cause of action under §43(a). These are:

- (1) that the defendant's representation is false;²⁴
- (2) that the representation actually deceives or has the tendency to deceive the public;
- (3) that the deception is material;
- (4) that the plaintiff has been or is likely to be injured, either by direct diversion of sales or by lessening of the good will which his own product enjoys with the public.²⁵

II. PRACTICES PROSCRIBED BY §43(A)

As Judge Goldberg laments in *Kentucky Fried Chicken v. Diversified Packaging*,²⁶ we are now presented with something mundane, something

21. In *Arnesen v. Raymond Lee Org., Inc.*, 333 F. Supp. 116 (C.D. Calif. 1971) the court explained that there was, "absent legislative intent to the contrary, no reason why [a consumer] should not be able to sue for his own protection." *Id.* at 120.

22. 329 F. Supp. 364 (S.D. Fla. 1971).

23. A consumer action was denied in *Colligan v. Activities Club of New York Ltd.*, 442 F.2d 686 (2d Cir. 1971), *cert. denied*, 404 U.S. 1004 (1971), in which the court buttressed its opinion by reference to *L'Aiglon*, indicating the congressional intent was limited to commercial activity without regard for consumers' interests or rights.

24. This does not require literal falsity. It is important to note that false impressions will be adequate under §43(a). See *Marshall v. Procter & Gamble Mfg. Co.*, 170 F. Supp. 828 (D. Md. 1959). This result is consistent with the Federal Trade Commission's interpretation and enforcement of deceptive practices. See, e.g., *Thiret v. FTC*, 512 F.2d 176, 180 (10th Cir. 1975). Cf. *Smith v. Chanel, Inc.*, 402 F.2d 562 (9th Cir. 1968) (perfume manufacturer may use plaintiff's Chanel No. 5 trademark in his advertising to identify his copied product).

25. Weil, *Protectibility of Trademark Values Against False Competitive Advertising*, 44 CALIF. L. REV. 527, 537 (1956). See also *Rolls-Royce Motors, Ltd. v. A & A Fiberglass, Inc.*, 428 F. Supp. 689, 697 (N.D. Ga. 1977). Note that the final element is often established by proof that a trademark is associated in the public mind with a certain source.

26. 549 F.2d 368 (5th Cir. 1977).

novel, and something bizarre. "And the bizarre element is the facially implausible—some might say unappetizing—contention that the man whose chicken is 'finger-lickin' good' has unclean hands."²⁷ As the judge so aptly ascertains, Kentucky Fried's cartons may not be "finger-lickin' good," but nevertheless it is the Colonel's right to rely on that label in representing himself to the public.

The reader must be alerted in advance of the accuracy of Judge Goldberg's appraisal that unfair competition is an amorphous but not altogether vaporous area of the law.²⁸ Indeed it is a swampy area. With a minimum amount of mental probing one will immediately recognize the cross currents involved in the federal protective laws of unfair competition. Under the guise of unfair competition the federal laws prohibit any false representation as to the originator. This prohibition possibly prolongs a trade monopoly or in any event surely hampers competition, and in effect borders on the unconstitutional. Nevertheless the deception may be legally controlled.²⁹ The dichotomy is most originally drawn by the Fifth Circuit.

Outright copying is often a civilizing rather than a cannibalizing folkway. The world would be a duller place without the originators, but it would not work without the copyists. Even so, the law has bounded the monopoly of patent originality without giving blank approval to deceptiveness.³⁰

The gist of a proceeding under this section is misuse of advertising propaganda, false representations and descriptions, or false designations which caused confusion and deceived purchasers as to the content or origin of the product. The underlying theory is that such misrepresentation might unnecessarily and unfairly interfere with the plaintiff's business in the area, and wrongfully divert trade as a result of the false representation.³¹

Goods or services must be involved in the cause of action. Interstate commerce is sufficiently involved in any activity local in nature but which interferes with the free flow of interstate commerce or exercises substantial economic effect on interstate commerce.³²

27. *Id.* at 372.

28. *B.H. Bunn Co., Inc. v. AAA Replacement Parts Co.*, 451 F.2d 1254 (5th Cir. 1971). See generally R. CALLMANN, *THE LAW OF UNFAIR COMPETITION* 4 (3d ed. 1967).

29. Commercial speech was granted constitutional protection in *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council*, 425 U.S. 748 (1976). But the court emphasized that the fact that commercial speech is protected does not mean that "it can never be regulated in any way." In fact "untruthful speech, commercial or otherwise has never been protected for its own sake." *Id.* at 770-771. Accord, *Warner-Lambert, Inc. v. FTC*, 562 F.2d 749 (D.D.C. 1977), *cert. denied*, 46 U.S.L.W. 3613 (U.S. April 3, 1978).

30. *B.H. Bunn Co., Inc. v. AAA Replacement Parts Co.*, 451 F.2d at 1259 (5th Cir. 1971).

31. See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916).

32. *Pure Foods, Inc. v. Minute Maid Corp.*, 214 F.2d 792 (5th Cir. 1954); *Pic Design Corp. v. Bearings Specialty Co., Inc.*, 436 F.2d 804 (1st Cir. 1971); *Harrison Serv., Inc. v. Margino*, 291 F. Supp. 319 (S.D.N.Y. 1968). In *Dad's Root Beer Co. v. Doc's Beverages, Inc.*, 193 F.2d 77 (2d Cir. 1951), the court held that a use to the injury of a plaintiff's name which is in commerce is a use in commerce. *Id.* at 82 n.9.

In the field of advertising, §43(a) of the Lanham Act indirectly prohibits not only false designation of origin but also any false description or representation in connection with the goods. In *Bangor Punta Operations v. Universal Marine Company*,³³ the Fifth Circuit Court of Appeals held that misappropriation of plaintiff's advertising material alone resulted in a violation of §43(a). Therefore an allegation of false advertising in connection with goods or services may be sufficient to support a claim under §43(a). However, the statute may not encompass false representation of another person's products or services which does not confuse the consumer as to origin. The Lanham Act does not embrace misrepresentation about a competitor's product.³⁴ The clear trend and weight of authority is to interpret the statute to encompass a claim of false advertising, provided that the misrepresentation relates to the defendant's own product or service.³⁵

The distinction is delicate but demonstrable. Posit the case in which Ms. X creates and advertises, on a national scale, her unique and distinctive dress for \$60.95. Further imagine Ms. Y offering for sale in the same market a similar garment, far inferior in quality, for only \$16.95. Unfortunately, Ms. Y's advertisement features a photographic reproduction of Ms. X's \$60.95 designer dress. As a result Ms. X has lost trade from two sources. Some customers will be diverted from Ms. X because of the \$44.00 savings; others will be lost as a result of the mistaken impression of the quality offered by Ms. Y. In any event, the diversion is clearly covered by §43(a) of the Lanham Trade-Mark Act.³⁶

On the other hand, picture upon the television set:

[t]he Leopard Ad, sixty seconds in length begins with color scenes of animals in their natural habitat, including hippopotami swimming, antelopes running in a pack and a leopard with her cub.

The leopard is then viewed through what are apparently the sights of a large firearm. The scene fades. A gunshot is heard. The scene shifts to a cocktail party ostensibly in the United States. A fashionably dressed woman admires the leopard coat of another. The voice of an unseen male speaks:

33. 543 F.2d 1107 (5th Cir. 1976).

34. *Holsten Import Corp. v. Rheingold Corp.*, 285 F. Supp. 607 (S.D.N.Y. 1968); *Bernard Food Indus., Inc. v. Dietene Co.*, 415 F.2d 1279 (7th Cir. 1969). In *Bernard Food* the court made it clear that the section did not include misrepresentations about a competitor's product but only false impressions which the merchant creates about his own goods or services. *Id.* at 1284. This interpretation is consistent with the literal reading of §43(a). Note that product disparagement could create a false impression about the defendant's product without the intention of doing so. *Cf. Federal Trade Commission case, Black & Yates, Inc. v. Mahogany Ass'n.*, 129 F.2d 227 (3d Cir. 1941), *cert. denied*, 317 U.S. 672 (1942) (injunction of commercial disparagement by a competitor's false statements).

35. *Alberto-Culver Co. v. Gillette Co.*, 408 F. Supp. 1160, 1163 (N.D. Ill. 1976) (emphasis added). Note that the statute does not refer to the term "advertising."

36. A similar factual situation was dealt with in *L'Aiglou Apparel v. Lana Lobell, Inc.*, 214 F.2d 649 (3d Cir. 1954), which is considered one of the models of the false advertising aspect of §43(a). See note 14, *supra*, and accompanying text.

Man's Voice: There are too many women who want leopard coats in the world and too few leopards. Timme makes fake furs every bit as beautiful as the originals. We think people should wear our fake fur and leave the leopards' coats where they belong, on leopards. Women: Buy me one before the jungle runs out of them. Man's voice: Timme

The Tiger Ad, thirty seconds long, is to the same effect. A lovely girl appears in color next to a friendly and affectionate tiger. She says:

He (the tiger) is wearing a real tiger coat. I'm wearing a fake fur by Timme . . . it didn't cost a tiger his life. The beauty of a Timme fake is that you can wear a beautiful coat and he (the tiger) can keep his.³⁷

Thus, by selecting Timme furs the viewer has supposedly saved the life of the furry animal, punished the fur industry, which has surely endangered the critter, and possibly peacefully captured a "lovely girl." All three representations are of course false. Sympathize with the fur industry, suffering already from the advance of the ecological movement upon fashion, while Timme, exploiting both ecology and environmentalism, fictionalizes that the furriers have killed endangered species. This false representation does not fall within §43(a) of the Act. Though Timme has deceitfully implied that endangered species are being slaughtered for the sale of their skins, he has not falsely represented Timme's "tigers."

In addition to actual false advertising, the use of another's product,³⁸ trade catalog³⁹ or brochure descriptions,⁴⁰ as the model for the sale of one's own goods, as well as the outright sale of one's own product as that of another, have all constituted violations of §43(a).⁴¹ A seller who has deliberately passed off his goods as those of another has falsely designated the origin of the goods within the meaning of the section. As in the common law tort of unfair competition "palming off" one's product as that of

37. *Fur Information & Fashion Council, Inc. v. E.F. Timme & Son, Inc.*, 364 F. Supp. 16, 19-20 (S.D.N.Y. 1973).

38. *Mastro Plastics Corp. v. Emenee Indus., Inc.*, 19 App. Div. 2d 600, 240 N.Y.S.2d 624 (1963), *aff'd* 14 N.Y.2d 498, 197 N.E.2d 620, 248 N.Y.S.2d 223 (1964); *Crosbow, Inc. v. Dan-Dee Imports, Inc.*, 266 F. Supp. 335 (S.D.N.Y. 1967). It has been suggested that this is reverse passing off, a step before the merchant begins to pass off his product. For further discussion on "reverse passing off" in connection with §43(a), see Borchard, *Reverse Passing Off—Commercial Robbery or Permissive Competition*, 67 TRADEMARK REP. 1 (1977).

39. *N.S. Meyer, Inc. v. Ira Green, Inc.*, 326 F. Supp. 338 (S.D.N.Y. 1971).

40. *Bogene, Inc. v. Whit-Mor Mfg. Co.*, 253 F. Supp. 126 (S.D.N.Y. 1966). For example, in one case the defendant had merely distributed a booklet of a color matching system for use with its artist supplies. The court held that this violated the section since the materials could lead the ordinary artist to believe that the defendant's color system was the same as the color system of the plaintiff. *Pantone, Inc. v. A.I. Friedman, Inc.*, 294 F. Supp. 545 (S.D.N.Y. 1968).

41. See, e.g., *Hesmer Foods, Inc. v. Campbell Soup Co.*, 346 F.2d 356 (7th Cir. 1965); *Joshua Meier Co. v. Albany Novelty Mfg. Co.*, 236 F.2d 144 (2d Cir. 1956).

another is actionable per se.⁴² But, the allegation of "palming off" is not a necessary prerequisite under Section 43(a).⁴³

For example, if the distribution of materials could lead the ordinary consumer to believe that a photograph presented products which were complainant's products, then misrepresentation has been used to advertise and sell the duplication. Such action has been repeatedly condemned as violative of Section 43(a).⁴⁴ This is true whether one adopts the broad view (prohibiting any false representations in connection with the copier's goods or services)⁴⁵ or the narrow interpretation of the statute (as in "palming off" the goods).⁴⁶ The broad view is adopted in *Eastman Kodak Co. v. Fotomat Corp.*,⁴⁷ in which the Fifth Circuit Court of Appeals indicated that Fotomat's use of "color yellow" would be enjoined when it, in connection with other conditions, misleads the public. While a manufacturer generally may not claim a certain color, Kodak proved that the yellow roof of the Fotomat kiosk had caused and was likely to cause consumer confusion with its own trade dress.⁴⁸

More narrowly, the law has always recognized that "palming off" in commercial dealings is forbidden. "Palming off" is the fraudulent representation of the goods of the seller as those of another. For example, in *Crossbow, Inc. v. Dan-Dee Imports, Inc.*⁴⁹ the poaching of defendant was sufficient to sustain a cause of action cognizable under §43(a) of the Lanham Act. Defendant copied plaintiff's novelty signal light and combined it with the use of plaintiff's product as a model, copying the packaging, sales orders and advertising of plaintiff's product. The court held that such acts and omissions were likely to confuse and deceive customers as to the source of defendant's product. Those acts further evidenced intentional conduct by the defendant to "palm off" his goods in a clear attempt to profit at the expense of the plaintiff. It was explained that the application of §43(a) to that type of activity has been affirmatively established. "In a series of cases, the courts have held that defendant may not use a photograph of plaintiff's product to advertise and sell its own less expensive and inferior product. Such action is clearly unfair competition within the

42. *Sutton Cosmetics, Inc. v. Lander Co.*, 455 F.2d 285 (2d Cir. 1972).

43. *L & L White Metal Casting Corp. v. Joseph*, 387 F. Supp. 1349 (E.D.N.Y. 1975). See note 10, *supra*.

44. See, e.g., *Ideal Toy Corp. v. Fab-Lu, Ltd.*, 261 F. Supp. 238 (S.D.N.Y. 1966); *American Optical Co. v. Rayex Corp.*, 266 F. Supp. 342 (S.D.N.Y. 1966); *General Pool Corp. v. Hallmark Pool Corp.*, 259 F. Supp. 383 (N.D. Ill. 1966); *Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210 (8th Cir. 1976); *Bangor Punta Operations, Inc. v. Universal Marine Co., Ltd.*, 543 F.2d 1107 (5th Cir. 1976).

45. *Eastman Kodak Co. v. Fotomat*, 317 F. Supp. 304 (N.D. Ga. 1969), *appeal dismissed*, 441 F.2d 1079 (5th Cir. 1971).

46. *Crossbow, Inc. v. Dan-Dee Imports, Inc.*, 266 F. Supp. 335 (S.D.N.Y. 1967).

47. 317 F. Supp. 304 (N.D. Ga. 1969), *appeal dismissed*, 441 F.2d 1079 (5th Cir. 1971).

48. *Id.* at 322.

49. 266 F. Supp. 335 (S.D.N.Y. 1967).

meaning of the statute. . . ."⁵⁰

In contrast, the same court had held that there were no violations of the Lanham Act when the defendant bought the plaintiff's products, removed all the markings, and sold it as his own.⁵¹ There was no false designation of origin. However, in the *Crossbow* situation, the plaintiff's product, with the label inadequately removed, was used as a sample or model for defendant's own product. This was viewed quite differently. While the act might not have been a breach of the common law tort of unfair competition, it was within the proscription of §43(a) since the defendant failed to convince the court that in all of its sales, with the aid of plaintiff's product, he expressly told prospective customers that he was only selling an imported copy of the demonstrator model.⁵² Using this distinction a merchant could remove all indices of origin from another's product and resell them. However, he could not relabel the merchandise as his own.

Section 43(a) was creatively extended in several recent cases. In the Monty Python case,⁵³ a group of British writers and performers alleged that ABC edited ninety minutes of their material, under contract with BBC, down to sixty-six minutes, thereby destroying the artistic value of the work. The appellate court issued a preliminary injunction with respect to future broadcasts, indicating that the plaintiff was likely to prevail under §43(a), as well as on contract law and copyright principles. The argument was basically that the editing created a false impression of the product's origin. "To deform his work is to present him to the public as the creator of a work not his own, and thus make him subject to criticism for work he has not done."⁵⁴ Thus the show, edited down to a bastardized version of their talents, was a false representation within the ambit of §43(a).⁵⁵

Five §43(a) violations were found in *John Wright, Inc. v. Casper Corp.*,⁵⁶ when defendant Casper Corporation sold inferior, cheaper, penny bank models made overseas, accompanying the sales with "Certificates of Authenticity" which tended to falsely represent John Wright's distinctive and unique penny banks and certificate method.⁵⁷

In *Augusta National, Inc. v. Northwestern Mutual Life Ins. Co.*,⁵⁸ the

50. *Id.* at 339.

51. *Pic Design Corp. v. Sterling Precision Corp.*, 231 F. Supp. 106 (S.D.N.Y. 1964). Section 43(a) affects a false designation of origin, not the mere removal of the true designation. *Id.* at 115.

52. 266 F. Supp. at 335.

53. *Gilliam v. American Broadcasting Co.*, 538 F.2d 14 (2d Cir. 1976).

54. *Id.* at 24.

55. Concurring in the result, Judge Gurfein disagreed with extending the section and said that "the Lanham Act does not deal with artistic integrity." *Id.* at 27.

56. 419 F. Supp. 292 (E.D. Pa. 1976).

57. For extensive analysis and criticism of Judge Fullman's lengthy opinion, see Annual Review Committee, *Thirtieth Year of Administration of the Lanham Trademark Act of 1946*, 67 TRADEMARK REP. 1, 568 (1977).

58. 193 U.S.P.Q. 210 (S.D. Ga. 1976).

court enjoined the use of the title "Ladies' Masters" for a women's golf tournament one week following the "The Masters" golf tournament. Section 43(a) was applicable since the public would have a tendency to believe that the "Ladies' Masters" was of the same parentage as "The Masters."

Many of the same infractions which result in a trademark infringement or unfair competition will be held to violate §43(a). In fact, the various causes of action frequently overlap. In many of these cases it is held that the finding of trademark infringement will necessarily result in violation of §43(a).⁵⁹

It is unfortunate that Judge Goldberg did not elaborate on his reasons for finding it "unnecessary to reach the §43(a) contention" in footnote thirteen of *Kentucky Fried Chicken*. The lower court dealt with Section 43(a) of the Lanham Trade-Mark Act at great length. Relying on the Fifth Circuit's methodology in *B.H. Bunn Co., Inc. v. AAA Replacement Parts Co., Inc.*,⁶⁰ the district court added up the defendant's activities as "digits" in the determination of unfair competition. The lengthy "digits" included advertising on the part of defendant, Container, which solicited customers to buy KFC boxes directly from Container. The court properly pointed out the implication was direct dealing with the manufacturer. However such direct dealing was not actually a part of the package—but was a false designation of the origin of the service. This, in addition to false descriptions of defendant's products, directly violated §43(a) and entitled KFC to injunctive relief. On appeal, the Fifth Circuit opinion leaves one with the impression that since unfair competition and trademark infringement claims were affirmed, the additional violation was irrelevant. While the text of Judge Goldberg's opinion is a literary delight, the thirteenth footnote leaves the reader in a quandry.

III. LIKELIHOOD OF CONFUSION AND DECEPTION

The possibility or actuality of material deception as to the origin of the product or service is integral to a claim under §43(a). Confusion is probative of deception. The "likelihood of confusion" element⁶¹ has not been

59. *Dulong Freres & Fils v. Dulong*, 192 U.S.P.Q. 664 (S.D.N.Y. 1976) (a preliminary injunction was granted limiting the producer from using his own surname in competition with his family's business); *Bass Buster, Inc. v. Gapen Mfg. Co.*, 420 F. Supp. 144 (W.D. Mo. 1976) (beetle fishing lure); *Five Platters, Inc. v. Purdie*, 419 F. Supp. 372 (D. Md. 1976) (the corporate shell of the "original Platters" defeated the right of a group of successor performers to use the label "New Century Platters"). One critic asks: "Could there be a Marx Brothers without Groucho, Harpo et al. or should any group without Ringo, George, Paul and John be presented as the Beatles?" Annual Review Committee, *Thirtieth Year of Administration of the Lanham Trademark Act of 1946*, 67 TRADEMARK REP. 1568 (1977).

60. 451 F.2d 1254 (5th Cir. 1971).

61. "The likelihood of confusion test under federal trademark law is the same for unfair competition under §43(a)." *Rolls-Royce Motors Ltd. v. A & A Fiberglass, Inc.*, 428 F. Supp. 689, 697 (N.D. Ga. 1977).

restricted to products of the same category. The Fifth Circuit rejected that position in the area of unfair competition in *Kentucky Fried Chicken*.⁶² In that case, defendant, Container, argued that its use of the KFC identifications on *supplies* rather than on the chicken itself was not likely to confuse prospective purchasers. This assumption was erroneous.

Similarly in *Chemical Corp. of America v. Anheuser-Busch, Inc.*,⁶³ Chief Judge Tuttle declared the defense of non-competitive products unavailing in a federal trademark case. The cause of action seemed to be the height of trivium; however, the defendant was enjoined and the judgment was affirmed. The complainant was owner of the slogan: "Where there's life . . . there's BUD." The defendant was engaged in manufacturing and selling floor wax and adopted as his slogan "Where there's life . . . there's BUGS." The complainant claimed (1) a federal right under the Lanham Trade-Mark Act and (2) a state common-law action under the Florida law. Despite the fact that floor wax and beer are not competitive products, the injunction was issued.⁶⁴ The underlying message of the opinion was that customer confusion, not customer competition, was the requisite element.

It is tempting to indulge in the court's denial of subjectivity. Chief Judge Tuttle stated that the court should not be swayed by its instinctive reaction that this was a brazen and cheap effort on the part of "Bugs" to capitalize on the goodwill created by "Bud's" tremendous expenditures in advertising. In rather strong terms, however, he noted that any conduct which "fairly reeked with unfairness in a calloused indifference to the damage which might occur to others"⁶⁵ would be closely scrutinized. Thus, the court was not reluctant to conclude that what was morally reprehensible was also legally impermissible. In upholding the injunction of the "Bugs" slogan the court reaffirmed the view that this relief from unfair competition in non-competitive areas was to the same effect as that prevailing in American jurisprudence generally.

Since consumer deception is an essential element of the claim under §43(a), to establish the right to damages actual deception must be shown. For equitable relief, only a likelihood of consumer deception need be shown. Therefore, in *Hesmer Foods, Inc. v. Campbell Soup Co.*,⁶⁶ damages were denied because the complainant failed to show actual false representations. If, however, the plaintiff had shown that a diversion of its trade was caused by deceiving the public then a different situation would have

62. 376 F. Supp. 1136 (S.D. Fla. 1974), *aff'd*, 549 F.2d 368 (5th Cir. 1977).

63. 306 F.2d 433 (5th Cir. 1962).

64. It should be noted that this proposition is representative of the "federal rule" or the "Hand Doctrine" which grants relief for non-competing goods if there is confusion as to the source. *S.C. Johnson & Son v. Johnson*, 175 F.2d 176 (2d Cir. 1949) (L. Hand, C.J.). The Fifth Circuit reiterated this theory in *Professional Golfers Ass'n v. Bankers Life & Casualty Co.*, 514 F.2d 665, 669 (5th Cir. 1975).

65. 306 F.2d at 438.

66. 346 F.2d 356, 359 (7th Cir. 1965).

been before the court.⁶⁷ The Seventh Circuit demanded that the defendant be guilty of at least false representation in marketing its product and here there is no proof of false designation of the origin of the product. The gist of the case seemed to be that two barbeque bean processors wanted to call their product Beany/Beanee Barbeque. In order to recover damages, therefore, "Beanee" would have to establish that the buying public was actually deceived by "Beany."

While deception is required under the statute, it has generally been indicated that relief is not restricted solely to deliberate misdescriptions and misrepresentations, but may also be granted if the actions of the defendant create false impressions, whether intentionally or not. As in trademark and unfair competition law, there is no requirement of intent to deceive for an injunction to be granted; on the other hand, unlike trademark and unfair competition law, intent is even unnecessary for damages.⁶⁸

On the question of intent to deceive, the Fifth Circuit has impliedly adopted the "confusion is self evidence of intent" approach. If the nature of defendant's actions had that effect then the intent was there. In *Boston Pro. Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*,⁶⁹ the defendant simply argued that the mere imitation of a product could not constitute a false designation of origin or a false representation concerning goods in commerce under §43(a). The court countered this argument by explaining that the defendant's reproduction of the mark of the Hockey Association as embroidered emblems tended to falsely represent the goods. Thus the tendency to deceive the consumer constituted the requisite intent on the part of the emblem manufacturer.

Notice, however, that in the court's progression of analysis it was first decided that the deception had caused confusion. Intent was inferred as a result of the confusion. This analysis does not deny the court's unbroken insistence upon likelihood of confusion. The "intriguing and tantalizing confusion issue" of *Boston Hockey* was dissected in *Kentucky Fried Chicken*. The Fifth Circuit explained that Dallas Cap violated Boston Hockey's trademark, which was the team emblem of the Boston Bruins, by selling shoulder patches depicting the Bruins' emblem. The court considered the confusion question conceptually difficult, but answerable by the "certain knowledge of the *buyer* that the source and origin of the trademark symbols"⁷⁰ were in Boston Hockey. Focusing on the customer's psychological dependence the court found it understandable that the

67. *Id.*

68. *Apollo Distrib. Co. v. Apollo Imports, Inc.*, 341 F. Supp. 455, 458 (S.D.N.Y. 1972); *Wisconsin Elec. Co. v. Dumore Co.*, 35 F.2d 555 (6th Cir. 1929), which indicated that wrongful intent in unfair competition may be established by the circumstances. *Cf. Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Chandris Am. Lines, Inc.*, 321 F. Supp. 707, 712 (S.D.N.Y. 1971), which required some showing that the public might be deceived although intentional falsification was not required.

69. 510 F.2d 1004 (5th Cir. 1975).

70. 549 F.2d at 389 (citation omitted).

"[b]uyers may have had no reason to expect Boston Hockey to possess expertise in . . . patches, but to a Bruins fan the club's endorsement would be much more important than the quality of the stitchery."⁷¹ Thus, from the court-declared distinction, it may be inferred that the issue of consumer confusion is to be analyzed in the context of the consumers' identity.

This same rationale was followed in *Rolls-Royce Motors Ltd. v. A & A Fiberglass, Inc.*⁷² in which the defendant sold \$500 - \$900 "Flying Lady" kits for converting Volkswagen Bugs. The opinion was logical and analytically sound. Adopting the same "likelihood of confusion" test found in federal trademark law for unfair competition under §43(a), the court explained that confusion can exist, not only in potential purchasers, but as evidenced in the public identification of the symbols sold. Therefore the purchaser of the "elegant beetle" need not be deceived into believing he was purchasing a Rolls-Royce. Judge Henderson found it evident, "from defendant's advertising alone, that its kits were selling and were designed to sell primarily, if not exclusively, because of public recognition of Rolls-Royce."⁷³ It seems obvious that anyone with a Rolls-Royce-type beetle would not consider it a Rolls-Royce; however, public confusion could exist as to the endorsement by Rolls-Royce and hence, possible dilution of their image. Therefore, this seems to be a proper extension of §43(a) and an admirable attenuation of the confusion issue.⁷⁴

IV. POSSIBLE DEFENSES

The copier might rely on the case of *George O'Day Assoc., Inc. v. Talmán Corp.*,⁷⁵ in which a former employee of a sailboat manufacturer established his own business in competition with his former employer. The employee used all the knowledge and experience acquired during the prior employment; however, he did not use any confidential information of the former employer. The court held this did not constitute unfair competition under §43(a). The obvious distinction was the lack of any evidence of palming off or likelihood of confusion on the part of the ordinary purchaser of sailboats. Rather than using any brochures or advertising of the prior employment, the new proprietor used only expertise developed while so employed. In fact, the plaintiff in *O'Day* actually conceded that the photograph, used by the defendant in the initial advertising of the sailboat to be manufactured, differed materially from his product. In other words, the

71. *Id.* (emphasis added). This rationale has been referred to as the "patch" case. Annual Review Committee, *Thirtieth Year of Administration of the Lanham Trademark Act of 1946*, 67 TRADEMARK REP. 1 (1977).

72. 428 F. Supp. 689 (N.D. Ga. 1977).

73. *Id.* at 695.

74. *Cf. General Mills, Inc. v. Henry Regnery Co.*, 421 F. Supp. 359 (N.D. Ill. 1976) (an unfair competition case in which the court refused to apply the Fifth Circuit's rationale to prohibit defendant's book under the title *Betty Cooker's Crock Book for Drunks*).

75. 206 F. Supp. 297 (D.R.I. 1962), *affirmed*, 310 F.2d 623 (1st Cir. 1962).

court emphasized that the representation was not an exact reproduction of the plaintiff's sailboat. More importantly, there was no evidence that the defendant's sailboat was not the same as the one which he was advertising, nor that it was in fact a sailboat of inferior or cheaper quality than that shown in the publicity material. In essence this reasoning ratifies three possible defenses: (1) that the reproduction differs in some degree from the original;⁷⁶ (2) that representation of the reproduction is exactly what the reproducer is producing;⁷⁷ and (3) that the reproduction does not exaggerate the quality of the product or services.⁷⁸

The Fifth Circuit has failed to find a violation of §43(a) when there was no evidence to establish that the defendant's activities were likely to undermine the reputation or business of the plaintiff. In *American Heritage Life Insurance Co. v. Heritage Life Insurance Co.*,⁷⁹ it was alleged that defendant Heritage Life was falsely representing that its services originated with plaintiff, American Heritage Life, because of the similar corporate name. However, no violation could be established without evidence of wrongful conduct or consumer confusion. Shared use of the generic term "heritage" was not considered distinctive in the field of insurance, nor apt to create misguided clients.

Additionally, lack of a specific reference to the material of the originator may materialize in a complete defense. In an action to protect its "Great Sign," the plaintiff, Holiday Inn, could not convince the court that the defendants' mark, Holiday Out, for its outdoor campgrounds, falsely designated defendants' services, when the only common denominator was the word "holiday."⁸⁰

Section 43(a) requires that the false statement must be affixed, annexed or used in connection with the goods or services, which are in turn caused by the defendant to enter into commerce.⁸¹ Therefore it has been held that trade disparagement is not covered by §43(a).⁸² On the other hand, it has been suggested that trade disparagement might be an indirect violation

76. *Gold Seal Co. v. Weeks*, 129 F. Supp. 928 (D.D.C. 1955), *aff'd sub nom S.C. Johnson & Son, Inc. v. Gold Seal Co.*, 230 F.2d 832 (D.C. Cir. 1955), *cert. denied*, 352 U.S. 829 (1956). *Cf. John Wright Inc. v. Casper Corp.*, 419 F. Supp. 292 (E.D. Pa. 1976) (claim of "exact copies" held in violation of §43(a) because the copies were not very good ones).

77. *Smith v. Chanel, Inc.*, 402 F.2d 562 (9th Cir. 1968); *Societe Comptoir de L'Industrie Cotonniere Etablissements Boussac v. Alexander's Dep't Stores, Inc.*, 299 F.2d 33 (2d Cir. 1962). Here the copiers had truthfully represented that their products were copies of the originals.

78. *Scotch Whiskey Ass'n v. Barton Distilling Co.*, 338 F. Supp. 595 (N.D. Ill. 1971); *H.A. Friend & Co. v. Friend & Co.*, 276 F. Supp. 707 (C.D. Calif. 1967), *aff'd*, 416 F.2d 526 (9th Cir. 1969), *cert. denied*, 397 U.S. 914 (1970).

79. 494 F.2d 3 (5th Cir. 1974).

80. *Holiday Inns, Inc. v. Holiday Out in Am.*, 351 F. Supp. 537, 542 (S.D. Fla. 1972).

81. 15 U.S.C.A. §1125(a) (1970).

82. See note 34, *supra*.

“in so far as the acts complained of also involved misrepresentations of the defendant’s product.”⁸³

V. DAMAGES

Full and fair competition requires that those who invest time, money and energy in the development of goodwill and a favorable reputation be allowed to reap the advantages of their investment. When this investment has been diverted to the defendant, damages will be awarded to the plaintiff. The amount of profits awarded should be equal to the benefit from the unlawful use of the plaintiff’s goodwill.⁸⁴

However, the Eighth Circuit Court of Appeals overturned the Nebraska District Court when it limited damages to the extent that the defendant had been unjustly enriched. In *Truck Equipment Service Company v. Fruehauf Corp.*,⁸⁵ the court explained that equity requires that the defendant relinquish *all* of its profits from the sales in the states where the plaintiff had an established market. It proceeded upon the theory that such relief was necessary as a deterrent to willful infringement. Referring to the reasoning of the Second Circuit,⁸⁶ the court indicated that it was essential to deter companies from willfully infringing upon a competitor. In pursuit of this deterrence the only way the court could fashion strong enough medicine was to prescribe that the guilty party lose *all* of its profits from the use of the competitor’s goodwill. In this case Fruehauf had deliberately copied the design of the plaintiff and it could not be said that the defendant believed that no likelihood of confusion as to the source of the origin of the trailer would occur in the market place. Further, Fruehauf deliberately relied upon the identification factors which were intentionally designed into the plaintiff’s product. Therefore, willfulness and bad faith were shown in the evidence of the case. The award of only part of Fruehauf’s profits was deemed to be clearly inadequate to ensure that similar conduct would not reoccur in the future. Such conduct may have a devastating effect upon the goodwill of the plaintiff’s product. As the court noted, “the decision to purchase a product, while usually justified by the objective criteria of performance, is often predetermined by the subjective factor of the product’s good reputation previously existent in the market place.”⁸⁷ Therefore, all of the profits of the defendant during the period of infringement were disgorged.

83. Note, *The Federal Law of Unfair Competition*, 47 VA. L. REV. 600, 620 (1961) (citation omitted) (emphasis added).

84. This “poacher” philosophy was posed in one of the leading trademark and unfair competition cases, *Mishawaka Rubber and Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203 (1942), in which the court explained that the philosophy of shifting the burden to the defendant was to promote honesty and to avoid giving a windfall to the copier.

85. 536 F.2d 1210 (8th Cir. 1976), cert. denied, 429 U.S. 861 (1976).

86. *W.E. Bassett Co. v. Revlon, Inc.*, 435 F.2d 656 (2d Cir. 1970).

87. 536 F.2d at 1223.

The Fifth Circuit adopted the same equitable philosophy recently in *Bangor Punta*. In that case the wrong was of such a nature as to preclude the exact ascertainment of damages. The speculation was held not to be objectionable and the plaintiff recovered upon a showing of the extent of the damages, as a matter of just and reasonable inference, although the result would only be an approximation.⁸⁸ Referring to the *Restatement of Torts* §912(d),⁸⁹ the court explained that although the burden is on the injured person to prove with a fair degree of certainty the amount of recovery, it will be imposed lightly; thus substantial profits were recoverable regardless of the uncertainty of the amount of profits lost, or harm endured. More importantly, it was only essential that the originator present evidence reasonably available under the circumstances.⁹⁰

VI. CONCLUSION

In the 94th Congress bills were proposed to establish a federal law of unfair competition via amendment to the Lanham Act⁹¹ or via amendment to the Federal Trade Commission Act.⁹² The American Bar Association has indicated that it overwhelmingly supports expansion of §43(a) as opposed to the Federal Trade Commission Act.⁹³ Although there were no new bills in the 95th Congress, the American Bar Association section on Patent, Trademark and Copyright Law Committee reiterated approval of §43(a) and specifically, enactment of the McClellan-Scott Amendment.⁹⁴

Before passage of §43(a) it was difficult to obtain relief against deceptive commercial practices because the courts insisted on proof of trade diversion. Thirty years ago one commentator said that whether the Lanham Act would make it any easier remained to be seen.⁹⁵ Many of its critics argue that it has come "too far;"⁹⁶ others suggest that it has been stretched to reach acts not previously comprehended.⁹⁷ But no one will deny that it has certainly made it easier.

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88. 543 F.2d at 1111. Compare *Gold Seal*, in which the court was more restrictive: "Pecuniary recovery must be individualized, loss of sales must be shown. Section 43(a) was to promote fair business dealings. It was not to provide a windfall to an overly eager competitor." 129 F. Supp. at 940.

89. RESTATEMENT OF TORTS (FIRST) §912(d) (1939).

90. 543 F.2d at 1110.

91. S. 31, 94th Cong., 1st Sess., 121 CONG. REC. 291-292 (1975) (McClellan-Scott Amendment).

92. S. 1631, 94th Cong., 1st Sess., 121 CONG. REC. 12871-12873 (1975).

93. Committee Reports, A.B.A. SECTION OF PATENT, TRADEMARK & COPYRIGHT LAW, 149 (1977).

94. *Id.* at 147.

95. Comment, 14 BROOKLYN L. REV. 178, 195 (1948).

96. Germain, *Unfair Trade Practices Under Section 43(a) of the Lanham Act: You've Come a Long Way Baby—Too Far Maybe?* 64 TRADEMARK REP. 193, 215 (1974).

97. Annual Review Committee, *Thirtieth Year of Administration of the Lanham Trademark Act of 1946*, 67 TRADEMARK REP. at 577 (1977).