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Section 43(a) of the Lanham Act: Its Development and Potential

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SECTION 43(a) OF THE LANHAM ACT: ITS DEVELOPMENT AND POTENTIAL

In the past few decades we have witnessed a phenomenal growth and diversification in American business. Current business techniques have taken on a new sophistication, incorporating all the advantages of modern science. In no area is this trend more apparent than the field of advertising and labelling. Businesses, in response to a new intellectual awakening on the part of the American consumer, have abandoned the traditional "hard sell" approach to marketing in favor of more subtle methods. Periodically, Congress has responded to these changes in the practices of the commercial world by enacting certain enabling legislation providing the means to combat the deceptive practices employed by certain companies.[1] One of these enactments was the Lanham Trademark Act of 1946, specifically, Section 43(a).[2]

It will be this paper's purpose to trace the evolution of Section 43(a) and to analyze the possible future uses of this section. In the past, this section has been used only sparingly and only for the benefit of commercial concerns. However, insufficiencies in state regulatory statutes and in common law remedies have given rise to a need for a more expanded application of the act, particularly in the area of consumer protection. In order to understand the feasibility of such an expansive application and the probability of its success, it is necessary to analyze the courts' past interpretations of Section 43(a).

HISTORICAL BACKGROUND

Section 43(a) was enacted in 1946, and provided a right of action to "persons injured or likely to be injured" by false or misleading representations in connection with goods in commerce.[3] Prior to its enact-

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1. See, for example: 15 U.S.C. §§ 41-77 (Federal Trade Commission Act).
2. 15 U.S.C. § 1125(a) (1952).
3. Section 43(a) provides as follows:
 1) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods,
 2) a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same,

ment, redress for such injuries had been sought on two distinct bases—first, statutory trademark acts and, second, common law theories of unfair competition.

The primary statutory provision preceding the Lanham Act was the Trademark Act of 1920.[4] This act was originally created to implement the provisions of certain treaties[5] which granted protection to foreign concerns for possible misrepresentations by American companies. However, the 1920 act was inadequate in that it required a showing of *intent* to deceive and was limited to misrepresentations of geographic origin.[6] This requirement of willfulness severely impeded enforcement of the Act by foreign companies. Congressional notice of this deficiency was obviated by the United States' ratification of the Inter-American Trademark Convention of 1929.[7] This ratification evidenced Congress' realization of the urgency for legislation guaranteeing the prescribed protections to foreign signatories without the requisite showing of intent. It was partly in response to such foreign conventions and the shortcomings of existing statutory protection that Congress enacted Section 43(a). While these were significant reasons for the enactment of Section 43(a), perhaps the greatest compelling factor was a hesitance on the part of the courts to relinquish the antiquated common law theories regarding unfair competition.[8] A realization of the problems which faced a suitor under the common law, points up the urgent situation for which Section 43(a) was created.

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3) 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 in commerce or deliver the same to be transported or used,
4) 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,
5) 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.

4. 41 STAT. 534 (1920), 15 U.S.C. § 123 (1946).
5. *i.e.*, Buenos Aires Convention of 1910, 39 STAT. 1675, T.S. No. 626 (1916). Of particular interest is Article VIII of this convention which gave a right of action to this foreign signatory for: "The falsification, imitation or unauthorized use of a trademark, as also the false representation as to the origin of a product, . . ."
6. § 3 of the 1920 Act provided in part:

> That any person who shall willfully and with intent to deceive, . . use in connection with any article or articles of merchandise, . . a false designation of origin, . . and shall then cause such merchandise to enter into interstate or foreign commerce, . . shall be liable to an action at law for damages and to an action in equity for injunction, at the suit of any person, . . doing business in the locality falsely indicated as that of origin, or in the region in which said locality is situated, . . ."

7. 46 STAT. 2907, T.S. No. 833 (1929).
8. See American Washboard Co. v. Saginaw Manufacturing Co., 103 F. 281 (6th Cir. 1900).

THE COMMON LAW OF DECEPTIVE ADVERTIZING

During the latter part of the Nineteenth century and throughout the first four decades of this century, the federal courts clung to a stubborn reliance on the principles created by the common law for injuries resulting from false representations by competitors. The first cases brought in this area were frustrated by the courts' refusal to acknowledge any "property right" in a product which could be violated by such false representations.[9] The language used by these early courts expressed the possibility that actual "passing off" of a product as that of another *might* be an actionable tort. However, reliance on a property approach, such as that found in cases involving conversion, forced the courts to deny relief absent a showing of actual diversion of trade.[10] These early cases expressed a fear, not uncommon even today, that to extend the common law protection would open the floodgates for litigation in the federal courts.

The first attempt to break with this strict property approach came in 1925, with the case of *Ely-Norris Safe Co. v. Mosler Safe Co.*[11] The Second Circuit granted relief to a plaintiff who alleged a diversion of trade due to the defendant's incorporation of certain features in his product, which resulted in a striking similarity to the plaintiff's product. The precedent afforded by this case was limited to situations involving a plaintiff who occupied a veritable monopoly position, making diversion of trade to the defendant an inescapable result in the mind of the court. The significance of this case was further limited by a subsequent Supreme Court reversal.[12] Despite these limitations, the case retains importance in that it showed the court's realization of the changing commercial scene and the need for a more responsive governing law, as is evidenced by the words of Judge Learned Hand:

> [T]here is no part of the law which is more plastic than unfair competition, and what was not reckoned an actionable wrong 25 years ago may have become such today.[13]

9. *Id.*
10. New York & Rosendale Cement Co. v. Coplay Cement Co., 44 F. 277, 279 (E.D. Pa. 1890). The courts expressed this necessary property right in the following manner:

> In our view, if a person seeks to restrain others from using a particular trademark, trade-name, or style of goods, he must show that he has an exclusive ownership or property therein. To show that he has a mere right, in common with others, to use it is insufficient.

11. 7 F.2d 603 (2d Cir. 1925), *rev'd sub nom.*, Mosler Co. v. Ely-Norris Co., 273 U.S. 132 (1927).
12. Mosler Co. v. Ely-Norris Co., 273 U.S. 132 (1927). The Supreme Court did not quarrel with the theory employed by the Second Circuit, but did not feel that the facts of this case warranted its application.
13. 7 F.2d at 604.

Another interesting note, in this otherwise stagnant period, was expressed again by Judge Hand when, in his dissent to *California Apparel Creators v. Weider of California*,[14] he recognized the possibility that it might not be necessary to meet the common law requirement of proof of actual damages when only injunctive relief is sought.[15]

While these cases illustrate various attempts to relax the strict requirements of the common law and to acknowledge the necessity of a responsive federal regulatory scheme, very few courts shared the Second Circuit's view, and only rarely did any decisions reflect such a trend.

THE LANHAM ACT'S EARLY YEARS

Section 43(a), from its inception, met with the very same reluctance for expansion which had been encountered under earlier common law approaches. A firm statement of a competitor's rights was needed in this area of total uncertainty and judicial reluctance to expand the common law principles.

Section 43(a) immediately faced a patent hostility on the part of the federal judiciary to relinquish earlier approaches. The first cases interpreting the scope of Section 43(a) were confronted with the question of whether the section was intended to be an enlargement of prior law or merely a restatement of it. Early courts generally chose the latter to be its purpose, as this language found in *Samson Crane v. Union National Sales*[16] demonstrates:

> The intent of Congress in passing the Act is set forth in the final paragraph of Section 1127. Only one phrase of that paragraph fails to use the word "mark". And that phrase ("To protect persons engaged in such commerce against unfair competition") must in such a context be construed to refer not to any competitive practice which in the broad meaning of the words might be called unfair, but to that "unfair competition" which has been closely associated with the misuse of trademarks, *i.e.*, the passing off of one's own goods as that of a competitor.[17]

14. 162 F.2d 893 (2d Cir. 1947).
15. *Id.* at 902:

> [I]t would not be necessary for them to make that proof in order to get an injunction; personally I should be satisfied, if any of them proved that defendant's advertisements had diverted, or would divert, his customers. If he did so, I should enjoin the defendant's from continuing to get customers that way, just as I should enjoin them from getting customers by any other fraud. . . .

16. Samson Crane v. Union National Sales, Inc., 87 F. Supp. 218 (D.C. Mass. 1949), *aff'd.* 180 F.2d 896 (1950).
17. *Id.* at 222. 15 U.S.C. § 1127, which provides in part:

> 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

Likewise, the courts applied stringent requirements for establishing jurisdiction and the quantum of proof necessary to substantiate an alleged violation. The *Samson Crane* case interpreted the requisite "in commerce" requirement necessary for federal jurisdiction as being the existence of some relationship sufficient to bring the matter into interstate commerce; namely, that *defendant's* goods had entered, been transported, or used in interstate commerce.[18] Continued reliance on pre-Lanham Act thinking as precedent for these decisions impeded Section 43(a)'s maturity as a competitor's remedy. For example, in *Chamberlain v. Columbia Pictures Corp.*,[19] the Ninth Circuit specifically relied on pre-Lanham Act decisions such as *American Washboard v. Saginaw*[20] by requiring actual passing off and refusing relief without a showing of direct injury under the common law standards.[21]

Up to this point, all of the cases did nothing more than reiterate what had been the law for several decades;[22] however, the decision in *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*[23] marked the beginning of a needed evolution in the area of unfair competition. The plaintiff in this case was a dress manufacturer whose fame was credited to a distinctively styled dress. This dress was advertised nationally through the use of a picture of the dress accompanied by its price of $17.95. The defendant, also a dress manufacturer, utilized plaintiff's goodwill by reproducing in its advertisements a duplication of the plaintiff's picture accompanied by its own price of $6.95. In allowing recovery, the Third Circuit rejected those decisions based on common law principles and adopted the broader view expressed in the Restatement of Torts.[24]

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such commerce; to protect registered marks used in such comerce (sic) from interference by State, or territorial legislation; 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, and to provide rights and remedies stipulated by the treaties and conventions respecting trade-marks, trade-names, and unfair competition entered into between the U.S. and foreign nations.

18. 87 F. Supp. at 221.
19. 186 F.2d 923 (9th Cir. 1951).
20. 103 F. 281.
21. 186 F.2d at 925. In the court's language:

> In order to entitle appellants to the relief sought it would be necessary for them to allege that they have an exclusive right to use of the story in question and they must be injured directly by the appellee's act. . . .

22. See: Dad's Root Beer v. Doc's Beverages, 193 F.2d 77 (2d Cir. 1951); and, American Auto Ass'n v. Spiegel, 205 F.2d 771 (2d Cir. 1953), *cert. denied,* 346 U.S. 887 (1953).
23. 214 F.2d 649 (3d Cir. 1954).
24. *Id.* at 651. RESTATEMENT OF TORTS § 761 (1939), which provides in part:

> One who diverts trade from a competitor by fraudulently representing that the goods which he markets have ingredients or qualities which in fact they do not have but which the goods of the competitor do have, is liable to the competitor for the harm so caused, if,

Specifically, Circuit Court Judge Hastie expressed a need for a more liberal reading of the statute and an expansion of prior law in the area:

> We find nothing in the legislative history of the Lanham Act to justify the view that this section is merely declarative of existing law. Indeed, because we find no ambiguity in the relevant language in the statute we would doubt the propriety of resort to legislative history even if that history suggested that Congress intended less than it said. It seems to us that Congress had defined a statutory civil wrong of false representation of goods in commerce and has given a broad class of suitors injured or likely to be injured by such wrong the right to relief in the federal courts.[25]

Once again it seemed that the courts had begun to realize and acknowledge the broader sphere of protection afforded by Section 43(a).[26] In retrospect, however, it is apparent that caution was still the by-word of the federal judiciary in applying the section. While many attempts have been made to expand the Act's uses, they have, for the most part, met with frustration. Indeed, this sluggish response prompted one eminent jurist to demand a more liberal approach, so that its entire range of protection might be utilized. In *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*,[27] then Chief Judge Clark, in his concurring opinion, called for a broader application of the section:

> Then, too, I do not see how we can avoid the clear federal jurisdiction arising under the new and quite extensive provision covering the false description or representation of goods introduced into commerce. . . . I think we must consider the applicability of this statute, and cannot avoid it, even though counsel does not cite it; for we are bound by the law of the land, whether cited to us by counsel or not. Indeed, there is indication here and elsewhere that *the bar has not yet realized the potential impact of this statutory provision.*[28]

Unfortunately, such eagerness to expand the use of 43(a) has not been widely accepted.[29]

Several courts attempted to fulfill the potential of Section 43(a) by adopting a more liberal approach in their application of the Act. One court interpreted the Act to encompass misrepresentations by a seller of merchandise that he was operating under the sponsorship and

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(a) when making the representation he intends that it should or knows or should know that it is likely to divert trade from the competitor. . . .

25. 214 F.2d at 651.

26. *i.e.*, The court had abandoned the necessity of showing actual proof of diversion of trade and had eliminated the limitation of protection only in the event of actual "passing off".

27. 234 F.2d 538 (2d Cir. 1956).

28. *Id.* at 545 (emphasis added).

29. See discussion at pp. 334-344 *infra.*

with the approval of a specific licensor.[30] Another court abandoned the prior jurisdiction requirements of diversity of citizenship and jurisdictional amount and stated that jurisdiction was solely dependent on the act.[31] The old single-source rule of the common law for showing diversion of trade was also relinquished due to the "likely to be damaged" provision of 43(a).[32] Moreover, standing to sue under the Act was found not to be limited to direct competitors, but rather to any concern which was likely to incur commercial injury as a result of defendant's actions.[33]

In 1963, the Sixth Circuit attempted to formulate a restatement of Section 43(a) in the case of *Federal-Mogul-Bower Bearings, Inc. v. Azoff*.[34] The court viewed the prior interpretations of the act in light of its purpose as stated in Section 45[35] and delineated what it felt were the limits of the Act's protection. The court held that the Act was applicable to false designations of "geographical" origin and to origin of source or manufacture.[36] In addition the court held that Section 43(a)'s protection was available to any person "engaged in interstate commerce" for misrepresentations likely to result in commercial injury.[37]

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30. Parkway Baking Co. v. Friehoffer Baking Co., 255 F.2d 641 (3d Cir. 1958). This case involved a plaintiff who was the exclusive licensee of one National Bakers Service, the owner of a secret formula for low calorie "Hollywood" bread. Defendant, also a licensee of National, became involved with the plaintiff in several territorial disputes. In a retaliatory move, the defendant contracted with a subsidiary in order to indirectly sell some of its merchandise in the plaintiff's territory. Mistakenly, the bread label indicated that the defendant's subsidiary was licensed to sell "Hollywood" bread in the plaintiff's area. The court found this misrepresentation to be within the scope of Section 43(a); however, relief was denied due to a finding that plaintiff's losses were *de minimis*.

31. Catalina, Inc. v. Gem Swimwear, Inc., 162 F. Supp. 911 (D.C.N.Y. 1958).

32. Mutation Mink Breeders Ass'n v. Lou Nierenberg Corp., 23 F.R.D. 155, 161 (S.D.N.Y. 1959), where the court said:

> [T]he "single source" rule is inapplicable to suits under Section 43(a) of the Lanham Act and that the "likely to be damaged" provision of Section 43(a) obviates the necessity of proving actual diversion of trade.

The single source rule spoken of by the court refers to situations in which a product was generally attributed by the public to be the product of one person. In such situations, the courts could recognize the diversion of trade necessary for an action at common law.

33. Marshall v. Proctor & Gamble, 170 F. Supp. 828, 835 n.8 (D. Md. 1959):

> Plaintiff agrees that the party bringing such an action must, under the statute be directly and substantially injured by the misdescription or misrepresentation of which he complains; and it should be added that the injury, to be actionable under the statute, must be one which occurs in the area of commercial relations . . . . But the plaintiff in an action under 15 U.S.C. § 1125(a) need not be a direct competitor of the defendant.

34. 313 F.2d 405 (6th Cir. 1963).

35. 15 U.S.C. § 1127, *supra* note 17.

36. 313 F.2d at 408.

37. *Id.* at 409.

Under a close analysis of *Federal-Mogul-Bower Bearings* it can be seen that it offered little to a modernization of Section 43(a).[38] As a result of this situation, the Section has not had the dynamic impact upon deceptive advertising which may have been possible had the court acknowledged recommendations for broader application. History has borne evidence to Judge Clark's opinion that the bar does not realize the total impact of Section 43(a) in the area of unfair competition.[39]

NEEDED AREAS OF REFORM

Since the early 1960's, Section 43(a) has been relied on only sparingly, with many injured parties leaving remedial action to such bodies as the Federal Trade Commission.[40] It is unfortunate that any attempts that have been made to extend the use of Section 43(a) have not been consistently pursued. The courts have been able to remain idle in their interpretation of the act, safe in the knowledge that there will not be continual attempts at forcing them into any extension of its coverage. Likewise, since the Supreme Court has never, itself, considered the scope of the section, the lower courts have no binding guidelines to follow.

Throughout the past few years, those cases which have successfully obtained the Act's protections have been, for the most part, merely restatements of the principles handed down in *L'Aiglon*[41] and *Federal Mogul-Bower Bearings*.[42] As might be expected from the innovative schemes ventured into by American industry, the courts have had to face a myriad of situations employing forms of misrepresentations far removed from the classic example of "passing off". Further, these schemes have forced the courts into facing challenges for expansion in all of the requirements necessary for the act's protection—*i.e.*, standing, jurisdiction, proof, and the field of injuries encompassed by the section. Before entering into any recommendations for reform in these areas, it is necessary to note the courts' treatment of these latter cases.

In 1966, the federal district court for the Southern District of New York, in the case of *Glenn v. Advertising Publications, Inc.*[43] expressed

38. The propriety of the court's requirement that the plaintiff be "engaged in commerce" is questionable. Section 43(a) has its own commerce requirement which is that the defendant "cause" misrepresented goods to enter commerce.
39. 234 F.2d at 545, *supra* at p. .
40. Under § 5 of the FTC Act, 15 U.S.C. § 45, the Federal Trade Commission is given broad powers in regulating forms of "unfair competition". However, § 5 is not available as a remedy to the private suitor.
41. 214 F.2d 649.
42. 313 F.2d 405.
43. 251 F. Supp. 889 (S.D.N.Y. 1966).

an approach to Section 43(a) which was much more responsive to contemporary needs than any previously employed. The court took a very logical approach to modern advertising techniques when Judge McLean extended the definition of "misrepresentations" in connection with goods when he stated that:

> It would seem that a false representation contained in a report, brochure, or film prepared for selling purposes is as much a representation used "in connection with goods" as a representation in an advertisement.[44]

This was a departure from the old "passing off" theory in that the court viewed the false statements without reference to the product itself and without regard to their actual effect on any particular plaintiff. Rather, the existence of a misrepresentation, itself, was considered a possible violation of Section 43(a), at which point a court would then have to consider the likelihood of injury resulting from it. It is in this latter consideration that the *Glenn* court expressed, what this author feels, is a standard which should be applied in all cases. The court, while recognizing that reports, brochures, or films which contained false representations came within Section 43(a), further held that the misrepresentations had to be examined subjectively in the light of all the circumstances which surrounded it before deciding whether such a misrepresentation was actionable. In determining the likelihood of injury, Judge McLean stated:

> Plaintiff has gone over these documents with meticulous care. He attacks and makes much of the tiniest departure from perfect candor. This seems to me an *unrealistic* way to dissect advertising material created by advertising men to be read by advertising men.[45]

According to the language in this decision, the market exposed to these misrepresentations must be examined and a decision must be made based on a judicial speculation as to the level of sophistication of this group and the possible impact of these misrepresentations upon them. It would be well for the courts to adopt this penchant for *realism* in their analysis of other aspects of the Act.

In light of the *Glenn* case, it is interesting to note the dichotomous stance of the courts in confronting new situations. Two fairly recent cases have extended the courts' interpretation of actionable wrongs under Section 43(a). One case held that Section 43(a) included not only false representations about one's own goods, but also representa-

44. *Id.* at 903.
45. *Id.* at 905. (Emphasis added).

tions which, although not actually false, tend to be misleading due to their manner of presentation.[46] The other case extended coverage to the marketing of a product or other commodity in such a manner that, despite the lack of any representations, these commodities cannot be adequately differentiated from those of others.[47]

The case of *Midwest Packaging Materials Corp. v. Midwest Packaging Corp.*[48] dealt with the failure to adequately differentiate one's product from that of another. Here, the court found that the defendant's stock certificates were confusingly similar to those of the plaintiff, and, thereby, allowed recovery under Section 43(a). The case of *Yameta v. Capitol Records, Inc.*[49] established customer confusion as an element in the analysis of an alleged violation of Section 43(a). The court awarded a performer, Jimi Hendrix, relief for representations made by the defendant on a record album which led *consumers* to believe that Mr. Hendrix was the main artist on the recording when, in fact, he was merely an accompanist.[50] It is interesting to note that the court took cognizance of the consumer's role in commerce in finding a violation. However, as will be seen, later courts have drawn the line at recognition only and never allowed the Section's protections to be extended to consumers.[51]

Since the decision in *L'Aiglon*,[52] there have been attempts to expand the application of Section 43(a) into areas previously not considered. One of the more notable attempts has been an effort to obtain the Section's protection for injuries resulting from misrepresentations which pertained to a plaintiff's own products, as opposed to those of the defendant.[53] Similarly, consumers have sought the Act's protections for injuries which they suffered as a result of deceptive advertising. In both of these areas the courts have refused to look at the problem "realistically", and have, instead, relied on earlier interpretations, many

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46. Yameta v. Capitol Records, Inc., 279 F. Supp. 582 (S.D.N.Y. 1968).
47. Midwest Packaging Materials Corp. v. Midwest Packaging Corp., 312 F. Supp. 134 (S.D. Ia. 1970).
48. *Id.*
49. 279 F. Supp. 582.
50. *Id.* at 586:

> Examination of the legislative history reveals that this provision was intended to prevent not only false designations as to origin, but to protect *consumers* and competitors against all forms of misdescription or misrepresentation of products and services in commerce (Emphasis added).

51. *See* Colligan v. Activities Club of New York, 442 F.2d 686 (2d Cir. 1971) and discussion of case at p. 341 *infra*.
52. 214 F.2d 649.
53. Bernard Foods Industries, Inc. v. Dietene Corp., 415 F.2d 1279 (7th Cir. 1969).

of which were formulated in times far removed from the tenor of contemporary demands and needs.[54]

The area of disparagement presents a peculiar twist of logic by the courts. In *Bernard Food Industries, Inc. v. Dietene Corp.*[55] the Seventh Circuit considered a situation in which the defendant issued a comparison sheet dealing with alleged deficiencies in plaintiff's product. While the sheet contained false representations about the plaintiff's goods, it did not misrepresent the qualities of the defendant's goods in any way. The court held that even though the defendant's acts constituted disparagement of the plaintiff's product, such a wrong was not within the protection of the Lanham Act. When considered on a purely jurisdictional basis, the court's decision might well be rationalized on the theory that the defendant could not have caused the plaintiff's goods to "enter commerce"—a factor which would destroy the jurisdictional basis required by Section 43(a). But the Seventh Circuit never addressed itself to this issue. Its decision was couched solely in terms of those actionable wrongs which had been formulated by early cases interpreting the Lanham Act.[56] From this point of view, the decision is difficult to comprehend, especially in light of other decisions in which the courts have specifically held that Section 43(a) is a "remedial statute and should be broadly rather than strictly construed."[57] In light of such statements, it is odd that the court could not find such false designations to be within the purpose of the Act as previously interpreted by other courts.[58] Certainly, situations such as that in *Bernard Foods* can be classified as unfair competition. Therefore, in disparagement situations which meet the jurisdictional basis of the Act, should not the court at least address itself to the possibility of recovery? By its denial of disparagement as an actionable wrong within the purview of Section 43(a), the Seventh Circuit effectively closed an avenue of recovery to a significant number of litigants based purely on a severely narrow interpretation of the Act's purpose and scope.

Doubtless, the logic employed in *Bernard Foods*[59] influenced the court's thinking in the similar decision of *Girl Scouts of U.S.A. v.*

54. 251 F. Supp. 889.
55. 415 F.2d 1279.
56. *Id.* at 1283.
57. 312 F. Supp. at 135.
58. 170 F. Supp. at 834: here the court interpreted the purpose of the Act to be the protection of "persons engaged . . . in commerce against unfair competition."
59. 415 F.2d 1279.

Personality Posters Mfg. Co.[60] The defendant manufactured and distributed a poster depicting a pregnant woman, dressed as a Girl Scout, with the accompanying slogan, "Be Prepared". In deciding the case, the court completely disregarded the issue of disparagement, relying solely on a "confusion as to source" rationale. District Court Judge Lasker expressed the view that the plaintiff failed to establish the requisite element of customer confusion as to the source of this poster, since the parties distributed their products through different channels, and that such a situation made it unlikely that any purchaser would think that the plaintiff had produced the poster. In his opinion, Judge Lasker completely skirted the issue of disparagement. To treat this issue as non-existent seems unrealistic due to the obvious effect of such practices as those employed by the defendant. While the false impressions created by the defendant's posters pertained to the plaintiff's organization, they were incorporated in the defendant's product and were placed in interstate commerce by the defendant. Thus, there was, in this case, a departure from the strict disparagement situation faced by the court in the *Bernard Foods* case. The only difference between *Girl Scouts of U.S.A. v. Personality Posters* and the typical case under Section 43(a) is that the false and misleading statements of this defendant may have given rise to a claim for disparagement rather than for the usual claim of competitive injury. Since Section 43(a) prohibits all "false or misleading respresentations", this distinction should not warrant the exclusion of this, or similar, fact situations from the Act's realm of protection. The *Girl Scouts* case is also noteworthy in that the court, by employing a "customer confusion" rationale, once again recognized the role of the consumer in analyzing a commercial situation. Cases such as this, which base their decision on the effect of a violation upon the consumer point out his prominence in the business setting. And yet, as will soon be discussed, this is the outer limits of recognition allowed by the federal courts to date.

A broader reading of the statute to include disparagement is essential if Section 43(a) is to realize its potential as a remedial tool. For example, the granting of relief in such cases would, in certain situations, relieve parties injured by such instances of unfair competition from the burdens of proving such a case under the common law.[61] The granting of injunctive relief under Section 43(a) might greatly reduce these problems of proof and avoid results such as that reached in the *Bernard*

60. 304 F. Supp. 1228 (S.D.N.Y. 1969).
61. *i.e.*, proof of general damages in *per se* situations and the stricter burden of special damages absent a *per se* violation.

Foods and *Girl Scouts* cases. What is needed here, and, especially, in the area of consumer standing, is an adoption of the approach taken by the court in *Glen v. Advertising Publications* when it stated that the total situation had to be viewed *realistically* in light of all surrounding circumstances and provide relief accordingly.[62]

Perhaps the most interesting, and yet unfortunate, cases in the recent past have been those in which standing to sue has been the primary issue—in particular, the right of the consumer to obtain the protections of Section 43(a). While this is an issue closely akin to the determination of actionable wrongs, it differs in that it is determined not only in light of the *type* of misrepresentations involved but also as to *who* is claiming injury as a result of these misrepresentations.[63]

As evidenced by the *Yameta*[64] and *Girl Scout*[65] cases, the courts have expressed a realization, from time to time, of the consumer's role in commerce. In examining any commercial transaction, and especially those involving violations of Section 43(a), it becomes apparent that we are dealing with a tripartite situation. First, there is the defendant himself, a commercial concern which has made false representations regarding its goods or services; second, there are all competitors of the defendant, both direct and otherwise;[66] and third, there is the consumer. It is the consumer, whether he be a commercial concern or a private individual, that is the target of these misrepresentations. The defendant has falsely represented his product in order to gain a competitive advantage in influencing the consumer. And while the defendant's competitors may have been injured by a diversion of trade resulting from his actions, it is the consumer that suffers the ultimate injury through a belief, based on defendant's fraudulent representations, that he is buying a better product or service.

In 1964, the Federal District Court for the Southern District of New York took an interesting position on the consumer's role in business transactions. In *PIC Design Corp. v. Sterling*[67] one of the plaintiff's

62. 251 F. Supp. at 905.
63. See pp. 340-343 *infra*.
64. 279 F. Supp. 582.
65. 304 F. Supp. 1228.
66. In Marshall v. Proctor & Gamble, 170 F. Supp. at 835, the court first announced that one need not be a direct competitor of the defendant in order to have standing under Section 43(a):

> [T]he plaintiff in an action under 15 U.S.C. § 1125(a) need not be a direct competitor of the defendant.

67. 231 F. Supp. 106 (S.D.N.Y. 1964). Although this action was not brought under Section 43(a), it does, nevertheless, present an interesting approach to the question of the consumer's importance in commercial transactions.

allegations was that the defendant listed certain items in its catalog which it could not supply to its customers. In dismissing this contention, Judge Ryan expressed what he believed were the differences in injury to a competitor and to a consumer:

> If defendant is unable to live up to its advertising, it is for its customers to complain—not a competitor. Plaintiff is totally without standing to complain of this as constituting an act of unfair competition.[68]

While this court went further than those cases that merely *recognized* a consumer interest, its import has never been utilized by later courts. Such cases as *Yameta*,[69] while expressing an interest in the consumers' right to be protected from false or misleading representations, never mentioned the possibility of their recovery for such injuries. Despite this judicial realization of consumers' rights and needs in the commercial setting, courts have consistently denied consumers standing to sue under Section 43(a). This position was reaffirmed in two recent cases which directly confronted the issue but denied relief without regard to the urgency of the situations presented.

In the case of *State of Florida ex rel. Broward County v. Eli Lilly & Co.*,[70] the defendant drug company was sued by Florida on its own behalf and that of all consumers and purchasers, alleging that the defendant fraudulently induced plaintiffs to purchase drugs by misrepresenting their effectiveness and side effects, and by failing to provide adequate directions for, and warnings against, their use. The court dismissed the action for lack of standing, interpreting the purpose of Section 43(a) in the following manner:

> The purpose, the legislative history, and the consistent line of authority restricting the scope of 43(a) of the Lanham Act to actions involving competitive injury suffered from unfair competition clearly indicate that the claims stated in the complaint do not arise under that statute. The commentators agree that members of the general public, as consumers, have no right of action under the Lanham Act.[71]

The unfortunate aspect of this is that the court completely disregarded the "realities" of the situation, and chose, instead, to rely on the opinions of commentators who had reviewed the Section's scope nearly a decade earlier and on legislative history which preceded their decision

68. *Id.* at 113.
69. 279 F. Supp. 582.
70. 329 F. Supp. 364 (S.D. Fla. 1971).
71. *Id.* at 355, 356. For an example of the opinions of "commentators" as relied on here, see Callman, UNFAIR COMPETITION (3d ed., 1967) § 18.3, p. 626.

by another thirty years. The misfortune of this analysis becomes more apparent in light of the following Second Circuit decision, in which the possibilities of consumer standing were dealt a staggering blow.

In *Colligan v. Activities Club of New York, Ltd.*,[72] the court expressed an unequivocal bar to any consumer standing under Section 43(a). In this case, a group of students went on the defendant's ski trip induced by his representations that: 1) each child would get safe equipment and instruction; 2) safe and certified transportation would be provided; and, 3) that the price included all meals. However, as the facts brought out at the trial indicate, this was hardly the package which the plaintiffs received. First of all, there were not enough skis for all the students, and only one instructor was provided for the entire group. Secondly, the transportation was far from what it was represented to be—one bus broke down; another was ticketed for faulty brakes and headlights; another leaked exhaust fumes into the interior; one bus driver was intoxicated and unable to make the return trip; and none of the buses had the necessary Interstate Commerce Commission approval. In addition, one busload had to pay for an extra meal due to bus failure. The court found all the elements for suit under Section 43(a) except that of proper standing.

An obvious misrepresentation existed which resulted in provable monetary damages to the plaintiffs. Also, the class action itself was proper under current federal decisions.[73] Despite these facts, the court rejected the plaintiffs' contention that "any person", as used in Section 43(a) to define that class of suitors with standing under the Section, includes consumers as well as commercial competitors. The court decided that "any person" was not meant to include the individual consumer, but, rather, referred to that class of plaintiffs whose claims partook of the nature of the injury sought to be prevented by Congress through Section 43(a), *i.e.*, injury to *commercial* consumers.[74] Not surprisingly, the court expressed the aged fear that to overexpand the scope of Section 43(a) would lead to a "flood of litigation" in the federal courts, which matter rightly belonged under the individual states' control.[75]

72. 442 F.2d 686 (2d Cir. 1971).

73. Mutation Mink Breeders Ass'n v. Lou Nierenberg Corp., 23 F.R.D. 155, 162 (S.D.N.Y. 1959):

> The Rule [FRCP 23(a)(3)] requires only that the character of the right sought to be enforced for or against the class be 'several', that there be a 'common question of law or fact' affecting the several rights, and that 'common relief is sought.'

74. 442 F.2d at 689, n.8.

75. *Id.* at 693.

In analyzing the *Colligan*[76] and *Florida*[77] decisions it is apparent that both courts evaded the urgency of recognizing the consumer as an integral factor in the commercial structure, and took the much safer route of relying on what others have expressed to be the legislative intent behind the Act, even though it had been expounded in hearings held nearly fifty years earlier.[78] It is submitted that, even if Congress in 1925, or at the time of its amendment in 1946, intended the Laham Act to be a remedy for commercial concerns only, that interpretation is no longer viable. Cases such as *L'Aiglon* bear evidence to the premise that the drafters of the current Act were, indeed, attempting to create a flexible instrument which could respond to the demands of a growing and ever-changing commercial society. It is the hesitance of the federal courts which has been the sole blockade to the Act's progress.

When Section 43(a) was drafted, reference to registered trademarks was intentionally omitted; and yet, it took the courts nearly ten years to specifically state that the existence of a registered trademark was not essential to an action under Section 43(a).[79] The plaintiffs in *Colligan* argued that if the drafters had intended the Section to be the remedy of commercial concerns only, such a limitation would have been expressly included.[80] Analyzing the Section as a whole, this contention does not appear to be as completely groundless as the Second Circuit treated it. In fact, Section 45, which states the purpose of the Act, can be interpreted to include the rights of consumers, if their position in commerce is recognized:

> The intent of this chapter . . . is to protect persons engaged in such commerce against unfair competition.[81]

Only when the courts realize that the consumer is "engaged in commerce" in the fullest sense of the term will they receive the protection of Section 43(a) now so sorely needed.

76. 442 F.2d 686.
77. 329 F. Supp. 364.
78. Specifically, the *Colligan* court made reference to the Joint Hearings Before the Committee on Patents, 68th Cong., 2d Sess., 127-128 (1925).
79. Gold Seal Co. v. Weeks, 129 F. Supp. 928 (D.C.D.C. 1955), *aff'd. per curiam*, S.C. Johnson & Son, Inc. v. Gold Seal Co., 230 F.2d 832 (D.C. Cir. 1956), *cert. denied*, 352 U.S. 829 (1956). In *Gold Seal* the court noted that "[S]ection 43(a) does create a federal statutory tort, *sui generis* . . . ." 129 F. Supp. at 940. Also see: General Pool Corp. v. Hallmark Pool Corp., 259 F. Supp. 383, 386 (N.D. Ill. 1966); and, Potato Chip Institute v. General Mills, 333 F. Supp. 173, at 179 (D. Neb. 1971):

> Section 43(a) is not dependent upon an allegation that the plaintiffs own a federally registered trademark nor does it require that a case arising under this section be substantially related to a claim regarding any federally registered trademark.

80. 442 F.2d at 689.
81. 15 U.S.C. § 1127.

The decision in *Colligan* reflects the reluctance of the courts, prior to *L'Aiglon*, to expand the scope of the Act. Up to that time, the principles developed in common law opinions were blindly followed because of a hesitance to rock the judicial boat. Fortunately, *L'Aiglon* took a bold, but well-reasoned and necessary stand by breaking with this tradition and responding to the contemporary commercial scene. Today, an analogous situation exists. The realm of federal protection granted by Section 43(a) has not been significantly expanded since 1954. As the previously discussed cases have shown,[82] several token innovations have been made; however, no real response has been shown in those cases where the help was obviously needed—particularly, in the area of consumer standing under the Act.

To leave the area of consumer protection completely to the states in a time when intrastate business is an animal near extinction is to ignore the realities of the commercial world. There has been, in the recent past, an effort by states to formulate consumer protection legislation. Several states, such as Illinois, have enacted statutes which are fairly comprehensive in their scope.[83] And yet, the states should not be expected to bear the entire burden of guarding the consumer from the deceptive practices of the nation's industries. To do so, would be a shirking of responsibility by the federal courts, and would, inevitably, lead to an increase in the already hopeless backlog in most state courts. Also, common law remedies for consumers are generally ineffective due to the high cost of litigation and the difficulty in establishing a cause of action (*e.g.*, for the enforcement of warranties one has to establish privity with the defendant). While these factors are not, in themselves, reason for the federal courts to recognize consumer standing, they do point to the inequity of decisions such as *Colligan*.

CONCLUSION—THE FUTURE OF SECTION 43(a)

The rocky road over which Section 43(a) has travelled does not instill optimism in its future. A significantly broader reading of the statute is necessary before this Section realizes its full potential. What is needed is an adoption by the federal courts of the approach taken in *Glen v. Advertising Publications*[84] where Judge McLean stressed the need for courts to analyze, *realistically*, all relevant circumstances before deciding upon the propriety of relief under Section 43(a).[85] Such

82. *Supra* pp. .
83. ILL. REV. STAT. ch. 121½ §§ 261-272 (1961).
84. 251 F. Supp. 889.
85. *Id.* at 905.

an approach in all situations involving false representations will lead to a greater awareness on the part of the judiciary of the various injuries resulting from such misrepresentations, many of which do not fit into the traditional patterns. Only in this manner will the full extent of Section 43(a) be utilized and the unfortunate frustrations experienced by injured consumers be avoided.

In 1957, Professor Walter Derenberg was prompted to respond to Judge Clark's admonition to the bar for their narrow use of Section 43(a),[86] in the following manner:

> Has it really become necessary for a distinguished member of our federal judiciary to admonish us that, after ten years, we have still not begun to realize the true impact of section 43(a)?[87]

It is discouraging that these words have lost none of their meaning in the fifteen years that have since elapsed. And while the future does not seem significantly brighter, perhaps continued attempts by injured consumers to have heretofore unrecognized claims allowed will force the courts into a reevaluation of their current position, and give to Section 43(a) its rightful position as a remedial tool for injuries resulting from deceptive advertising practices.

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86. 234 F.2d at 546.
87. W.J. Derenberg, *Federal Unfair Competition at the End of the First Decade of the Lanham Act: Prologue or Epilogue,* 32 N.Y.U.L. Rev. 1030, 1050 (1957).