

COMMENTS

Reverse Passing Off: Preventing Healthy Competition

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I. INTRODUCTION

Chad Wayland, a university student, was an avid snowboarder.¹ When he was not on the slopes or involved with homework, he was waxing his board or experimenting with adjustments to it in his garage. Eventually, Chad discovered that some of the adjustments that he had

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1. This hypothetical is loosely based on a case that was filed in the District Court, Western District of Washington, in 1995.

made to his board really improved its performance. His snowboarding friends noticed it too. Chad ended up with a small garage business, fixing up snowboards for his friends and their friends.

One day, a Japanese corporation approached Chad and asked if he would sell them a few of his modified snowboards. Knowing that this was an excellent opportunity to develop a business that he really loved, Chad accepted the offer. He purchased twenty snowboards from the Slide Corporation, modified fifteen of them, and sent the entire batch to the Japanese corporation. The Japanese corporation was impressed with his modified board. It ordered 200 more and offered to pay a very large amount. It also asked him to send fifty of Slide's boards without the modification, just so that they could offer their customers two options. It would also compensate him for the trouble of sending the unmodified Slide boards.

Excited, Chad entered into an agreement with the Japanese corporation. Finally, somebody appreciated his ingenuity! Unfortunately, somebody else did not appreciate his ingenuity, or his competition. Slide Corporation soon sued Chad under Section 43(a) of the Lanham Act² for reverse passing off.

Reverse passing off occurs when one party removes or obliterates the original trademark on a product, without permission, and sells the product either unbranded, or with the actor's own mark.³ Some courts have extended the cause of action to include situations like Chad's, where a product has been somewhat modified, rebranded, and sold.⁴

Unfortunately for the Chads of the world, many courts are stifling competition and product development by expanding the use of reverse passing off. This primarily injures small entrepreneurs, like Chad, who are often economically deprived. If Chad had the resources to set up a shop, he could legally manufacture the entire snowboard as long as it was not patented.⁵ However, this is probably not a realistic option for a young entrepreneur like Chad, who does not have the funds for that kind of an operation.

2. Lanham Act of 1946 § 43, § 15 U.S.C. § 1125(a) (1977).

3. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §§ 25:6, 25:8, at 25-10 & 25-12 (4th ed. 1996). A trademark is not necessarily in logo form on a product; the product itself can serve as a trademark if it identifies the source of the product.

4. Some plaintiffs are urging the extension of reverse passing off to cover "grey marketing" of products. This occurs when an actor purchases a branded product and then resells the product in its original branded state to a third party, as when Chad sold the unmodified Slide snowboards to the Japanese corporation. Slide would seek to capture the Japanese market by preventing Chad from selling its snowboards to the Japanese corporation.

5. See, e.g., *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964).

The Ninth Circuit historically has protected the ability of entrepreneurs to enter the marketplace by limiting a reverse passing off action to cases where there has been a "bodily appropriation," in other words, where the original product has simply been relabeled.⁶ Unfortunately, by moving away from this standard and toward a standard adopted by some of the other circuits, the Ninth Circuit has protected monopolies and raised barriers to marketplace entry.⁷

In order to protect creativity, the development of products, and access to the marketplace, the Ninth Circuit should readopt the strict bodily appropriations test when determining whether a plaintiff has a legitimate claim under the Lanham Act for reverse passing off. This test protects product originators from having their products mislabeled and it protects entrepreneurs like Chad, who can make valuable contributions to products.

This Comment begins with a brief description of the origins of reverse passing off, followed by its evolution in the Ninth Circuit. The expansion of this cause of action in some other circuits is examined; and finally, this Comment explains how the expansion of this cause of action can promote unfair competition and injure healthy competition, a consequence that the Lanham Act was intended to prevent.

II. THE DEVELOPMENT OF REVERSE PASSING OFF

A. *Passing Off*

The tort of "passing off" or "palming off" appeared in the early nineteenth century as a descendant of fraud and deceit.⁸ Passing off consisted of selling one's goods under the pretense that they originated from another source.⁹ For instance, the sale of a cheap watch with a "Rolex" mark on it would constitute passing off. As with fraud and deceit, during the tort's early years, passing off generally required a wrongful intent on the part of the actor.¹⁰

In 1946, "passing off" and other forms of commercial misconduct were incorporated into the Lanham Act as forms of unfair competi-

6. See, e.g., *Smith v. Montoro*, 648 F.2d 602 (9th Cir. 1981) (replacing the name of an actor on film credits and in advertising with the name of another actor that did not star in the film stated claim for express reverse passing off).

7. See discussion *infra* Parts III, IV.

8. MCCARTHY ON TRADEMARKS, *supra* note 3, § 25:1, at 25-4. The terms "palming off" and "passing off" are used interchangeably.

9. *Id.*

10. *Id.* at 25-4 to 25-6.

tion.¹¹ Although the Lanham Act does not specifically mention passing off, this action falls within Section 43(a), which prohibits false designations of origins.¹² Because the Lanham Act is concerned with protecting consumers from becoming confused by the use of similar marks, the wrongful intent element is no longer necessary for a finding of "passing off."¹³

Today, "passing off" continues to be a major form of unfair competition.¹⁴ The term is often used in situations where an actor has substituted the goods of one manufacturer for the goods of a manufacturer requested by a customer.¹⁵ For example, a customer might order a Ford brand car part from an auto supply store. The store, which is out of the Ford brand, sends the customer the same part made by brand X and hides the fact that the part is not the Ford brand that was ordered. The store has just passed off brand X's part as a Ford part. Traditional "passing off" is still prevalent too, but probably more often in other countries where popular brand names such as "Gucci," "Chanel," and "Rolex" are affixed to products which are not.¹⁶

B. Section 43(a) of the Lanham Act

Section 43(a) of the Lanham Act prohibits unfair competition such as "passing off." An action will arise under this section of the Lanham Act when

[a]ny person who, on or in connection with any goods or services . . . uses in commerce . . . any false designation of origin . . . which is likely to cause confusion, or to cause mistake or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods¹⁷

Two main policies are served by the Lanham Act: the protection of consumers against deception and confusion as to the origin or nature

11. Lanham Act of 1946 § 43(a), 15 U.S.C. § 1125(a) (1997).

12. 15 U.S.C. § 1125(a). This section has been applied to various actions involving unfair competition and commercial misconduct, perhaps because there is very little legislative history to guide courts on what specific actions may be brought under § 43(a). See Joseph P. Bauer, *A Federal Law of Unfair Competition: What Should be the Reach of Section 43(a) of the Lanham Act?*, 31 U.C.L.A. L. Rev. 671, 752 (1984).

13. MCCARTHY ON TRADEMARKS, *supra* note 3, § 25:01(1) at 25-6.

14. *Id.*, § 1:12 at 1-27.

15. *Id.*

16. The author purchased just such a product while in the British Virgin Islands. It was a "Gucci" bag, and it was priced well below the real thing.

17. 15 U.S.C. § 1125(a) (1997).

of a trademarked product, and the protection of trademark owners from others who would take advantage of the owners' good will or deceive consumers as to the origin or nature of the products sold under their marks.¹⁸

Section 43(a) was enacted mainly to codify the common law action of "passing off."¹⁹ Because reverse passing off was not actionable at common law,²⁰ the early actions under Section 43(a) were limited primarily to traditional passing off claims. It was not until several years later that other types of unfair competition claims were brought under Section 43(a).²¹

C. The Appearance of Reverse Passing Off

The first case to expand Section 43(a) to other forms of unfair competition was *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*²² In that case, a defendant was held liable for using a photograph of a competitor's higher quality dress in advertising its inferior, cheaper dress. The use of Section 43(a) in other unfair competition situations slowly expanded from that point.²³ Reverse passing off was first found to be actionable under Section 43(a) in *John Wright, Inc. v. Casper Corp.*, a case that addressed the misbranding of a product.²⁴

There are two types of reverse passing off claims: express reverse passing off and implied reverse passing off.²⁵ Express reverse passing off occurs when the original trademark is removed or obliterated without permission, and the actor sells the product with her own mark.²⁶ Implied reverse passing off occurs when the original trademark is removed without permission, and the actor sells the product in an unbranded state.²⁷ For instance, if Chad removes the Slide label from snowboards and sells them with a "Chad" label on them, he has committed express reverse passing off. If Chad instead removes the Slide label and sells the snowboards with no label, he has committed implied reverse passing off. Several courts have held that implied

18. Bauer, *supra* note 13, at 752-53.

19. Lori H. Freedman, *Reverse Passing Off: A Great Deal of Confusion*, 83 TRADEMARK REP. 305, 307 (1993).

20. *Id.*

21. Bauer, *supra* note 13, at 681-83.

22. 214 F.2d 649 (3d Cir. 1954).

23. Bauer, *supra* note 13, at 684-85.

24. 419 F. Supp. 292 (E.D. Pa. 1976).

25. MCCARTHY ON TRADEMARKS, *supra* note 3, § 25:6 & 25:8 at 25-10 to 25-12.

26. *Id.* § 25:6 at 25-10.

27. *Id.* § 25:8 at 25-12.

reverse passing off is not actionable.²⁸ This Comment focuses on the more common action of express reverse passing off.

III. REVERSE PASSING OFF IN THE NINTH CIRCUIT

A. *Smith v. Montoro* and Copyright Law

The Ninth Circuit first recognized reverse passing off as a cause of action under Section 43(a) of the Lanham Act in *Smith v. Montoro*.²⁹ In *Smith*, the defendant, a motion picture company, had removed the plaintiff-actor's name from the credits of a film that the plaintiff had starred in and replaced the plaintiff's name with the name of another actor. The plaintiff sued under Section 43(a). The court found that "a section 43(a) claim may be based on economic practices or conduct that is 'economically equivalent' to palming off," and that "[s]uch practices include reverse passing off."³⁰ The court recognized that reverse passing off, like passing off, involves the wrongful misappropriation of another's talents and workmanship. This misappropriation deprives from a product's originator the value of its name and goodwill. Consumers are also deceived as to the true source of a product.³¹ The plaintiff in *Smith* had been deprived of receiving recognition in the film credits, a significant misappropriation in the acting industry because actors sell their services to other filmmakers on the basis of previous film credits and name recognition.³²

The *Smith* case involved the misappropriation of an entire product or service through a false designation—in this case, the true actor's identity. The next cases addressed by the Ninth Circuit concerned the question of *how much* misappropriation of a product or service was necessary to state a reverse passing off action. As with *Smith*, many of these cases involved the entertainment industry.³³

Some of the first cases after *Smith* alleged reverse passing off in conjunction with copyright infringement claims.³⁴ An element under copyright infringement is whether the copyrighted work is substantially similar to the defendant's work. If so, and if the defendant had labeled

28. *Id.*

29. 648 F.2d 602 (9th Cir. 1981).

30. *Id.* at 605.

31. *Id.* at 607.

32. *Id.*

33. See, e.g., *Shaw v. Lindheim*, 919 F.2d 1353 (9th Cir. 1990); *Lamothe v. Atlantic Recording Corp.*, 847 F.2d 1403 (9th Cir. 1988); *Litchfield v. Spielberg*, 736 F.2d 1352 (9th Cir. 1984).

34. See, e.g., *Litchfield*, 736 F.2d at 1352; *Kamar Int'l, Inc. v. Russ Berrie and Co.*, 657 F.2d 1059 (9th Cir. 1981).

the substantially similar work as her own, then, some plaintiffs reasoned, the defendant essentially had misappropriated the plaintiff's workmanship and committed reverse passing off under the Lanham Act. For many years, the Ninth Circuit avoided the question of whether reverse passing off extended to cases of substantial similarity by finding that there was no substantial similarity between products.³⁵

B. *The Bodily Appropriations Test*

Nine years after the *Smith* decision, the Ninth Circuit addressed the substantial similarity question. In *Shaw v. Lindheim*,³⁶ the Court again faced a situation where a reverse passing off claim was brought in conjunction with a copyright infringement claim. The plaintiff in *Shaw* alleged that the defendant had wrongly broadcast a television series that was substantially similar to a pilot script that he had submitted to the defendant years earlier.

The Court determined that a reasonable trier of fact could find that the works were substantially similar for purposes of copyright infringement, but it dismissed the plaintiff's Lanham Act claim. The Court limited reverse passing off claims to "situations of bodily appropriations," stating, "We decline to expand the scope of the Lanham Act to cover cases in which the Federal Copyright Act provides an adequate remedy."³⁷ The reverse passing off doctrine was limited to two situations: express reverse passing off, where "the wrongdoer removes the name or trademark on another party's product and sells that product under a name chosen by the wrongdoer;" and implied reverse passing off, where the wrongdoer "removes or otherwise obliterates the name of the manufacturer or source and sells the product in an unbranded state."³⁸

The bodily appropriations test adopted by the Ninth Circuit was a sensible attempt to balance the competing policies underlying reverse passing off: (1) the belief that people who expend time, labor, and energy to develop a product or service should be afforded recognition; and (2) the belief that the freedom to imitate, duplicate, and improve upon products is vital to our free market economy.³⁹ Through this limiting test, the Court sought to punish those who would "free ride" and profit from a competitor's efforts while continuing to encourage

35. See, e.g., *Litchfield*, 736 F.2d at 1352; *Kamar Int'l*, 657 F.2d at 1059.

36. 919 F.2d 1353 (9th Cir. 1990).

37. *Id.* at 1364-65.

38. *Id.* at 1364.

39. Freedman, *supra* note 20, at 334 ("[R]everse passing off should be prevented where the policy of protecting an individual's efforts outweighs the policy of promoting competition.").

improvement, development, and healthy competition, especially where products were unprotected by copyrights or patents.

C. *Movement Away From the Bodily Appropriations Test*

Unfortunately, the Ninth Circuit appears to be moving away from the strict bodily appropriations standard adopted in *Shaw*. This evolution can first be seen in *Summit Machine Tool Manufacturing Corp. v. Victor CNC Systems, Inc.*⁴⁰ In *Summit*, the court expressed its belief that an exact copy is not necessary to constitute a bodily appropriation: “[a] defendant may also be guilty of reverse palming off by selling or offering for sale another’s product *that has been modified slightly* and then labeled with a different name.”⁴¹

Summit carried reverse passing off and the bodily appropriations test out of the entertainment field and away from adjoining copyright claims. The defendant in *Summit* had purchased lathes from a Chinese manufacturer for resale in the United States. The plaintiff had an exclusive contract with the Chinese manufacturer to sell the lathes outside of China, and demanded that the defendant stop selling the lathes. When the defendant continued its sales, the plaintiff brought an action under the Lanham Act. The lathes sold by the defendant were not identical to the lathes that the plaintiff was selling; however, the plaintiff claimed that since it was not seeking protection under the Copyright Act, the Lanham Act should afford it relief in this situation. The court disagreed, finding that there was no bodily appropriation because the lathes were “substantially different, and could not be considered as the same lathes.”⁴² The court reasoned that because the purpose of the Lanham Act is “to prevent individuals ‘from misleading the public by placing their competitors’ work forward as their own,’” and because the lathes were different, “the likelihood that the two lathes [would] be confused [was] minimal.”⁴³

A “bodily appropriation” under *Summit* occurs when two products are not “substantially different.”⁴⁴ This is necessarily a higher threshold of similarity than the “substantially similar” standard employed by copyright law. Under the “substantial similarity” standard, “duplication or near identity is not necessary to establish

40. 7 F.3d 1434 (9th Cir. 1993).

41. *Id.* at 1437 (quoting *Roho, Inc. v. Marquis*, 902 F.2d 356, 359 (5th Cir. 1990) (emphasis added)).

42. *Id.* at 1438. The court also acknowledged that the defendant would be entitled to copy the plaintiff’s lathe because the lathe was unpatented. *Id.*

43. *Id.* at 1439 (quoting *Shaw*, 919 F.2d at 1364).

44. *Id.* at 1438.

infringement."⁴⁵ By contrast, "bodily appropriation" conveys a much higher degree of similarity. Because the purposes of the Lanham Act are to avoid consumer confusion and prohibit unfair competition, the bodily appropriation standard focuses on whether differences between products are so minimal that a consumer is likely to be confused, and whether it is likely that the product was actually misappropriated.⁴⁶

For example, Chad would probably not be liable for reverse passing off under the strict bodily appropriations test because he did modify the Slide board, and the modifications were not insignificant. Under the *Summit* standard, Chad might be liable for reverse passing off if a court found that his modifications did not make his board substantially different from Slide's board. Fortunately for Chad, a court using the *Summit* reasoning might look at differences in the board that do not affect its appearance, such as modifications affecting only the board's performance, in order to determine if the board is substantially different from the Slide board.⁴⁷ In comparison, under the substantial similarity standard, Chad would be liable for reverse passing off if his modified snowboards appeared to be substantially similar to the original Slide snowboard. Thus, even if Chad's changes greatly improved the snowboard's performance, and even if the snowboard was not a near-duplicate of the Slide board, a court could still find that Chad had committed reverse passing off under the substantial similarity standard.

In its most recent case involving reverse passing off, the Ninth Circuit, perhaps influenced by other circuits,⁴⁸ turned to copyright law to define "bodily appropriation" as the "copying or unauthorized use of *substantially* the entire item."⁴⁹ The Court determined that "slight modifications of a product might cause customer confusion, while products which are merely generally similar will not."⁵⁰ Under this relaxed standard, the plaintiff in *Shaw* probably had a claim for

45. *Sid & Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157, 1167 (9th Cir. 1977). Several factors such as the materials used, the type of artwork involved, the subject matter, the setting for the subject, and the "response of the ordinary reasonable person" are considered in determining whether two expressions are substantially similar. *Id.* at 1164.

46. It seems as though the intent element required in the tort actions of fraud and deceit may be reappearing in Lanham Act causes of action.

47. *Summit*, 7 F.3d at 1438. In making its decision, the court took into account differences in the lathes that did not necessarily affect the appearances of the lathes. *Id.* The court also acknowledged that the defendant would be entitled to copy the plaintiff's lathe because the lathe was unpatented. *Id.*

48. See *infra* Part IV.

49. *Cleary v. News Corp.*, 30 F.3d 1255, 1261 (9th Cir. 1994) (quoting *Harper House, Inc. v. Thomas Nelson, Inc.*, 889 F.2d 197, 205 (9th Cir. 1989) (emphasis added)).

50. *Id.*

reverse passing off.⁵¹ Similarly, Slide probably has a claim against Chad under this standard if Chad used substantially the entire Slide snowboard.

Reverse passing off in the Ninth Circuit is now more focused on the policy of protecting individuals' efforts, rather than on promoting product development and competition. This position has also been taken by some other circuits; and it is directly contrary to the main purpose of trademark law, which is to promote and regulate commerce by preventing unfair competition.⁵² These policies are better served by the bodily appropriations standard, which addresses situations that are truly unfair by protecting product originators when there has been no product development and the original product has essentially been misappropriated.

IV. REVERSE PASSING OFF IN OTHER CIRCUITS

A. *Substantial Similarity in the Second Circuit*

The Second Circuit relies on the substantial similarity test from copyright law to determine if there has been reverse passing off under the Lanham Act.⁵³ In *Waldman Publishing Corp. v. Landoll, Inc.*, the Second Circuit criticized the Ninth Circuit's bodily appropriations test, stating "[w]e see no reason for such a bright-line rule."⁵⁴

Waldman involved two book publishers that published children's books based on classic novels. The parties' books were not exact copies, and the cover designs were not found to be confusingly similar.⁵⁵ There were a few similarities between the books: the texts "closely follow[ed]" each other, which logically would be expected because the books were based on classic stories; the chapters were arranged similarly, again probably because of the underlying classic story; and "[m]any of the illustrations in the Landoll books depict[ed] the same events as [were] illustrated in the Waldman books," perhaps for the same reason previously mentioned.⁵⁶ Nevertheless, the court found that consumers were likely to be confused, "even though the

51. See *Shaw*, 919 F.2d at 1363 ("[T]he similarity between Shaw's script and defendants' pilot is not so general. . .").

52. U.S. CONST. art. I, § 8, cl. 3. Similarly, the purpose of other intellectual property law is also "[t]o promote the progress of science and useful arts," rather than to protect individuals. U.S. CONST. art. 1, § 8, cl. 8.

53. See e.g., *Waldman Publishing Corp. v. Landoll, Inc.*, 43 F.3d 775 (2d Cir. 1994).

54. *Id.* at 784.

55. *Id.* at 779.

56. *Id.*

Landoll books are 'substantially similar' to but not 'bodily appropriations' of the Waldman books."⁵⁷

The Second Circuit attempted to explain the differences between a copyright infringement action and a Lanham Act action: "Through a copyright infringement action, a copyright owner may control who publishes, sells or otherwise uses a work. Through a Lanham Act action, an author may ensure that his or her name is associated with a work when that work is used."⁵⁸ What the court failed to envision is that under its Lanham Act test, an author of a work can also largely control who publishes, sells, or otherwise uses a work that is substantially similar to the author's because the author may now bring a cause of action under Section 43(a) of the Lanham Act. Other authors thus are prohibited from developing, selling, or using anything substantially similar to the original work without attributing it to the original author. The only use that an original author would not be able to control would be the resale of her properly labeled products. Of course, a copyright owner can also ensure that her name is associated with a work that is used. In this way, the Second Circuit has managed to blur the lines between copyright law and the Lanham Act.

The *Waldman* court focused only on the injury to the originator of a product, and failed to address the promotion of competition through use of others' unpatented ideas.⁵⁹ In fact, there does not appear to be any unfair competition in *Waldman* that should have been prevented through a reverse passing off action. In effect, the Second Circuit gave the plaintiff a monopoly on children's books that are based on classic novels. This discourages other authors with similar ideas from developing and improving such a product. In the end, consumers pay higher prices for these books because there is only one available source.

B. Reverse Passing Off in the Fifth Circuit

The Fifth Circuit has adopted a test that is much like the Ninth Circuit's latest bodily appropriations test.⁶⁰ In *Roho, Inc. v. Marquis*, the Fifth Circuit described reverse passing off as the "direct misappropriation of the services or goods of another," as well as "selling or offering for sale another's product that has been modified slightly and

57. *Id.* at 784.

58. *Id.* at 781.

59. *Id.* at 785 ("[T]he misrepresentation may be likely to induce prospective purchasers to buy additional goods or services from the actor, resulting in a diversion of trade from the party seeking relief.").

60. See *Roho, Inc. v. Marquis*, 902 F.2d 356 (5th Cir. 1990).

then labeled with a different name."⁶¹ Unlike the Second Circuit, the Fifth Circuit in *Roho* recognized the benefits of promoting competition.

The plaintiff in *Roho* manufactured wheelchair cushions and small mattresses comprised of four wheelchair cushions. These products were unpatented. The defendant purchased some of the plaintiff's wheelchair cushions, removed the plaintiff's labels from the cushions, and fastened ten of the cushions together to create a mattress, which he marketed under his own name to various hospitals.⁶² Unlike the plaintiff's small mattress, the defendant's large mattress had a manual adjustment feature.⁶³ Nevertheless, the two mattresses were "virtually indistinguishable" in appearance.⁶⁴ In order to force the defendant to stop marketing his mattresses, the plaintiff brought a reverse passing off action.

The court found that the defendant had made more than a slight modification of the plaintiff's product. The defendant had created a new product that could not be considered a "re-labeled *Roho* mattress," and his actions therefore did not constitute reverse passing off.⁶⁵ The court correctly noted that copyists of unpatented products "serve the public interest by promoting competition and price reductions."⁶⁶ "If Marquis can buy component parts from *Roho* and assemble them into a product at a price that is competitive with another of *Roho*'s products, that competition serves the public interest."⁶⁷ The plaintiff, after all, had profited from the sale of its wheelchair cushions to the defendant.⁶⁸

In effect, the Fifth Circuit in *Roho* properly prevented the plaintiff from engaging in unfair competition by monopolizing a market with an unpatented product. Had the plaintiff wanted to prevent others from improving and developing its wheelchair cushions, it could have applied for a patent.⁶⁹ It did not, and thus it should not be allowed to circumvent the patent requirements through the Lanham Act.

61. *Id.* at 359.

62. *Id.* at 357.

63. *Id.*

64. *Rojo, Inc.*, 902 F.2d at 357.

65. *Id.* at 360.

66. *Id.*

67. *Id.* at 361.

68. *Rojo, Inc.*, 902 F.2d at 361.

69. In fact, it is possible that these cushions were improperly trademarked. A functional item cannot be trademarked, and should instead be patented for protection. Granting a trademark to such an item might be an unconstitutional circumvention of the "limited times" portion of the Intellectual Property Clause, creating an unfair monopoly. See U.S. CONST. art. I, § 8, cl. 8.

If Slide were to bring an action against Chad in the Fifth Circuit, Slide would probably lose for the same reasons. Even though Chad's modified board may be "virtually indistinguishable" in appearance from the Slide board, Chad's modifications will probably not be considered "slight" if the performance of the board is greatly improved. Furthermore, Slide's board is presumably not patented. Thus, Slide has no right to monopolize the snowboard market through trademark law.

C. *Expansion of Reverse Passing Off in the Seventh Circuit*

Like the Second Circuit, some courts in the Seventh Circuit have taken an expansive view of reverse passing off claims. One court in particular was willing to expand this cause of action far beyond its definition.⁷⁰ In *Singh v. Xytel Corp.*, the court determined that if a "situation is similar to the classic examples of reverse passing off, the court should not apply the definition literally."⁷¹

In *Singh*, the defendants sold computer software developed by the plaintiff under an agreement. When the relationship between the parties soured, the defendants copied the plaintiff's computer systems and sold them under their own name.⁷² The plaintiff brought a reverse passing off claim. Although the defendants argued that no such cause of action exists when products are merely copied, rather than purchased and resold under a different name, the court determined that the plaintiff had stated a claim under the Lanham Act.⁷³

The *Singh* court focused on the policy that "those who invest time, money and energy into the development of a favorable reputation [should] reap the advantages of their investment."⁷⁴ The court then sought to give effect to this policy by allowing a reverse passing off claim under Section 43(a).⁷⁵ In doing so, the court failed to realize that it was setting a dangerous precedent: if competitors are not allowed to copy products and offer alternatives to consumers, competition is stifled and monopolies are created. Injuries such as the one in this case are better remedied through contract law and copyright law.⁷⁶

70. See *Singh v. Xytel Corp.*, 1 U.S.P.Q.2d 1741 (N.D. Ill. 1986).

71. *Id.* at 1743.

72. *Id.* at 1742.

73. *Id.* at 1743.

74. *Singh*, 1 U.S.P.Q.2d at 1743.

75. *Id.*

76. Copyright law can be used to protect some aspects of computer programs, such as computer files, visual displays, and intermediate copying of computer object code. See *Sega*

V. REVERSE PASSING OFF: HARMING FAIR COMPETITION

A. Consumer Confusion

In a traditional passing off case, where the wrongdoer has misappropriated a competitor's trademark and used it on an inferior product, Section 43(a) acts to prevent consumers from being deceived into thinking that the inferior product originated from the source that makes the genuine article. This deceit is both unfair to the consumer, who expects to purchase the real thing when she sees the trademark, and the originator, who stands behind the products branded with its trademark.

In reverse passing off, the only source of consumer confusion is in the belief about who produced the product. The alleged "wrongdoer" is not taking advantage of the good will of the originator by misappropriating a trademark, but rather is using the product to enhance its own good will. This does not injure the originator, who has already been paid for the product by the "wrongdoer." The originator may be deprived of some good or bad publicity, depending upon the quality of its products; but this is not an illegal effect, nor is it a recognized form of unfair competition.⁷⁷

In a situation where an originator's goods have been altered past the point where a bodily appropriation of the goods has occurred, the Lanham Act no longer protects only the originator's good or bad publicity in a reverse passing off action. Modifications to the product may change the product quality significantly; and the good or bad publicity engendered from the modified product belongs in part to the person who made the changes.

Enterprises Ltd. v. Accolade, Inc., 977 F.2d 1510 (9th Cir. 1992).

77. MCCARTHY ON TRADEMARKS, *supra* note 3, § 25:6 at 25-11. The Lanham Act did not contemplate protecting against every conceivable confusion. See 15 U.S.C. § 1127 ("The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks . . . ; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks . . .") (emphasis added). In the 1960s, a bill was introduced to create a federal cause of action for unfair competition that, among other things, would have condemned acts likely to cause confusion with respect to affiliation, connection, or associations of persons with respect to origin, and source of sponsorship of goods or services. This bill did not pass.

B. *Creation of Competition*

Reverse passing off may create some competition for the originator, but only if the so-called "wrongdoer" is able to keep the quality of its product up to par with the product of the originator. If not, the market will soon discover where the better deal is, and the "wrongdoer" will be out of business. Furthermore, because the originator is being paid by the "wrongdoer" for the products it is using and rebranding, the "wrongdoer" must mark up its product to make any money. Unless the wrongdoer's product includes some significant improvements over the original, consumers will likely purchase the original and will not pay the extra money.

For the most part, the market will solve the reverse passing off problem on its own without the aid of the Lanham Act. Moreover, the Lanham Act was not meant to stifle the development of products. If consumers are willing to pay more for Chad's improved snowboards because they work better than the Slide boards, then they should be able to do so. Slide may be forced to compete by improving its product, or by targeting a different class of snowboarders. Alternatively, Slide could even propose a joint business relationship with Chad.

The reality is that some businesses view any competition as "unfair." These businesses would rather not cater to consumers' changing needs and desires. However, if a business is not responsive to market demands, or if it is simply inefficient, then perhaps it is time for the business to be replaced. Good businesses that are faced with competition will step up to the challenge and will usually survive in the marketplace.⁷⁸

C. *Other Available Avenues of Protection*

Businesses have many means of protecting what they have developed. One of the most obvious is protection through patent law. Patent law confers a limited monopoly, preventing others from using

78. The Boeing Company provides a good example. For years it was the leader in the commercial airplane industry. It has recently faced competition from Airbus, a European Community government-sponsored aircraft manufacturer. Boeing aggressively complained to the U.S. Government that Airbus was unfairly receiving subsidies from European governments. In fact, Boeing itself receives subsidies indirectly from the U.S. Government in the form of government contracts for projects in its Defense and Space Division. When Boeing realized that complaining about "unfair competition" was not winning back its market share, it began to take steps to compete with Airbus. The outcome of this story remains to be seen. See, e.g., Shane Spradlin, *The Aircraft Subsidies Dispute in the GATT's Uruguay Round*, 60 J. AIR L. & COM. 1191, 1199-1200 (1995).

a particular idea that is described in a patent.⁷⁹ Patent law rewards the inventor who has advanced the "useful arts"⁸⁰ by granting a corner on the market for a period of time.

Anybody who wishes to protect their idea can apply for a patent. The process for obtaining a patent is admittedly complicated and costly. There is a good reason why this is so: restricting people from using and developing ideas exacts too high of a price from society unless an invention can meet stringent requirements to be worthy of a limited monopoly. Thus, the Lanham Act should not be applied to circumvent patent law by allowing the protection of ideas through strained causes of action under the guise of "unfair competition."

Many reverse passing off cases arise through soured business relationships. This is an expensive way to define a business relationship that ought to have been defined under contract law. It is the responsibility of businesses to address potential problems up front when a contract is negotiated and signed. If all parties understand product rights in the beginning, then nobody will have to resort to improper causes of action under the Lanham Act in the future.

Additionally, tort law may be able to address some of the more egregious situations that can arise in a reverse passing off scenario. For instance, in cases where the "wrongdoer" is advertising or otherwise representing that it produced or invented a product that it has merely rebranded, a cause of action under fraud, deceit, or misrepresentation might be appropriate.

Finally, an action under copyright law is often the suitable approach to take.⁸¹ As previously mentioned, many reverse passing off cases are brought in conjunction with copyright law claims. A copyright protects the expression of an idea; and a cause of action can be brought when someone has copied that expression. The Lanham Act does not protect expressions; it protects against consumer confusion and unfair competition. As the Ninth Circuit recognized in *Shaw*, if an adequate remedy is provided under the Federal Copyright Act, the plaintiff has no business stretching the Lanham Act to give it yet another cause of action.⁸²

79. See 35 U.S.C. §§ 1-376.

80. U.S. CONST. art. I, § 8, cl. 8.

81. See 17 U.S.C. §§ 101-1010.

82. 919 F.2d at 1364-65. But see Bauer, *supra* note 13 (arguing for a more expansive application of § 43(a)).

VI. CONCLUSION

The law of unfair competition is slowly being transformed by some courts into a law of fair competition.⁸³ Instead of prohibiting the use of certain unfair practices, would-be competitors are confined to a code of specific conduct that inhibits their ability to enter the marketplace and improve goods and services. In the end, this injures the consumer who will not have the options or favorable pricing that might otherwise be available.

Reverse passing off is a cause of action that prevents healthy competition. It does not significantly protect against consumer confusion, and it tends to protect big, established businesses who do not want to engage in innovative competition. Instead, reverse passing off prevents progress by cutting newcomers off from the market who would otherwise contribute creative modifications and improvements to products.

Patent law, contract law, tort law, and copyright law are all available to protect deserving products. Businesses can even protect products that do not deserve protection through licensing contracts, exclusive dealings contracts, or contracts to purchase improvements and ideas from other entrepreneurs. Perhaps Slide could make Chad a part of its team instead of running to court.

Because most product improvements are made in increments, the law should encourage this type of product development. This can only be accomplished if reverse passing off is strictly confined to the bodily appropriations test first adopted by the Ninth Circuit. The Ninth Circuit should reverse its current trend toward a more expansive reverse passing off action and help the Chads of the world compete with big business.

83. See RUDOLF CALLMANN, *UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES*, § 2.09 at 32 (Louis Altman ed., 4th ed. 1995).