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# The *Erie/Sears/Compco* Squeeze: *Erie's* Effects on Unfair Competition and Trade Secret Law

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**THE *ERIE/SEARS/COMPCO* SQUEEZE:  
*ERIE*'S EFFECTS ON UNFAIR COMPETITION AND TRADE  
SECRET LAW**

*Sharon K. Sandeen\**

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I. INTRODUCTION

The United States Supreme Court's decision in *Erie Railroad v. Tompkins* is most famous for its holding that federal courts sitting in diversity must apply the law of the state and that there is "no federal general common law."<sup>1</sup> What the decision is not famous for is identifying

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the vacuum in law that the decision created and how the then existing federal general common law would be replaced.

For almost 150 years from the adoption of the Federal Judiciary Act of 1789 until the Court's decision in *Erie* in 1938, the federal judiciary had developed a body of federal jurisprudence that applied (if not created) what the federal courts thought was the "general common law."<sup>2</sup> Then, with one decision, that body of jurisprudence was rendered moot. Henceforth, *Erie* directed federal courts to look to both statutory and decisional state law in cases that are brought pursuant to the diversity jurisdiction of the federal courts.

Ironically, the decision in *Erie* (which overruled the longstanding doctrine of *Swift v. Tyson*<sup>3</sup>) was based, in part, on Justice Holmes's argument in an earlier case that the *Swift* doctrine rests on the fallacy that there is "one august corpus [of common law]."<sup>4</sup> The irony being that if there was no one corpus of common law, there was not much for the state courts to rely upon either. Thus, while *Erie* is primarily about who gets to decide what the common law is, and the limited power of the federal courts, the practical effect of the decision was that it left gaps in the law that took decades to fill. This was particularly true in areas of law where state common law had not developed sufficiently, like unfair competition law.

Because much of the federal general common law concerned matters of commercial law,<sup>5</sup> including principles of unfair competition, *Erie*'s effect on unfair competition was substantial. As a commentator of the time explained:

Whatever the merits of the *Tompkins* case in other respects, it seems to me very damaging to the law of Unfair Competition. State litigation in the field is infrequent. Thus, the argument in favor of the result in the *Tompkins* case . . . is of slight efficacy when applied to Unfair Competition.

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lawyers and Bar Associations played in trying to shape the law of unfair competition in the aftermath of the Supreme Court's decision in *Erie*.

1. 304 U.S. 64, 78 (1938).
2. *Swift v. Tyson*, 41 U.S. 1 (1842); Robert H. Jackson, *The Rise and Fall of Swift v. Tyson*, 24 A.B.A. J. 609, 611–614 (1938) (noting that the *Swift* doctrine "grew by what it fed on" and summarizing the issues upon which federal courts applied general common law pre-*Erie*).
3. 41 U.S. 1 (1842).
4. *Black & White Taxicab & Transfer Co. v. Brown & Yellow Taxicab & Transfer Co.*, 276 U.S. 518, 533 (1928) (J. Holmes dissenting).
5. Robert H. Jackson, *The Rise and Fall of Swift v. Tyson*, 24 A.B.A. J. 609, 613 (1938) ("Perhaps the chief beneficiaries of the doctrine of *Swift v. Tyson* were corporations doing business in a number of states.").

Moreover, state doctrines have not been continuously developed. Some of the few state cases are decades old, decided before judges understood the problems. There is very little good reasoning on this subject in any single state, as compared with the extensive and admirable body of federal law now apparently doomed to destruction.<sup>6</sup>

This article tells the story of the efforts undertaken in the aftermath of *Erie* to fill the gaps it left in the law of unfair competition. As used herein, the law of unfair competition refers to causes of action that might be brought by competitors as opposed to consumer-related, unfair competition claims. However, there is some overlap in these two areas of law, particularly with respect to false advertising claims brought by the Federal Trade Commission (FTC) or pursuant to so-called state “little-FTC Acts.”<sup>7</sup>

Proceeding chronologically, the first part of this article explains the scope and nature of the gaps in law that resulted from *Erie* with a focus on the law of unfair competition. Part II of this article discusses how policymakers and members of the bar (particularly the American Bar Association) attempted to address the gaps in unfair competition law that *Erie* left behind, and how the Supreme Court’s subsequent decisions in *Sears, Roebuck & Co. v. Stiffel Co.*<sup>8</sup> and *Compco Corp. v. Day-Brite Lighting, Inc.*<sup>9</sup> in 1964 effectively limited the scope of those efforts by creating what I previously dubbed the “*Erie/Sears/Compco* squeeze.”<sup>10</sup> The squeeze refers to the fact that while the Supreme Court in *Erie* told federal courts to look to state common law when sitting in diversity, the Court later ruled in the *Sears* and *Compco* decisions that much of the unfair competition law of the states was preempted by federal patent law. Thus, the *Erie/Sears/Compco* squeeze raised serious questions about the ability of state law to fill the gaps in unfair competition law left by *Erie*. Indeed, for a period of time until the Supreme Court decided *Kewanee Oil*

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6. Zechariah Chafee, Jr., *Unfair Competition*, 53 HARV. L. REV. 1289 (1940), as abstracted in 7 CURRENT LEGAL THOUGHT 3 (1940). Interestingly, despite Professor Chafee’s sentiment, the American Law Institute (ALI) thought the state law of unfair competition had developed enough so that it could be restated in the Restatement (First) of the Law of Torts published in 1939.

7. See Jack E. Karns, *State Regulation of Deceptive Trade Practices Under “Little Ftc Acts”*: *Should Federal Standards Control?*, 94 DICK. L. REV. 373, 375 (1990) (“The passage of state Little FTC Acts was in large part a response to the deficiencies in the common law as well as the limited reach of the Federal Trade Commission Act (FTCA). Courts interpreted the FTCA’s section 5 enforcement power narrowly to encompass only anti-competitive practices between businesses.”) (internal citations omitted).

8. 376 U.S. 225 (1964).

9. See 376 U.S. 234 (1964).

10. Sharon K. Sandeen, *The Evolution of Trade Secret Law*, 33 HAMLINE L. REV. 493, 507 (2010).

*Co. v. Bicron Corp.*<sup>11</sup> in 1974, the *Erie/Sears/Compco* squeeze even threatened the common law of trade secrecy that had developed in the United States over the course of more than 100 years. In the concluding part of this article, the current state of the law governing unfair competition is summarized leading to the ultimate and ironic conclusion that eighty years after *Erie*, the federal courts are back in the business of developing and refining the common law of unfair competition.

## II. THE GAPS LEFT BY *ERIE*

To understand the gaps in the law that were left in the wake of *Erie*, one has to understand what the federal courts at the time of *Erie* meant by *federal general common law*.<sup>12</sup> It is clear that it did not include either federal or state statutory law; less obvious is that it did not include all common law, but only a sub-set of the common law that the federal courts deemed to be general law. The quote from *Swift v. Tyson* set forth in *Erie* explains the distinction:

The true interpretation of the 34th section [of the Federal Judiciary Act] limited its application to state laws, strictly local, that is to say, to the positive statutes of the state, and the construction thereof adopted by the local tribunals, *and to rights and titles to things having a permanent locality, such as the rights and titles to real estate, and other matters immovable and intraterritorial in their nature and character*. It never has been supposed by us, that the section did apply, or was designed to apply, to questions of a more general nature, not at all dependent upon local statutes or local usages of a fixed and permanent operation, as, for example, *to the construction of ordinary contracts or other written instruments, and especially to questions of general commercial law, where the state tribunals are called upon to perform the like functions as ourselves, that is, to ascertain, upon general reasoning and legal analogies, what is the true exposition of the contract or instrument, or what is the just rule furnished by the principles of commercial law to govern the case*.<sup>13</sup>

As so described, at least at the time of *Swift*, the general law had three features that might exist alone or in combination: (1) it is not intra-territorial; (2) it concerns matters of commercial law; and; (3) it requires

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11. 416 U.S. 470 (1974).

12. The post-*Erie* definition of this phrase is different. Now, federal general common law refers to federal decisional law which has interpreted federal statutes and filled gaps in those statutes.

13. *Erie R. Co. v. Tompkins*, 304 U.S. 64, 71 (*quoting* *Swift v. Tyson*, 41 U.S. 1, 18–19 (1842) (emphasis added)).

the application of general reasoning and legal analogies.<sup>14</sup> All three features apply to unfair competition claims, particularly in diversity cases where, by definition, the parties are likely to be engaged in interstate commerce.

A criticism of the *Swift* doctrine that led to it being overruled by *Erie* was that it gave federal judges too much discretion to decide whether an issue was a matter of general law, often leading them to ignore state law in situations that appeared to be local and intra-territorial.<sup>15</sup> In *Black & White Taxicab & Transfer Co. v. Brown & Yellow Taxicab & Transfer Co.* (a decision criticized by Justice Holmes in a dissent ultimately leading to *Erie*), for instance, the court considered a case alleging interference with contract wherein the plaintiff complained that the defendant was not honoring its exclusive contract with a railroad to provide transportation and baggage handling services.<sup>16</sup> The defendant countered with the argument that “the contract is contrary to the public policy and laws of Kentucky as declared by its highest court, and that it is monopolistic in excess of the railroad company’s charter power and violates section 214 of the Constitution of the state.”<sup>17</sup> Despite the applicability of the Kentucky Constitution and the apparent localized nature of the dispute, however, the Supreme Court refused to apply Kentucky law, explaining:

The cases cited show that the decisions of the Kentucky Court of Appeals holding such arrangements invalid are contrary to the common law as generally understood and applied. And we are of opinion that petitioner here has failed to show any valid ground for disregarding this contract and that its interference cannot be justified. Care is to be observed lest the doctrine that a contract is void as against public policy be unreasonably extended. Detriment to the public interest is not to be presumed in the absence of showing that something improper is done or contemplated.<sup>18</sup>

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14. In the almost 100 years following the Supreme Court’s decision in *Swift v. Tyson*, the definition of “general law” had expanded to include most common-law fields, including wills, contracts, torts, deeds, mortgages, rules of evidence, and measures of damages and industrial torts. Edward A. Purcell, Jr., *Ex Parte Young and the Transformation of the Federal Courts, 1890-1917*, 40 U. TOL. L. REV. 931, 947 (2009).

15. *Erie*, 304 U.S. 64, 75 (“This resulted in part from the broad province accorded to the so-called ‘general law’ as to which federal courts exercised an independent judgment.”), citing H. Parker Sharp & Joseph B. Brennan, *The Application of the Doctrine of Swift v. Tyson since 1900*, 4 IND. L. J. 367 (1929).

16. *Black & White Taxicab & Transfer Co. v. Brown & Yellow Taxicab & Transfer Co.*, 276 U.S. 518, 528 (1928).

17. *Id.* at 523.

18. *Id.* at 528.

In justifying its refusal to follow the applicable law of Kentucky, the Court explained: “There is no question concerning title to land. No provision of state statute or Constitution and no ancient or fixed local usage is involved.”<sup>19</sup> In other words, if the dispute was not local enough, federal judges pre-*Erie* felt free to determine what the law is and, in many cases, what it should be.<sup>20</sup>

The Court in *Black & White* listed the types of issues that had previously been considered matters of general law, including: construction of a will; construction of a deed; what constitutes negligence; what constitutes dedication of land to the public; the public purpose that warrants municipal taxation; the liability of common carriers for injury; the validity of a contract for the carriage of goods; and a railroad’s responsibility for personal injuries.<sup>21</sup>

While not all involve issues of contract or commercial law, each of the listed types of cases contain one or more of the features of general law described above, and most involve business or transportation activities. This suggests that the federal courts before *Erie* thought that they had an important role to play in overseeing the business practices of companies operating across state lines. With this mindset, it is not surprising that a body of federal unfair competition jurisprudence developed pre-*Erie*. A famous example is the Supreme Court’s decision in *International News Service v. Associated Press (INS)*.<sup>22</sup>

Decided in 1918, 20 years before *Erie* and at a time when the federal courts were expanding their equity jurisdiction, *INS* is famous for recognizing a common law claim for the misappropriation of information, which is often referred to as the “*INS* misappropriation doctrine.”<sup>23</sup> *INS* involved a lawsuit in equity based on diversity jurisdiction that was brought by the Associated Press (AP) against International News Service (INS) in the United States District Court for the Southern District of New York.<sup>24</sup> Without reference to an applicable statute, AP alleged that INS’s actions of pirating its new stories were inequitable and constituted unfair

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19. *Id.* at 529.

20. See Edward A. Purcell, Jr., *Ex Parte Young and the Transformation of the Federal Courts, 1890-1917*, 40 U. TOL. L. REV. 931 (2009) (detailing the expanding role of the federal judiciary between the Supreme Court’s decisions in *Swift* and *Erie*, including the expansion of its equity jurisdiction).

21. *Black & White*, 276 U.S. at 530–31.

22. 248 U.S. 215 (1918).

23. See Douglas G. Baird, *Common Law Intellectual Property and the Legacy of International News Service v. Associated Press*, 50 U. CHI. L. REV. 411 (1983) (explaining the common law development of the *INS* misappropriation doctrine through the early 1980s).

24. *Int’l News Serv. v. Associated Press*, 248 U.S. 215, 229–30.

competition that should be enjoined.<sup>25</sup> The Supreme Court agreed, applying the federal general common law of unfair competition that had developed to that point.

The parties are competitors in this field; *and, on fundamental principles*, applicable here as elsewhere, when the rights or privileges of the one are liable to conflict with those of the other, each party is under a duty so to conduct its own business as not unnecessarily or unfairly to injure that of the other.<sup>26</sup>

Although not specifically identified, the fundamental principles upon which the court relied apparently include (as discussed in a cited case involving a labor dispute) the right of businesses to engage in fair competition and freedom to contract including with respect to employment relationships.<sup>27</sup>

The district court that first considered the *INS* case and granted the injunction on appeal to the Supreme Court succinctly summarized the federal court's view of unfair competition circa 1918 with respect to the perceived wrongful use of information:

The protection of lectures, plays, and paintings from piracy, even after wide publicity, is sometimes placed by the courts upon rights of authors to literary or artistic property, and sometimes upon the theory of an implied contract arising from the relations of the parties. . . . The question in any given case is whether abandonment to the public has been so complete that no further justifiable cause remains for protecting these business interests from competitive interference. They do stand like trade secrets, in that they are entitled to protection until surrendered to the public; but the real basis for invoking equitable aid either in the case of a lecture, a play, or a trade secret is that one who has, with labor and expense, created something which, while intangible, is yet of value, is entitled to such protection against damage as is not inconsistent with public policy.<sup>28</sup>

When viewed in the context of current law (discussed in the last part of this article), the foregoing language reveals how much the law of unfair competition concerning the protection of information has changed since 1918. This is due to the ancillary effects of *Erie*, but is also explained by the *Erie/Sears/Compco* squeeze and developments in U.S. copyright law

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25. *Id.* at 215, 230–31.

26. *Id.* at 235–36 (1918) (emphasis added), *citing* Hitchman Coal & Coke Co. v. Mitchell, 245 U.S. 229, 254 (1917).

27. Hitchman Coal & Coke Co. v. Mitchell, 245 U. S. 229, 251–54 (1917).

28. Associated Press v. Int'l News Serv., 240 F. 983, 992–93 (S.D.N.Y. 1917), *modified*, 245 F. 244 (2d Cir. 1917), *aff'd*, 248 U.S. 215 (1918).



including the Supreme Court's holding in *Feist Publications, Inc. v. Rural Telephone Service Co.* which rejected the sweat-of-the-brow doctrine.<sup>29</sup>

Prior to *Erie*, the federal courts had also developed a robust body of jurisprudence related to trademarks that was a part of the general law of unfair competition.<sup>30</sup> In fact, the district court in *INS*—quoting *National Telegraph News Co. v. Western Union*<sup>31</sup> and citing a book on trademark law written by Professor Langdell—used this law to further justify its decision. Thus, while unfair competition law was not the only type of “federal general common law” that was rendered moot by *Erie*, it was a very significant part.

Following the decision in *Erie*, a series of federal cases noted the changes that *Erie* caused to the law of unfair competition. An early example is *Addressograph-Multigraph Corp. v. American Expansion Bolt & Manufacturing Co.* in which the plaintiff, relying upon the reasoning of *INS*, alleged that that defendant had misappropriated a business system originated by it.<sup>32</sup> In dismissing the plaintiff's arguments and ruling in favor of the defendant in a manner inconsistent with the pre-*Erie* general federal common law, the court explained:

It appears that the lower court decided the case upon general Federal law. At any rate, it is certain that the law of unfair competition, as announced by the courts of Illinois, was not applied. We are therefore at the threshold of our consideration met with defendant's contention that under *Erie R. Co. v. Tompkins*, the law of the state, as announced by its courts, must be given effect, and that by such law, no cause of action was stated or proved.

Confronted with this situation, no good purpose could be served in analyzing the many Federal cases relied upon by plaintiff in support of

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29. *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991).

30. See Mark P. McKenna, *Trademark Law's Faux Federalism*, in *INTELLECTUAL PROPERTY AND THE COMMON LAW* 288–310 (Shyamkrishna Balganeshe ed., 2013) (“In the pre-*Erie* era, it was reasonably clear that this common law of trademarks and unfair competition was general law, although there is some controversy about the status of that general law.”).

31. 119 F. 294 (1902). The court in *National Telegraph*, summarized the federal law of trademarks as follows:

Nowhere is this recognition by courts of equity of the intangible side of property better exemplified, than in the remedies recently developed against unfair competition in trade. An unregistered trade name or mark is, in essence, nothing more than a symbol, conveying to eye and ear information respecting origin and identity; as if the manufacturer, present in person, and pointing to the article, were to say, “These are mine”; and the injunctive remedy applied is simply a command that this form of speech—this method of saying, These are mine—shall not be intruded upon unfairly by a like speech of another.

32. *Addressograph-Multigraph Corp. v. Am. Expansion Bolt & Mfg. Co.*, 124 F.2d 706, 708–09 (7th Cir. 1941).

the decree. This is so for the reason that the law of unfair competition, as announced in Illinois, must be applied.<sup>33</sup>

Similarly, in a trademark infringement case based upon diversity jurisdiction and decided a few years after *Erie*, the same court held that “[w]hatever may be the rule in the Federal Court, however, we think the state court rule must be applied.”<sup>34</sup> As recognized in *Philco Corp. v. Phillips Manufacturing Co.*, this is true even if the underlying lawsuit is one sounding in equity.<sup>35</sup> But as also noted in *Philco*, state law does not apply to claims based upon infringement of a federal statutory trademark or unfair competition against a federal statutory trademark.<sup>36</sup>

In 1957, nearly 20 years after *Erie*, a district court summarized the uncertainty that *Erie* caused with respect to unfair competition law as follows:

The law of unfair competition has largely been developed in the federal courts, and most unfair competition cases are still brought there. Since *Erie*, however, many of the federal courts have felt compelled to ignore their own precedents and rely instead on old state decisions. The result, as can be seen from reading the federal cases cited in support of Illinois, law is an endless exegesis on a perhaps antiquated decision instead of a dynamic approach to decisional law. If the federal courts also feel themselves bound to follow the conflicts of laws rules of the state in which they sit, they might be further tying the Gordian knot of interstate conflicts jumbles.<sup>37</sup>

If the state law of unfair competition had been as robust and clear as the federal general common law of unfair competition or resulted in similar outcomes, few would have cared. But because unfair competition law was perceived as having changed dramatically, particularly with respect to its lack of uniformity (national uniformity as opposed to the type of

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33. *Id.* at 708 (internal citations omitted).

34. *Rytex Co. v. Ryan*, 126 F.2d 952, 954 (7th Cir. 1942); *see also*, *Pecheur Lozenge Co. v. Nat’l Candy Co.*, 315 U.S. 666, 667 (1942) (“The only cause of action that this record could possibly support is for unfair competition and common law ‘trademark infringement,’ to which local law applies.”) *But see* *Kellogg Co. v. Nat’l Biscuit Co.*, 305 U.S. 111, 113 (1938) (ignoring state law in the aftermath of *Erie* by noting “no claim has been made that the local law is any different from the general law on the subject, and both parties have relied almost entirely on federal precedents.”).

35. *Philco Corp. v. Phillips Mfg. Co.*, 133 F.2d 663, 665 (7th Cir. 1943); *see also*, John R. Peterson, *The Legislative Mandate of Sears Compco: A Plea for a Federal Law of Unfair Competition*, 56 TRADEMARK REP. 16, 25 (1966) (“The result of *Erie* in the field of unfair competition, has been a bewildering hodge-podge of conflicting decisions which defies harmonization into a uniform national body of law.”).

36. 133 F. 2d at 667.

37. *Cont’l Cas. Co. v. Beardsley*, 151 F. Supp. 28, 45 (S.D.N.Y. 1957), *modified*, 253 F.2d 702 (2d Cir. 1958) (internal citations omitted).

uniformity discussed in *Erie*), businesses and their attorneys cared a lot as the following discussion explains.

### III. RESPONSES TO CHANGES IN THE LAW OF UNFAIR COMPETITION CAUSED BY *ERIE*

Eighty years removed from the Supreme Court's decision in *Erie*, it is hard to imagine the uproar that *Erie* caused among the practicing bar and U.S. business interests.<sup>38</sup> Precisely at the time that the United States was emerging from the effects of The Great Depression; business and industry was becoming less localized and more national and international; and the need for national legal standards became more pronounced, the Supreme Court prevented federal courts from recognizing and applying the federal general common law of commerce that many believed existed.<sup>39</sup> The impact of *Erie* upon the law of unfair competition was of particular concern to U.S. business interests. Explaining this impact, one commentator said: "The Supreme Court has brought to life volcanoes that existed, but were peacefully dormant, and which now may erupt in such a manner as to create a chaotic condition in our present-day interstate economy."<sup>40</sup>

Initially, the concern related to the inability of courts to rely upon federal precedents to define the parameters of unfair competition in the United States.<sup>41</sup> Because of *Erie*, the federal judiciary was out of the business of developing common law except in connection with the interpretation and application of federal statutes, meaning the development and refinement of unfair competition law was left to state

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38. See E. Manning Giles, *Unfair Competition and the Overextension of the Erie Doctrine*, 41 TRADEMARK REP. 1056 (1951); Edward S. Rogers, *New Concepts of Unfair Competition Under the Lanham Act*, 38 TRADEMARK REP. 259 (1948); Sergei S. Zlinkoff, *Erie v. Tompkins: In Relation to the Law of Trade-Marks and Unfair Competition*, 42 COLUM. L. REV. 955 (1942), as reprinted in 32 TRADEMARK REP. 81, 99 (1942); Harry Shulman, *The Demise of Swift v. Tyson*, 47 YALE L. J. 1336 (1938); see also, *Brief in Support of Congressional Passage of Proposed Unfair Competition Amendment to Lanham Trademark Act of 1946, as reprinted in* 57 TRADEMARK REP. 88 (1967) [hereinafter *Brief in Support of Congressional Passage*].

39. *Erie R. Co. v. Tompkins*, 304 U.S. 64 at 78; see also *Statement of W.G. Reynolds in Support of Unfair Activities Bill*, 54 TRADEMARK REP. 785 (1964) (noting the swing to direct selling, the increased importance of advertising, and the "mushrooming of supermarkets" as creating a new economic environment where federal principles of unfair competition are needed).

40. Zlinkoff, *supra* note 38 at 90.

41. *Id.* at 85-86, lamenting that the pre-*Erie* federal jurisprudence governing trademarks and unfair competition had been sent to the "scrap heap."

courts.<sup>42</sup> However, “the rub was that state law marked time during the period that federal law was evolving” and had not developed sufficiently or consistently.<sup>43</sup> Thus, as *Erie* forced lawyers and their clients to learn more about principles of unfair competition at the state level, the concern about the irrelevance of federal precedents was replaced by a fear about the actual details (or lack thereof) of state unfair competition law. Further exacerbating this concern was the realization that what state unfair competition law did exist often lacked uniformity and, pursuant to the Supreme Court’s 1941 decision in *Klaxon v. Stentor Electric Manufacturing Co., Inc.*,<sup>44</sup> state conflict of laws rules might require application of the law of a state other than the state where the lawsuit was filed.<sup>45</sup> Thus, the concern of the *Erie* Court about the lack of uniformity in law as between state and federal courts was replaced by a concern about the lack of uniformity in the state laws governing unfair competition.

The responses to the lack of national uniformity and the gaps in the law of unfair competition that *Erie* caused can be divided into three periods of time: (1) the period between the *Erie* decision in 1938 and the adoption of Lanham Act<sup>46</sup> on July 5, 1946 (the Pre-Legislative Era); (2) the period between the adoption of the Lanham Act in 1946 and the late 1950s when it became clear that the trend of decisional law would limit the scope of the Lanham Act (the Federal Code of Unfair Competition Era); and (3) the period from the late 1950s until the promulgation of the Uniform Trade Secrets Act in 1979 (the Uniform State Law Era). As further explained in the subsections that follow, the first period was marked by efforts to limit the scope and application of the *Erie* doctrine. During the second period, the focus was on arguing for an expansive application of the Lanham Act. When both of those efforts failed, legislative efforts shifted to the adoption of uniform state laws, but as ultimately constrained by principles of federal preemption.

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42. Giles, *supra* note 38, at 1056 (discussing the difference between federal general common law and federal common law and noting the power of federal courts to construe and supplement federal statutory law).

43. National Conference of Commissioners of Uniform State Laws, Revised Uniform Deceptive Trade Practices Act, Prefatory Note (1966) (*reprinted in* Richard F. Dole, Jr., *Uniform Deceptive Trade Practices Act: A Prefatory Note*, 54 TRADEMARK REP. 435, 435–36 (1964)).

44. 313 U.S. 487 (1941).

45. Zlinkoff, *supra* note 38 at 88.

46. Lanham Act of July 5, 1946, ch. 540, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051-1141 (2010)); *cf.* H. M. McLarin, *The 1941 Revised Lanham Trade-Mark Bill—Being a Description and History of the 1941 Revision of the Lanham Trade-Mark Bill*, 31 TRADEMARK REP. 87 (1941) (giving the reasons for the Lanham Bill, including the need of modern business for more certainty).

### A. *The Pre-Legislative Era*

In the immediate aftermath of *Erie*, those who were concerned about its effects on the law of unfair competition focused most of their time and effort advocating for its limited application. First and foremost, they noted that the *Erie* doctrine did not apply to the federal courts' interpretation of matters "governed by the Federal Constitution, or by Acts of Congress,"<sup>47</sup> but they also suggested other restrictions on the scope of the *Erie* doctrine.<sup>48</sup> For instance, an argument was made that the *Erie* doctrine should not apply to issues of equity, but that argument was quickly dismissed by the Supreme Court in *Ruhlin v. New York Life Insurance Co.*, decided only a week after *Erie* in a matter that sought the rescission of an insurance policy.<sup>49</sup> Without directly addressing the issue of law vs. equity, the Court matter-of-factly explained: "The parties and the federal courts must now search for and apply the entire body of substantive law governing an identical action in the state courts."<sup>50</sup> Justice Jackson presented a more nuanced view of the scope of *Erie* in his concurrence in *D'Oench, Duhme & Co. v. Federal Deposit Insurance Corp.* when he argued that the *Erie* doctrine should be limited to diversity cases and that federal courts should be allowed to develop and apply federal common law in all federal question cases.<sup>51</sup> Ultimately, however, the circumstances allowing federal courts to create federal common law in federal question cases was limited such that state common law, rather than federal common law, is often used to fill the gaps that exist in federal statutes.<sup>52</sup>

In a 1942 article, Sergei Zlinkoff argued that despite the ruling in *Ruhlin*, there were several reasons why the effects of *Erie* on the law of unfair competition might not be as great as feared.<sup>53</sup> First, he noted "the

47. *Erie R. Co. v. Tompkins*, 304 U.S. 64 at 78.

48. Robert L. Stearns, *Erie Railroad Versus Tompkins: One Year After*, 12 ROCKY MNTN. L. REV. 1 (1939) (summarizing the results of post-*Erie* diversity cases, including arguments that were made to distinguish *Erie*.)

49. *Ruhlin v. N.Y. Life Ins. Co.*, 304 U.S. 202 (1938). *See also*, *Guar. Tr. Co. v. York*, 326 U.S. 99 (1945).

50. *Ruhlin*, 304 U.S. at 209.

51. *D'Oench, Duhme & Co. v. Fed. Deposit Ins. Corp.*, 315 U.S. 447, 471 (1942).

A federal court sitting in a non-diversity case such as this does not sit as a local tribunal. In some cases it may see fit for special reasons to give the law of a particular state highly persuasive or even controlling effect, but in the last analysis its decision turns upon the law of the United States, not that of any state.

52. *See* 19 CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE §§ 4514-20 (3d ed. 2016). *See also*, Sharon K. Sandeen & Christopher B. Seaman, *Toward a Federal Jurisprudence of Trade Secret Law*, 32 BERKLEY TECH. L.J. 829 (2017) (discussing this rule's probable application to the Defend Trade Secrets Act of 2016).

53. Zlinkoff, *supra* note 38 at 81.

relative freedom of the federal courts with respect to local law,” particularly in states where there was not a robust law of unfair competition.<sup>54</sup> Without clear state law, federal courts would be free to predict what the state law would be, noting that “[t]he entire body of jurisprudence upon which a state court would draw is the material out of which the federal court is free to mold its decision.”<sup>55</sup> Second, he argued that the federal common law of unfair competition was likely to still be resorted to by federal courts for two reasons: (1) because inadequate guidance existed at the state level; and (2) because state court decisions often were based on federal precedents and doctrines.<sup>56</sup> Buttrressing this argument was his observation that the fact-specific nature of unfair competition cases would likely make state court precedents distinguishable anyway.<sup>57</sup> Lastly, he noted the federal common law that would develop (at least in the area of trademark law) with respect to the federal court’s interpretation of the federal trademark statutes.<sup>58</sup>

With respect to the federal common law that could still develop concerning the interpretation and application of the U.S. Constitution and federal statutes, commentators have argued for an expansive view of the federal courts’ power.<sup>59</sup> In his 1951 article, E. Manning Giles observed that fears about the scope of *Erie* were often the result of a failure to distinguish between federal general common law and federal common law noting that the Supreme Court has “never squarely considered the question of whether the federal decisional law of unfair competition is part of the federal general common law or the federal common law.”<sup>60</sup> Based upon the body of federal unfair competition statutes that had been adopted before and since *Erie*, including the Lanham Act, international treaties, and § 5 of the Federal Trade Commission Act, Giles argued that federal decisional concepts of unfair competition “ceased merely to be part of the federal *general* common law and became a part of federal common law.”<sup>61</sup>

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54. *Id.* at 90.

55. *Id.* See also, *id.* at 93 (“[T]he trend of decisions indicates that if there is a statutory framework, there are almost endless opportunities for the continued application of federal common law as the source of rules not only for those matters directly within the legislative enactment, but of cognate and interstitial issues as well.”).

56. *Id.* at 92.

57. *Id.*

58. *Id.*

59. *Id.* at 93.

60. Giles, *supra* note 38, at 1059. (emphasis omitted).

61. Giles, *supra* note 38, at 1058.

### B. *The Federal Code of Unfair Competition Era*

While efforts to limit the reach of the *Erie* doctrine continued,<sup>62</sup> attention was also given to possible legislative solutions to “the *Erie* problem,” particularly after the adoption of a federal unfair competition law which could provide the basis for the development of more federal common law on the topic. This era had three stages. The first stage concerned the adoption of the Lanham Act, a process that had started before the Supreme Court’s decision in *Erie* but that did not come to fruition until 1946. The second stage, which largely overlapped the third stage, involved efforts to convince the courts to interpret the Lanham Act as creating a “Federal Code of Unfair Competition” with a broad and flexible definition of unfair competition. The third stage involved efforts to amend the Lanham Act to statutorily clarify that it was intended as a federal law of unfair competition by, among other things, defining additional acts of unfair competition.

The Federal Code of Unfair Competition Era began with the adoption of the Lanham Act on July 5, 1946, which went into effect one year later.<sup>63</sup> Most accounts of the history of the Lanham Act do not include any suggestion that it was due to the Supreme Court’s decision in *Erie*, although the Lanham Act’s role in addressing the unfair competition concerns raised by *Erie* is readily acknowledged. The more common story is that the Lanham Act was needed to: (1) address perceived inadequacies in the scope of existing federal trademark law, particularly with respect to the protection of unregistered marks that are used in interstate commerce; (2) comply with international obligations; and (3) stem the proliferation of state trademark laws advocated by lobbyists for trademark bureaus that wanted to sell state trademark registration services.<sup>64</sup>

Work on the federal trademark legislation that would become the Lanham Act began in the latter part of 1937, approximately six months before the decision in *Erie* was rendered. As the story goes, Congressman Fritz Lanham asked noted intellectual property practitioner and author, Edward S. Rogers, to share a draft of trademark legislation he prepared in conjunction with his work with the American Bar Association, Patent

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62. See Note, *Exceptions to Erie v. Tompkins: The Survival of Federal Common Law*, 59 HARV. L. REV. 966 (1946), as reprinted in 13 CURRENT LEGAL THOUGHT 193, 194–201 (1946) (describing cases where the *Erie* doctrine was not applied).

63. Trade-Mark Act of 1946, Pub.L. No. 79–489, 60 Stat. 427 (enacted July 5, 1946).

64. See Sondra Levine, *The Origins of the Lanham Act*, 19 J. CONTEMP. LEGAL ISSUES 22, 25–26 (2004); Edward S. Rogers, *The Lanham Act and the Social Function of Trade-Marks*, 14 LAW & CONTEMPORARY PROBLEMS 173, 177 (1949); Kenneth Perry, *State Trade-Mark Legislation*, 37 TRADEMARK REP. 283 (1947).

Section, on earlier legislation known as the Vestal Bill.<sup>65</sup> That began a nine-year process to adopt the Lanham Act. Throughout this period until his death in 1949, Edward Rogers was not content to limit his advocacy to trademark law; he was also a passionate advocate for an expansive view of unfair competition law and the need for a federal law on the subject.<sup>66</sup> For instance, in 1940, he published an article titled “New Directions in the Law of Unfair Competition” wherein he discussed what he labeled as the wrongs of misrepresentation and misappropriation.<sup>67</sup> Then, in 1945, he wrote an article in which he lamented the gaps in the state law of unfair competition and suggested legislation based upon the language of the Paris Convention as amended at London in 1934 to include Article 10*bis*, among other provisions.<sup>68</sup>

Between Edward Rogers’s original call for a more expansive federal unfair competition law in 1945, and the introduction of proposed legislation in 1959 (as described *infra*), arguments were made encouraging federal courts to take an expansive view of the Lanham Act. The focus of these arguments was on § 44(h) of the Lanham Act which many argued allowed all nature of unfair competition claims affecting interstate commerce to be brought in federal court.<sup>69</sup> Section 44(h) of the Lanham Act, adopted to comply with Article 10*bis*, reads:

(h) Any person designated in paragraph (b) of this section as entitled to the benefits and subject to the provisions of this Act *shall be entitled to effective protection against unfair competition*, and the remedies provided herein for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.<sup>70</sup>

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65. Edward S. Rogers, *The Lanham Act and the Social Function of Trade-Marks*, 14 LAW & CONTEMPORARY PROBLEMS 173, 177 (1949).

66. Edward Rogers’ advocacy with respect to the Lanham Act, and unfair competition law more generally, are detailed in volume 62 of the Trademark Law Reporter, the “Edward S. Rogers Memorial Edition,” 62 TRADEMARK REP. 175 (1972).

67. Edward S. Rogers, *New Directions in the Law of Unfair Competition*, 74 N.Y. L. REV. 317 (1940).

68. Edward S. Rogers, *Unfair Competition*, 35 TRADEMARK REP. 126, 131 (1945). In pertinent part, Article 10*bis* of the Paris Convention states: “(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition. (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.”

69. See Note, *Trade-Marks, Unfair Competition, and the Courts: Some Unsettled Aspects of the Lanham Act*, 66 HARV. L. REV. 1094, 1101–02 (1953); Julius R. Lunsford, Jr., *Unfair Competition: Uniform State Act Needed*, 44 VA. L. REV. 583 (1958), as reprinted in 40 PAT. J. OFF. SOC’Y 644 (1958) (describing the arguments and the state of the unfair competition law twenty years after *Erie*).

70. 15 U.S.C.A. § 1126(h) (West 2002) (emphasis added).



Pursuant to the Stauffer doctrine, the expansive view of the Lanham Act was accepted for a time in the Ninth Circuit,<sup>71</sup> but as more decisional law under the Lanham Act developed, the jurisdictional scope of the Lanham Act became more confused and limited and, ultimately, the arguments for a broad interpretation of § 44(h) did not prevail.<sup>72</sup>

Heeding the original call of Edward Rogers, the Association of the Bar of the City of New York began to advocate for the adoption of a federal law to govern unfair competition.<sup>73</sup> Designed to take advantage of the recently developed *Lincoln Mills* doctrine, which noted the power of federal courts to develop a body of federal common law with respect to federal labor statutes, the general goal of a federal unfair competition law was “to permit the federal courts to resume the fashioning of a uniform and dynamic body of national unfair competition law without compelling recourse to variegated or inadequate state precedents, i.e., ‘checker-board law.’”<sup>74</sup>

Beginning with the start of the two-year legislative session in 1959, Congressman John Lindsay biennially introduced legislation to enact a federal law of unfair competition that would supplement the earlier adopted Lanham Act.<sup>75</sup> As set forth in the 1963 version of the bill, the proposed law would allow “any person damaged or likely to be damaged by unfair commercial activities in or affecting commerce” to bring a civil

71. *Stauffer v. Exley*, 184 F.2d 962 (9th Cir. 1950).

72. Julius R. Lunsford, Jr., *Unfair Competition: Uniform State Act Needed*, 44 VA. L. REV. 583 (1958), as reprinted in 40 PAT. J. OFF. SOC’Y 644 (1958) (discussing the development and demise of the Stauffer doctrine).

73. Peterson, *supra* note 35; see also Louis Kunin, *The Lindsay Bill Before and After the Stiffel Case*, 54 TRADEMARK REP. 731, 736–37 (1964).

From Mr. Rogers’ first draft, after several years of work commenced by the Committee on Trademarks and Unfair Competition of the Association of the Bar of the City of New York, there has now evolved the Lindsay Bill. First introduced in the House in 1959, it was widely circulated among professional groups and other interested parties. A revised version was re-introduced in 1961. After further circulation and comment the Bill was revised again and offered in 1962. Once again, after thorough review by interested groups, additional amendments were made before a current version of the Bill was introduced in both the House and Senate in 1963.

Sidney A. Diamond, *The Proposed Federal Unfair Commercial Activities Act*, 23 OHIO ST. L.J. 110 (1962), reprinted in 52 TRADEMARK REP. 104 (1962).

74. Kunin, *supra* note 73, at 732–33 (citing the decision of the United States Supreme Court in *Textile Workers Union*, 353 U.S. 448); see also *Textile Workers Union of Am. v. Lincoln Mills of Ala.*, 353 U.S. 448, 456 (1957) (holding that the Labor Management Relations Act of 1947 not only gave federal courts jurisdiction in labor disputes, but enabled federal courts to “fashion a body of federal law” to govern such disputes).

75. See H.R. 7833, 86th Cong. (1st Sess. 1959); H.R. 10038, 87th Cong. (2d Sess. 1962); S. 1036, 87th Cong. (1st Sess. 1961); S. 2784, 87th Cong. (2d Sess. 1962); S. 1038, 88th Cong. (1st Sess. 1963).

action in federal court to obtain injunctive relief, costs, and reasonable attorney fees.<sup>76</sup> Unfair commercial activities were defined to include “the commission for purposes of profit of any . . . act or practice which . . . violates reasonable standards of commercial ethics.”<sup>77</sup> In order to overcome the reluctance of common law courts to grant relief in cases where there was no direct competition and no proof of actual damages, the legislation further provided that injunctive relief could be granted despite the “absence of competition between the parties or actual damage to the person seeking protection.”<sup>78</sup>

The Lindsay Bill received its first and apparently only formal hearing in June of 1964.<sup>79</sup> Congressman Lindsay explained: “The basic purpose of the bill is to create a Federal statutory cause of action that could be invoked by an injured party as an alternative to the common law tort of unfair competition in cases where interstate commerce is affected.”<sup>80</sup> In his testimony supporting the legislation, W.G. Reynolds, then President of the United States Trademark Association, noted the legislation would fulfill three needs:

- (a) a sore need to fill-in missing gaps in existing remedies against unfair commercial activities; (b) a need for modernizing these remedies to cope with drastic changes that have been going on all about us in the field of interstate commerce, and (c) a need for encouragement to reputable businessmen who are bewildered and puzzled by the failure of the present law to provide relief commensurate with the shifting wrongs which they are encountering in their day to day business activities.<sup>81</sup>

Despite over six years of effort, the Lanham Act was never amended as proposed, effectively limiting the scope of the Lanham Act to the wrongs that are defined in § 32 with respect to registered marks and § 43 with respect to unregistered marks.<sup>82</sup>

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76. H.R. 4651 and S. 1038, 88th Cong. (1st Sess. 1963).

77. *Id.* at § 3(d).

78. *Id.* at § 4.

79. Walter J. Derenberg, *The Seventeenth Year of Administration of the Lanham Trademark Act of 1946*, 54 TRADEMARK REP. 655, 656–57 (1964) (noting first hearing on Lindsay Bill and opposition thereto from the Attorney General’s Office and the Federal Trade Commission).

80. Hearing on H.R. 4651 Before the Subcomm. on Commerce & Finance of the H. Comm. on Interstate & Foreign Commerce, 88th Cong. 9 (1964) (statement of Rep. Lindsay).

81. *Statement of W.G. Reynolds in Support of Unfair Activities Bill*, 54 TRADEMARK REP. 785, 785 (1964).

82. Trade Mark Act, Pub. L. 489, 79th Cong. (July 5, 1946). As originally adopted, section 43(a) of the Lanham Act provided that:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words of other symbols tending falsely to

The need for a federal law to govern unfair competition became more urgent in 1964 as a result of the *Erie/Sears/Compco* squeeze. In the companion cases of *Sears, Roebuck & Co. v. Stiffel Co.* and *Compco Corp. v. Day-Brite Lighting, Inc.*, decided on the same date in March 1964, the U.S. Supreme Court ruled that Illinois unfair competition law prohibiting product simulation was preempted by federal patent law.<sup>83</sup> This created a dilemma for business interests concerned about the development of unfair competition law in the United States, particularly since Illinois was one of the first and foremost states to recognize that, in the absence of a statute, unfair competition law was to be governed by state common law.<sup>84</sup> Having learned from *Erie* that the federal judiciary had a limited role in the development of common law, the practicing bar was shocked to learn that the very entities that were charged with developing unfair competition law—state courts and legislatures—were prevented by principles of federal preemption from adopting state laws that interfered with federal patent policies.<sup>85</sup>

John Peterson, then Chairman of the Unfair Competition Committee of the American Patent Law Association (now the American Intellectual Property Law Association), expressed the concerns of the practicing bar:

The sweeping language of the Court in *Sears* and *Compco* has made it uncertain how these decisions are to be applied in subsequent cases presenting differing factual situations, and whether they are to be limited

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describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by 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 any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

*Id.* Section 43 of the Lanham Act was subsequently amended seven times since 1988, first in a manner that more clearly specified the wrongs of false advertising and trade disparagement in section 43(a) (15 U.S.C. § 1125(a)), and later to include the wrongs of trademark dilution (15 U.S.C. § 1125(c)) and cyber-squatting (15 U.S.C. § 1125(d)). See Pub. L. 100-667, Title I, § 132, 102 Stat. 3946 (Nov. 16, 1988); Pub. L. 102-542, § 3(c), 106 Stat. 3568 (Oct. 27, 1992); Pub. L. 104-98, § 3(a), 109 Stat. 985 (Jan. 16, 1996); Pub. L. 106-43, §§ 3(a)(2), 5, 113 Stat. 219, 220 (Aug. 5, 1999); Pub. L. 106-113, Div. B, § 1000(a)(9), 113 Stat. 1536, 1501A-545 (Nov. 29, 1999); Pub. L. 109-312, § 2, 120 Stat. 1730 (Oct. 6, 2006); Pub. L. 112-190, § 1(a), 126 Stat. 1436 (Oct. 5, 2012).

83. See generally *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964).

84. See Baird, *supra* note 23, at 425–27.

85. See *Ciro A. Gamboni, Unfair Competition Protection after Sears and Compco*, 55 TRADEMARK REP. 964, 969–70 (1965).

to cases of product simulation or are to be extended to the whole field of unfair competition.<sup>86</sup>

The practicing bar was so concerned about the impact of the *Sears* and *Compco* decisions that the United States Trademark Association (now the International Trademark Association or INTA) regularly reported on developments in the area of state unfair competition in a section of an annual review of the Lanham Act labeled “Unfair Competition and the *Sears-Compco* Doctrine,” lauding any decision that appeared to limit application of the *Sears/Compco* doctrine.<sup>87</sup>

An obvious solution to the *Erie/Sears/Compco* squeeze was the enactment of federal legislation along the lines of the Lindsay Bill. However, concerned members of the bar were not content to leave a solution up to Congress, particularly because the Lindsay Bill had not progressed much in five years.<sup>88</sup> Apparently, the critical difficulty in enacting such a law revolved around the definition of unfair competition. As previously noted, some proponents of a federal law of unfair competition favored broad, general language that might prohibit still unknown forms of unfair competition.<sup>89</sup> Others were fearful of an open-ended definition and advocated for the specification of actionable wrongful acts.<sup>90</sup> Thus, in addition to federal legislation, various other strategies were pursued including: arguments made in a variety of cases to limit the effects of the *Erie*, *Sears*, and *Compco* decisions; proposed amendments to the Federal Trade Commission Act; and the adoption of a state Uniform Deceptive Trade Practices Act.<sup>91</sup> Proposals were also made

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86. Peterson, *supra* note 35, at 28.

87. See, e.g., H. Bowen Wands, *Priority: Lanham Act or Model State Trademark Bill?*, 58 TRADEMARK REP. 801 (1968); Walter J. Derenberg, *The Twenty-Fifth Year of Administration of the Lanham Trademark Act of 1946*, 62 TRADEMARK REP. 393, 499 (Aug. 1972); Walter J. Derenberg, *The Twenty-Fourth Year of Administration of the Lanham Trademark Act of 1946*, 61 TRADEMARK REP. 257, 322 (July 1971); Walter J. Derenberg, *The Twenty-Third Year of Administration of the Lanham Trademark Act of 1946*, 60 TRADEMARK REP. 387, 462 (Aug. 1970); Walter J. Derenberg, *The Twenty-Second Year of Administration of the Lanham Trademark Act of 1946*, 59 TRADEMARK REP. 625, 712 (Aug. 1969); Kenneth B. Germain, *The Thirty-Fourth Year of Administration of the Lanham Act of 1946*, 71 TRADEMARK REP. 285, 495 (July–Aug. 1981); Peterson, *supra* note 35, at 776; Brief in Support of Congressional Passage, *supra* note 38, at 735.

88. Peterson, *supra* note 35, at 45 (“This Bill, representing the distillation of years of hard and painstaking effort, has produced reactions ranging from enthusiastic support to bitter denunciation. . . . [I]t has been attacked for its vagueness, for its failure to give definition to the term ‘unfair commercial activity,’ and for extending the law beyond the bounds of the Federal Trade Commission Act.”).

89. *Supra* notes 67–76.

90. *Infra* notes 99–104.

91. Peterson, *supra* note 35, at 28–48; see also Peterson, *supra* note 35, at 55, n.181 (giving a history of the Uniform Deceptive Trade Practices Act); *supra* note 66 (providing citations for the

for the adoption of federal legislation to make it clear that patent law was not intended to preempt state trade secret law.<sup>92</sup>

The practicing bar's interest in solving the *Erie/Sears/Compco* squeeze was so great that a National Coordinating Committee consisting of over 36 professional associations was formed in order to find a solution.<sup>93</sup> Members of this committee included the American Patent Law Association, the United States Trademark Association, and the PTC Section of the American Bar Association.<sup>94</sup> As detailed in the 1966 Report of Committee 402, the PTC was frequently asked to consider what it referred to as the perennial Lindsay Bill.<sup>95</sup> In 1962, a resolution favoring the legislation was defeated by a margin of 75 to 66.<sup>96</sup> In 1963 and 1964, however, resolutions favoring the bill were passed.<sup>97</sup> Two reasons were given for support of the Lindsay Bill: the need to replace variegated state precedents resulting from *Erie* and the need to resolve the federal-state conflict noted in the *Sears* and *Compco* cases.<sup>98</sup>

When the Lindsay Bill stalled in Congress, its supporters proposed to effectuate its purposes by amending the Lanham Act.<sup>99</sup> There followed additional efforts by members of the PTC and the National Coordinating Committee to fashion legislation that would be acceptable to both the practicing bar and members of Congress.<sup>100</sup> Known as the McClellan Bill, after the Senator who introduced it and denominated the

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Unfair Competition and the Sears-Compco Doctrine section in the Trademark Rep., which cites cases relevant to this discussion).

92. Roger M. Milgrim, *Trade Secrets, Interference with Contracts, and Related Matters*, 1974 A.B.A. SEC. PAT., TRADEMARK & COPYRIGHT L. COMMITTEE REP. § 402, at 252–53 [hereinafter Trade Secrets 1974] (detailing resolutions to this effect since 1969); Richard F. Dole, Jr., *Trade Secrets, Interference with Contracts, and Related Matters*, 1973 A.B.A. SEC. PAT., TRADEMARK & COPYRIGHT L. COMMITTEE REP. § 402, at 173–74 [hereinafter Trade Secrets 1973].

93. Brief in Support of Congressional Passage, *supra* note 38, at 89–90, n.5.

94. Brief in Support of Congressional Passage, *supra* note 38, at 89–90, n.5–n.6.

95. Dayton R. Stemple, Jr., *Unfair Competition*, 1966 A.B.A. SEC. PAT., TRADEMARK & COPYRIGHT L. COMMITTEE REP. § 402, at 126 [hereinafter Unfair Competition 1966]; cf. Boynton P. Livingston, *Unfair Competition*, 1963 A.B.A. SEC. PAT., TRADEMARK & COPYRIGHT L. COMMITTEE REP. § 402, at 164 [hereinafter Unfair Competition 1963] (demonstrating that at the time of the drafting of the UTSA, Committee 402 was the committee charged with considering issues related to the law of unfair competition, including “state and federal laws relating to trade secrets,” “problems arising out of violations of trade secrets and inducement of breach of contract,” and “other possible forms of unfair competition”).

96. Unfair Competition 1966, *supra* note 93, at 126.

97. Unfair Competition 1966, *supra* note 93, at 126.

98. Louis Kunin, *Unfair Competition*, 1964 A.B.A. SEC. PAT., TRADEMARK & COPYRIGHT L. COMMITTEE REP. § 402, at 108–09.

99. Tom Arnold, *A Federal Unfair Competition Law, McClellan S. 3681, 89th Cong.*, 57 TRADEMARK REP. 116, 117 (1967).

100. Unfair Competition 1966, *supra* note 93, at 127–28.

Unfair Competition Act of 1966, this legislation differed from the Lindsay Bill in a number of respects.<sup>101</sup> Most notably, rather than establishing a separate federal law of unfair competition, it proposed various amendments to § 43 of the Lanham Act.<sup>102</sup> Among its proposed provisions was new § 43(a)(4), which would have imposed civil liability on any person who engaged “in any act, trade practice, or course of conduct” that “results or is likely to result in the wrongful disclosure or misappropriation of a trade secret or other research or development or commercial information maintained in confidence by another[.]”<sup>103</sup>

As described in a brief in support of the McClellan Bill, the legislation was needed to: (1) fill the gaps in the common law of unfair competition that were left by *Erie*; (2) resolve conflicting state rulings and approaches; (3) eliminate the conflict of laws problem resulting from increased interstate commerce; (4) foster greater uniformity; (5) provide a framework for the development of a federal common law of unfair competition; and (6) provide for remedies consistent with those provided under the patent and copyright statutes.<sup>104</sup> In other words, like the UTSA that followed it, the McClellan Bill was not designed simply to codify existing principles of unfair competition law; it was designed to alter those principles in several respects.

Debate about the proposed Unfair Competition Act of 1966 included whether the Act should include a broad catch-all provision or be limited to a specific list of actionable wrongs.<sup>105</sup> A compromise was struck to include specific examples of unfair competition followed by a generic definition of unfair competition that (consistent with the language of Article 10*bis* of the Paris Convention) prohibited any act that “is otherwise contrary to commercial good faith or to normal and honest practices of the business or activity in which he is engaged[.]”<sup>106</sup> With

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101. Brief in Support of Congressional Passage, *supra* note 38, at 91.

102. See S. 3681, 89<sup>th</sup> Cong. (1967); S. 1154, 90<sup>th</sup> Cong. (1968).

103. See *id.*

104. Brief in Support of Congressional Passage, *supra* note 38, at 88–89.

105. Unfair Competition 1966, *supra* note 93, at 128 (“The generic approach of the Lindsay bill and the proposed amendment to the Lanham Act appears to be favored now by a large majority”).

106. Unfair Competition 1966, *supra* note 93, at 130; see also Brief in Support of Congressional Passage, *supra* note 38, at 104; cf. Sharon K. Sandeen, *The Limits of Trade Secret Law: The Story of Article 39 of TRIPS and the Limited Scope of Trade Secret Protection in the United States*, in *THE LAW AND THEORY OF TRADE SECRECY: A HANDBOOK OF CONTEMPORARY RESEARCH* (Rochelle Dreyfuss & Katherine Strandburg, eds., 2011) (explaining that a similar compromise was reached in the drafting of Article 39 of the World Trade Organization, Agreement on Trade Related Aspects of Intellectual Property (the TRIPS Agreement), following the United States’s proposal to add trade secret misappropriation to the list of acts of unfair competition specifically recognized by the international community).

respect to the proposed trade secret provision, an issue arose about how to draft the language so it would cover information that was not absolutely secret; in other words, information that is only relatively secret because it is disclosed to another in the course of a confidential relationship.<sup>107</sup>

### C. *The Uniform State Law Era*

At the same time federal legislation was being pursued, members of the practicing bar also undertook efforts to fill gaps in state unfair competition law through, among other means, the adoption of uniform state laws, including the Uniform Deceptive Trade Practices Act (UDTPA).<sup>108</sup> As described in minutes of a meeting of the Unfair Competition Committee of NCCUSL, efforts to adopt what would become the UDTPA began in 1958 when the PTC section of the ABA requested that NCCUSL “study and draft a uniform state law on unfair competition.”<sup>109</sup> Although it was recognized that there were several forms of unfair competition, it was determined that the law of unfair competition should be divided into the following two general areas for purposes of the adoption of uniform laws: “An Act dealing with false, confusing or deceptive trade identification and false, confusing or deceptive

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107. Brief in Support of Congressional Passage, *supra* note 38, at 101 (“A problem area stems from the fact that most alleged secrets are secrets only in a qualified sense: secret for one purpose but not for another, secret from one person or group of persons but not from another.”).

108. National Conference of Commissioners on Uniform State Laws, Revised Uniform Deceptive Trade Practices Act (1966); *cf.* Kunin, *supra* note 71, at 734–35 (demonstrating that other strategies and theories for resurrecting a federal body of unfair competition law were attempted without success); *e.g.* Kunin, *supra* note 71, at 735, n.42 (citing *Nat’l Fruit Prods. Co. v. Dwinell-Wright Co.*, 47 F. Supp. 499 (D. Mass. 1942)) (explaining that beginning in 1942, there was a series of cases in which plaintiffs argued that § 5 of the Federal Trade Commission Act created a private right of action that would allow individuals and businesses to bring a suit in federal court.); Kunin, *supra* note 71, at 735, n.39 (citing *Stauffer v. Exley*, 184 F.2d 962 (9th Cir. 1950)) (demonstrating that in 1950, the Ninth Circuit took the position that §§ 44(b), (h), and (i) of the Lanham Act conferred federal jurisdiction over unfair competition claims); Kunin, *supra* note 71, at 733–34, n.26 (citing *Kemart Corp. v. Printing Arts Research Labs.*, 269 F.2d 375 (9th Cir. 1959)) (stating that there was a series of cases, beginning with *Kemart Corp.*, in which it was contended that the unfair competition provisions of the Paris Convention and the Inter-American Convention were self-executing and, therefore, the “supreme law of the land” under the U.S. Constitution and that, as a result, federal courts were authorized to develop a federal body of unfair competition law); Kunin, *supra* note 71, at 375, n.43 (citing *L’Aiglon Apparel, Inc. v. LanaLobell, Inc.*, 214 F.2d 649 (3d Cir. 1954)) (arguing that § 43(a) of the Lanham Act should be interpreted to cover ordinary cases of passing off and product simulation).

109. National Conference of Commissioners on Uniform State Laws, *Proceedings of the Committee of the Whole Uniform Trade Practices Act*, at 1-2 (August 4, 1962).

representations as to the source or origin of goods; [and] an Act dealing with trade secrets and confidential disclosures.”<sup>110</sup>

Thus, the UDTPA does not contain a trade secret provision. Nor does it specifically address other behaviors that the common law of state and federal courts, pre-*Erie*, deemed unfair, like those described in *INS*. Instead, it focuses on the behaviors that are also covered by § 43 of the Lanham Act; An obvious goal being to provide a possible state claim for relief where the interstate commerce requirements of the Lanham Act could not be met.

Professor Richard Dole, who also was actively involved in the promulgation of the Uniform Trade Secrets Act (discussed *infra*), was involved in drafting the UDTPA. In his 1964 article on the topic, he described the state of unfair competition law that precipitated the enactment of the UDTPA:

Deceptive conduct constituting unreasonable interference with another’s promotion and conduct of business is part of a heterogeneous collection of legal wrongs known as “unfair trade practices.” This type of conduct is notoriously undefined. Commonly referred to as “unfair competition,” its metes and bounds have not been charted.<sup>111</sup>

Ultimately adopted by NCCUSL at its August 1964 meeting and subsequently adopted by 11 states,<sup>112</sup> the UDTPA was designed “to bring state law up to date by removing undue restrictions on the common-law action of deceptive trade practices.”<sup>113</sup>

Although the UDTPA singled out certain objectionable practices (namely, misleading trade identification and false or deceptive advertising), it was intended to leave courts “free to fix the proper ambit of the Act in case-by-case adjudications.”<sup>114</sup> As explained in the Prefatory Note to the UDTPA:

In 1958 the Section of Patents, Trademark and Copyright Law of the American Bar Association passed a resolution which stated that “there should be uniformity in the law of unfair competition among the respective states.” . . . Since the provisions of the Lindsey Bill and of the

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110. *Id.*; see also, Letter from Frances D. Jones, Executive Secretary of NCCUSL, to G.M. Fuller, Esq. (December 7, 1966).

111. Richard F. Dole, Jr., *Uniform Deceptive Trade Practices Act: A Prefatory Note*, 54 TRADEMARK REP. 435, 435 (1964).

112. Delaware, Illinois, Maine, Oklahoma, Colorado, Georgia, Hawaii, Minnesota, Nebraska, New Mexico, and Ohio. Other states have unfair competition statutes, but they did not adopt the UDTPA. See e.g., Calif. Bus. & Prof. Code §§ 17200-17209.

113. Dole, Jr., *supra* note 111, at 436.

114. Dole, Jr., *supra* note 111, at 436.



Uniform Act are sufficiently similar, the main question is the route by which uniformity is obtained—voluntary adoption by the state legislatures or by a federal act imposing a particular rule on the states.

The Uniform Act is designed to bring state law up to date by removing undue restrictions on the common law action for deceptive trade practices. Certain objectionable practices are singled out, but courts are left free to fix the proper ambit of the act in case by case adjudication.<sup>115</sup>

Thus, in the same way that the Lindsay legislation was designed both to fill the vacuum in unfair competition law that was left by *Erie* and provide more uniformity, certainty, and clarity in the law of unfair competition, the UDTPA was designed to supplement and change a body of common law that was thought to be deficient.

Although nothing happened at NCCUSL with respect to a uniform trade secrets act between 1958 and late 1968, in 1966 the PTC decided to consider the need for a uniform trade secret law.<sup>116</sup> While Committee 402 of the PTC convened to consider the advisability of a federal unfair competition law that included provisions regarding trade secrets, Committee 107, Protection of Confidential Rights and Know-How, was considering related questions.<sup>117</sup> The principal concern of Committee 107 was that the scope of trade secret protection varied from state to state, particularly with respect to the treatment of departing employees.<sup>118</sup> Concern was also expressed that the proposed amendments to the Lanham Act would not eliminate the need for state law and that inconsistency in the laws of various states was leading to forum shopping.<sup>119</sup> In 1968, a resolution favoring the adoption of a uniform trade secrets act was approved by the PTC and, consistent with a long-standing relationship between the ABA and NCCUSL, the matter was

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115. National Conference of Commissioners on Uniform State Laws, Revised Uniform Deceptive Trade Practices Act (1966).

116. James M. Heilman, *Protection of Confidential Rights and Know-How*, 1967 A.B.A. SEC. PAT. TRADEMARK & COPYRIGHT L. COMMITTEE REP. § 107, at 59 [hereinafter *Protection of Confidential Rights 1967*]; Robert E. Isner, *Trade Secrets, Interference with Contracts and Related Matters*, 1967 A.B.A. SEC. PAT., TRADEMARK & COPYRIGHT L. COMMITTEE REP. § 402, at 140.

117. G. Franklin Rothwell, *Protection of Confidential Rights and Know-How*, 1966 A.B.A. SEC. PAT. TRADEMARK & COPYRIGHT L. COMMITTEE REP. § 107, at 63.

118. See *Protection of Confidential Rights 1967*, *supra* note 116, at 59–61.

119. Leonard B. Mackey, *Protection of Confidential Rights and Know-How*, 1968 A.B.A. SEC. PAT. TRADEMARK & COPYRIGHT L. COMMITTEE REP. § 107, at 68 (“Recent proliferation of various state statutes, each taking a slightly different tack than the others, may create a pattern of legislation resulting in the situs determining the protection to be afforded the owner of a trade secret. This is undesirable. It is deemed highly desirable that the problem be approached through the enactment of a uniform act by states in addition to any amendment of Federal statutes.”).

referred to NCCUSL for further handling.<sup>120</sup> The 1968 resolution by the PTC supporting a uniform trade secrets act, together with expressions of support from other interested parties, provided the impetus for a trade secret project.<sup>121</sup>

The resurrected uniform trade secrets act project began with the formation within NCCUSL of a Special Committee on Uniform Trade Secrets Protection Act (hereinafter the Special Committee) chaired by Commissioner Joseph McKeown and the preparation of a report by Professor Richard Dole on the current state of trade secret law.<sup>122</sup> In August 1972 at the Annual Meeting of NCCUSL held in San Francisco, the proposed UTSA received its first reading.<sup>123</sup> According to a verbatim transcript of the first reading, the focus of the NCCUSL Commissioners' early discussions was on four broad policy questions.<sup>124</sup> But the question was also raised whether a uniform law was needed at all. As a NCCUSL Commissioner explained: "Any time I approach a proposal for legislation, my first question is: Which is better in this area, the common law process or legislation?"<sup>125</sup> The answer to this question helps explain not only the purpose of the UTSA, but also its meaning and import. Professor Dole responded that he thought the UTSA could resolve a number of abuses that were occurring under the common law, and what he referred to as the

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120. Edward C. Vandeburgh, *Resolution 14*, 1968 A.B.A. SEC. PAT. TRADEMARK & COPYRIGHT L. COMMITTEE REP. § 95 at 68; *cf.* Relationship between American Bar Association and National Conference of Commissioners of Uniform State Laws (explaining that the NCCUSL was created in 1892 upon the recommendation of the ABA); Instructions for ABA Advisors to Drafting Committees of the National Conference of Commissioners on Uniform State Laws (February 1, 1979) (demonstrating that the by-laws of NCCUSL specifically require that it notify and consult with the appropriate committee or section of the ABA); NCCUSL Drafting Committee Status Report (1978–1979) (demonstrating that at the time of the adoption of the UTSA in 1979, Edward T. McCabe was the ABA liaison to the NCCUSL Drafting Committee on Uniform Trade Secrets).

121. *See, e.g.*, Letter from the American Chemical Society to Allison Dunham of NCCUSL (April 13, 1969).

122. Letter from Allison Dunham, Executive Director of NCCUSL, to Albert F. James, Jr. (July 30, 1969) ("Professor Richard Dole of the University of Iowa prepared a study report for this committee which has just been circulated to the chairman of the committee. . . . The reporter, Richard Dole, has just been made a Commissioner from Iowa which may present some awkwardness in his being reporter for another Commissioner.").

123. National Conference of Commissioners of Uniform State Laws, *Proceedings of the Committee of the Whole Uniform Trade Secrets Protection Act*, (August 4–11, 1972) [hereinafter 1972 Proceedings on Uniform Trade Secrets].

124. *Id.* at 8-24.

125. *Id.* at 31, comments of Commissioner Keeton. *See also* Trade Secrets 1973, Subcomm. C Report, *supra* note 92, at 179 (posing the question "whether it might be preferable to rely on common law rather than upon a statutory solution in cases involving misappropriation").

preemption problem—the preemption problem referring to *Sears, Compco*, and their progeny.<sup>126</sup>

Following the first reading of the proposed UTSA in August of 1972, work on the project continued both at NCCUSL and the ABA.<sup>127</sup> With the decision of the Sixth Circuit Court of Appeals in *Kewanee Oil Co. v. Bicron Corp.*<sup>128</sup> in May 1973, however, the entire project was put on hold due to doubts about the ability of states to legislate in the area of trade secret law.<sup>129</sup> The Sixth Circuit’s decision in *Kewanee* was the third in a series of post-*Sears/Compco* cases that created doubt about the continued viability of claims for trade secret misappropriation based upon state law.<sup>130</sup> The first was the U.S. Supreme Court’s 1969 decision in *Lear, Inc. v. Adkins*, in which the Court overturned the well-established doctrine of licensee estoppel and held that patent licensees could challenge the validity of patents that were the subject of their licenses.<sup>131</sup> The second was the decision in *Painton & Company, Ltd. v. Bourns, Inc.*, in which the district court refused to enforce the trade secret provisions of a manufacturing agreement, finding a conflict with patent policy.<sup>132</sup> When the Second Circuit Court of Appeals overruled the district court’s decision in *Painton* in 1971, the practicing bar breathed a sigh of relief.<sup>133</sup> For over two years thereafter, it was assumed that trade secret law could co-exist with patent law. That assumption changed when the Sixth Circuit Court of Appeals rendered its decision in *Kewanee*.<sup>134</sup>

With the conflicting decisions and reasoning of the circuit courts in *Kewanee* and *Painton*, circumstances were ripe for the U.S. Supreme Court to decide whether state trade secret law was preempted by federal

126. *Id.* at 32-33; see also *supra* Part III.B (explaining that the “pre-emption problem” refers to the implications of the *Sears/Compco* decisions on state trade secret law).

127. Letter to William H. Adams, III from Joseph McKeown (April 13, 1973); Trade Secrets 1973, Subcomm. C Report, *supra* note 90, at 179; Letter to Special Committee Members from Joseph McKeown (July 5, 1973).

128. 478 F.2d 1074 (6th Cir. 1973).

129. Trade Secrets 1973, Subcomm. C Report, *supra* note 90, at 180 (“The future of our efforts and those of the National Conference with respect to the promulgation and adoption of the Uniform Trade Secrets Act will remain in doubt unless and until the Congress enacts legislation negating any federal intent to preempt state causes of action for unfair competition.”). See also Trade Secrets 1974, *supra* note 92, at 254 (noting that no activity was taken with respect to the UTSA pending the outcome of the *Kewanee* case).

130. See Roger M. Milgrim, *Sears to Lear to Painton: Of Whales and Other Matter*, 46 N.Y.U. L. REV. 17, 25–32 (1971); Joseph P. Zammit, *The Ghost of Sears-Compco Is Finally Laid to Rest (Or is It?)*, 3 HOFSTRA L. REV. 37, 37–40 (1975).

131. 395 U.S. 653 (1969).

132. 309 F. Supp. 271 (S.D.N.Y. 1970).

133. 442 F.2d 216 (2d Cir. 1971).

134. 478 F.2d 1074 (6th Cir. 1973).

patent law. The Court's 1974 decision that Ohio's common law of trade secrecy was not preempted by U.S. patent law solved the preemption problem in part, allowing efforts to craft a uniform trade secrets act to resume in late 1975.<sup>135</sup> The UTSA was finally approved by NCCUSL at its annual meeting in August 1979, over forty-years after *Erie*.<sup>136</sup> However, despite the fact that trade secret claims based upon state law (at least as defined by the Supreme Court in *Kewanee*) were not preempted by U.S. patent law, the possibility of federal preemption of state unfair competition law remains as a constraint on the ability of states to regulate in the area of unfair competition, as does the language of the UTSA itself.<sup>137</sup>

#### IV. THE CURRENT STATE OF U.S. UNFAIR COMPETITION LAW

As a result of the foregoing history, unfair competition law in the United States is an amalgamation of federal and state statutes, international law, and state and federal common law. But it is a body of law that is limited in scope due to the principle of free competition that undergirds U.S. law<sup>138</sup> and the principles of federal preemption that are expressed in *Sears*, *Compco*, *Kewanee*, and § 301 of the 1976 Copyright Act.<sup>139</sup> Thus, while *Erie* seemingly required the development of a robust body of state common law to govern unfair competition, that law never materialized. Moreover, the broad and amorphous definition of unfair competition urged by Edward Rogers, Richard Dole, and others has not been adopted as federal law—except to the extent it is encompassed in the Federal Trade Commission's application of the Federal Trade Commission Act of 1914 (discussed *infra*).<sup>140</sup>

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135. 416 U.S. 470 (1974).

136. National Conference of Commissioners of Uniform State Laws, *Proceedings of the Committee of the Whole Uniform Trade Secrets Act* (August 6–7, 1979).

137. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989); 17 U.S.C. §301 (2012); see also Uniform Trade Secrets Act, § 7 (1979).

138. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 38 (AM. LAW INST. 1995).

139. See Guy A. Rub, *A Less-Formalistic Copyright Preemption*, 24 J. INTELL. PROP. L. 327 (2017) (discussing the scope of copyright preemption); Sharon K. Sandeen, *Kewanee Revisited: Returning to First Principles of Intellectual Property Law to Determine the Issue of Federal Preemption*, 12 MARQ. INTELL. PROP. L. REV. 299, 301 (2008) (discussing the scope of patent preemption as applied to trade secret law); Edmund J. Sease, *Misappropriation Is Seventy-Five Years Old; Should We Bury It or Revive It?*, 70 N.D. L. REV. 781, 807–808 (1994) (describing how principles of federal preemption restrain the INS misappropriation doctrine); *Federal Preemption of State Unfair Competition Laws.*, 78 HARV. L. REV. 177, 309 (1964) (discussing the *Sears/Compco* cases).

140. Some states have adopted such a definition, notably California which adopted Business and Professions Code §17200 in 1941.

In 1995, following most of the major developments in U.S. unfair competition law post-*Erie*, the American Law Institute (ALI) issued a separate volume on unfair competition law, divorcing it from the Restatement of Torts where it previously resided. Although lengthy, consisting of over 600 pages with case citations, it illustrates the limited scope of the modern law of unfair competition in the United States as it covers only four topics: (1) the freedom to compete; (2) deceptive marketing; (3) the law of trademarks; and (4) appropriation of trade values. It also demonstrates how much this law is based upon statutes as opposed to state common law. As explained in the Forward to the Restatement (Third) of Unfair Competition:

Federal and state statutes play a significant, sometimes dominant role in many of the substantive areas encompassed within this Restatement. For the most part the federal legislation does not preempt state law, and both federal and state unfair competition statutes generally rely without significant elaboration on concepts derived from the common law. The interstate character of modern business accentuates the interest in uniformity—an interest advanced by a consistent interpretation of both the common law rules and derivative statutory provisions that define the boundaries of fair competition. Except as otherwise noted, the principles discussed in this Restatement are applicable to actions at common law and to the interpretation of analogous federal and state statutory codifications.<sup>141</sup>

The relevant federal laws include the Lanham Act, § 5 of the Federal Trade Commission Act,<sup>142</sup> and the Defend Trade Secrets Act of 2016.<sup>143</sup> There are also a variety of other federal laws and regulations that regulate the behaviors of competitors in certain circumstances, including antitrust laws and U.S. patent and copyright law.<sup>144</sup> At the state level, the principal laws governing unfair competition are the Uniform Trade Secret Act (now adopted by 48 of 50 states and all U.S. Territories)<sup>145</sup> and the Uniform Deceptive Practices Act or similar statutes, often referred to as little FTC

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141. RESTATEMENT (THIRD) OF UNFAIR COMPETITION, Forward (AM. LAW INST. 1995).

142. 15 U.S.C. § 45 (2012).

143. See, respectively: 15 U.S.C. § 1 (2012); 35 U.S.C. § 101 (2017); 17 U.S.C. § 101 (2011).

144. See Edward A. Purcell, Jr., *Ex Parte Young and the Transformation of the Federal Courts, 1890–1917*, 40 U. TOL. L. REV. 931, 939 (2009) (“[T]he common-law language of the Sherman Antitrust Act . . . effectively delegated to the federal courts a new authority for shaping national policy through the guise of statutory construction.”).

145. See National Conference of Commissioners of Uniform State Laws, *Legislative Fact Sheet—Trade Secrets Act*, UNIFORM LAW COMMISSION (2018), [<http://www.uniformlaws.org/LegislativeFactSheet.aspx?title=Trade%20Secrets%20Act>] [<https://perma.cc/H23N-XH8U>].

Acts.<sup>146</sup> Many states have also adopted laws and regulations that regulate various behaviors and aspects of competition within specific industries.<sup>147</sup>

Before *Erie*, there were federal trademark statutes and a rich body of federal jurisprudence governing registered trademarks, with unregistered trademarks being governed by state law or the federal general common law invalidated by *Erie*.<sup>148</sup> In fact, as Mark McKenna has noted, both before and after *Erie*, it was the federal courts, rather than Congress or state courts and legislatures, that developed most of trademark law's substantive rules.<sup>149</sup> Since *Erie*, unfair competition law in the form of the federal, state, and common law of trademarks has continued to evolve and has expanded greatly despite the fact that § 44(h) of the Lanham Act was not interpreted as broadly as some would have liked.<sup>150</sup> This is primarily the result of an expansive view of § 43(a) of the Lanham Act that started to take root in the late 1960s<sup>151</sup> and subsequent amendments to § 43 that expanded the types of wrongs that are actionable under the Lanham Act.<sup>152</sup>

A critical change from pre-*Erie* law to post-*Erie* law that was included in the Lanham Act was the extension of federal trademark law to unregistered marks that are used in interstate commerce<sup>153</sup> and the expansion of federal trademark law as a result of amendments to the Lanham Act. Now, in addition to trademark infringement, false advertising, and trade disparagement as defined by § 43(a) of the Lanham Act, the Lanham Act also prohibits trademark dilution and cybersquatting.<sup>154</sup> Although state statutes and state common law continue to exist and evolve in parallel with federal law, because of the broad interpretation of interstate commerce under the Lanham Act, federal trademark law—including applicable federal common law—dominates trademark practice in the United States.

According to the ALI, the appropriation of trade values referenced in the Restatement (Third) of Unfair Competition refers to a number of

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146. See National Consumer Law Center, *Consumer Protection in the States*, STATE-BY-STATE SUMMARIES OF UDAP STATUTES, (January 10, 2009), <https://www.nclc.org/images/pdf/udap/analysis-state-summaries.pdf> [<https://perma.cc/C83Q-84HJ>].

147. *Id.*

148. *Erie R. Co. v. Tompkins*, 304 U.S. 64. (1938).

149. Mark McKenna, *Trademark Law's Faux Federalism*, in *INTELLECTUAL PROPERTY AND THE COMMON LAW* 288, 288–310 (Shyamkrishna Balganes, ed., 2013).

150. *Id.*

151. Kenneth B. Germain, *Unfair Trade Practices Under Section 43(a) Lanham Act: You've Come a Long Way, Baby, Too Far, Maybe?*, 49 *IND. L. J.* 85 (1973).

152. *Supra* note 80.

153. *Id.*

154. 15 U.S.C. § 1125 (2012).

possible civil claims, including: (1) trade secret misappropriation; (2) the violation of rights of publicity in one's identity; and (3) applicable federal and state statutes, breach of contract claims, and common law copyright claims.<sup>155</sup> Specifically, § 38 of the Restatement of Unfair Competition states:

One who causes harm to the commercial relations of another by appropriating the other's intangible trade values is subject to liability to the other for such harm *only if*:

- a) the actor is subject to liability for an appropriation of the other's trade secret under the rules stated in §§ 39-45; or
- b) the actor is subject to liability for an appropriation of the commercial value of the other's identity under the rules stated in §§ 46-49; or
- c) the appropriation is actionable by the other under federal or state statutes or international agreements, or is actionable as a breach of contract, or as an infringement of common law copyright as preserved under federal copyright law. (Emphasis added.)

Of these categories, trade secret law is now largely governed by state and federal statutes with only New York still clinging to state common law.<sup>156</sup> Similarly, approximately half of the states have adopted rights of publicity statutes.<sup>157</sup> With the adoption of the 1976 Copyright Act and subsequent amendments thereto—including the recent Music Modernization Act—so-called common law copyrights are sparse.<sup>158</sup> Thus, overall, the existence of federal and state statutes means that the common law of unfair competition now largely consists of state and federal decisional law interpreting the relevant statutes but with some narrowly tailored common law claims thrown in.

Conspicuously absent from the text of § 38 of Restatement (Third) of Unfair Competition is the *INS* misappropriation doctrine and other common law theories of unfair competition. Rather, the comments to § 38 note that the *INS* misappropriation doctrine has had little enduring

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155. RESTATEMENT (THIRD) OF UNFAIR COMPETITION, Chapter 4 (AM. LAW INST. 1995).

156. *Supra* note 143.

157. See Jennifer E. Rothman, *The Law*, ROTHMAN'S ROADMAP TO THE RIGHT OF PUBLICITY, <https://www.rightofpublicityroadmap.com/law> [<https://perma.cc/ZZX5-NQSQ>] (online database of state rights of publicity law).

158. See Zvi S. Rosen, *Common-Law Copyright*, 85 U. CIN. L. REV. 1055 (2018) (detailing the scope of common law copyright before the adoption of the Music Modernization Act of 2018).

effect.<sup>159</sup> This makes sense when one realizes that the *INS* misappropriation doctrine was effectively overruled by *Erie*, as it constituted federal general common law as opposed to federal common law.<sup>160</sup> Additionally, although some states since *Erie* adopted the principles of *INS* as state law, such claims are often precluded or preempted.<sup>161</sup> For instance, in many states that adopted the UTSA, common law causes of action related to the protection of information not qualifying as trade secrets are precluded by § 7 of the UTSA which states:

EFFECT ON OTHER LAW. (a) Except as provided in subsection (b), this [Act] displaces conflicting tort, restitutionary, and other law of this State providing civil remedies for misappropriation of a trade secret. (b) This [Act] does not affect: (1) contractual remedies, whether or not based upon misappropriation of a trade secret; (2) other civil remedies that are not based upon misappropriation of a trade secret; or (3) criminal remedies, whether or not based upon misappropriation of a trade secret.<sup>162</sup>

Although poorly drafted because it uses the term trade secret when it meant competitively significant information not qualifying for trade secret protection, § 7 of the UTSA has been interpreted to mean that all state tort claims based upon state common law or statutes related to the protection of information not qualifying as a trade secret are precluded by the UTSA.<sup>163</sup> Moreover, depending upon the underlying facts and whether the information that is alleged to have been taken under a common law misappropriation theory is protected by copyright or falls into the scope of patentable subject matter, an *INS* claim may also be preempted by § 301 of the U.S. Copyright Act or the principles announced in *Sears, Compco*, and *Kewanee*.

The U.S. unfair competition law with the broadest potential scope is the Federal Trade Commission Act because it outlaws “unfair methods of

159. RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 38, cmt. b (AM. LAW INST. 1995).

160. *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, 650 F.3d 876, 894 (2d Cir. 2011) (“*INS* itself is no longer good law. Purporting to establish a principal of federal common law, the law established by *INS* was abolished by *Erie Railroad Co. v. Tompkins*, . . . which largely abandoned federal common law.”).

161. *See Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841, 851 (2d Cir. 1997) (noting that most of the New York common law of unfair competition as recognized in *Metro. Opera Ass’n v. Wagner-Nichols Recorder Corp.*, 101 N.Y.S.2d 483 (Sup. Ct. 1950), *aff’d*, 107 N.Y.S.2d 795 (App. Div. 1951) is preempted by section 301 of the 1976 Copyright Act).

162. *See* UTSA, § 7, cmt. (“trade secrets” as used in Section 7 means “competitively significant information”).

163. *See* *BlueEarth Biofuels, LLC v. Hawaiian Elec. Co., Inc.*, 123 Hawaii 214 (2010); *but see* *Burbank Grease Services, LLC v. Sokolowski*, 294 Wisc. 2d 274 (2006).



competition or unfair or deceptive act or practice in or affecting commerce” and empowers the Federal Trade Commission (FTC) to enforce the law.<sup>164</sup> Section 5(n) of the FTC Act defines unlawful acts or practices as those that “cause[] or [are] likely to cause substantial injury to consumers which is not reasonably avoidable by consumers themselves and not outweighed by countervailing benefits to consumers or to competition.”<sup>165</sup> Critical decisions over the past 100 years have defined the scope of the FTC’s power and its ability to determine what constitutes unfair or deceptive acts of practices in a manner that gives the FTC a lot of power to regulate unfair business practices.<sup>166</sup> However, the FTC Act does not create a private right of action, meaning that the ability to create a federal common law of unfair competition that extends beyond the Lanham Act is necessarily limited by the cases that the FTC chooses to pursue.

As detailed previously, another reaction to *Erie* concerned trade secret law, a branch of unfair competition law. Prior to *Erie*, trade secret law (as then defined) was highly reliant upon the common law of the states.<sup>167</sup> Because of the promulgation of the UTSA in 1979, its adoption by all states except New York and North Carolina, and the 2016 enactment of the DTSA, U.S. trade secret law is now governed nearly exclusively by statutes.<sup>168</sup> In contrast to trademark law, however, state common and decisional law is a significant underlying source of U.S. trade secret principles due to the different ways that the two bodies of law developed and the means by which gaps in trade secret and a trademark law were filled post-*Erie*.<sup>169</sup> To put it simply, there was a larger body of state common law with respect to trade secret principles from which federal courts could draw post-*Erie*, and because most trade secret cases were filed in state court (at least before the enactment of the DTSA), that law continued to develop largely unabated. Also, whereas the scope of

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164. Federal Trade Commission Act, Pub. L. 79-489 (July 5, 1946); 15 U.S.C. § 45(b) (2012).

165. 15 U.S.C. § 45(n) (2012).

166. Herbert Hovenkamp, *The Federal Trade Commission and the Sherman Act*, 62 FLA. L. REV. 871, 873 (2010) (giving a history of the FTC Act and noting: “Today, the jurisdiction of the FTC over anticompetitive practices is well established. Not only does the Commission have explicit power to enforce the Clayton Act directly, but also the Supreme Court has held that the FTC’s power to condemn ‘unfair methods of competition’ covers everything that the Sherman Act covers and goes even further to reach a ‘penumbra’ of practices that are not covered by the Sherman Act.”).

167. Sandeen, *supra* note 9, at 496.

168. *Supra* note 143.

169. Compare Sharon K. Sandeen, *The Evolution of Trade Secret Law*, 33 HAMLINE L. REV. 493 (2010) (describing the development of U.S. trade secret law), with Mark McKenna, *Trademark Law’s Faux Federalism*, in INTELLECTUAL PROPERTY AND THE COMMON LAW (Shyamkrishna Balganes, ed., 2013) (describing the development of trademark law).

trademark protection has expanded post-*Erie*, trade secret protection contracted with the adoption of the UTSA.<sup>170</sup>

Of the types of unfair competition listed in the Restatement (Third) of Unfair Competition, the law governing rights of publicity is the only body of law that is governed exclusively by state statutory and common law.<sup>171</sup> Since *Erie*, this law has continued to develop through the enactment of statutes by more states and the common law process, but in fits and starts.<sup>172</sup> As a result, uniformity is mostly lacking. This body of law, then, serves as a stark example of what U.S. trademark and trade secret law might have looked like 80 years after *Erie* if policymakers and members of the bar had not intervened to pass the Lanham Act and the UTSA. When it comes to statutory solutions for perceived acts of unfair competition, it also suggests that policymakers and members of the bar are more motivated to protect the commercial interests of businesses than the privacy interests of individuals.

## V. CONCLUSION

In many respects, unfair competition law in the United States today is much more robust than it was at the time *Erie* was decided in 1938, but that is not because of the common law development of state unfair competition law. Rather, it is because of the adoption and enforcement of federal and state unfair competition statutes, including the Federal Trade Commission Act, the Lanham Act, the Uniform Trade Secrets Act, and the Defend Trade Secrets Act of 2016. But while numerous unfair competition statutes exist and are enforced, they are also limited in ways that the amorphous and ever-changing common law is not. This is partly a result of *Sears, Compco*, and their progeny, but it is often by design as legislatures struggle to define the fine line between fair and unfair competition. Thus, two things are clear about the U.S. law of unfair competition eighty years after *Erie*: it is largely defined by state and federal statutes and it is limited in type and scope.

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170. Sandeen, *supra* note 10, at 527–529.

171. David S. Welkowitz & Tyler T. Ochoa, *Teaching Rights of Publicity: Blending Copyright and Trademark, Common Law and Statutes, and Domestic and Foreign Law*, 52 ST. LOUIS U. L.J. 905, 906–07 (2008) (“[U]nlike patent, trademark, and copyright, rights of publicity are governed by a patchwork quilt of state statutes and common-law decisions, rather than by a single federal statute; and unlike trade secret law, rights of publicity are not the subject of a uniform state law adopted in the vast majority of states, in addition to a federal criminal law.”).

172. JENNIFER E. ROTHMAN, *RIGHT OF PUBLICITY: PRIVACY REIMAGINED FOR A PUBLIC WORLD* (2018).