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Section 43(A) Of The Lanham Act: A Statutory Cause Of Action For False Advertising

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SECTION 43(a) OF THE LANHAM ACT: A STATUTORY CAUSE OF ACTION FOR FALSE ADVERTISING

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I. INTRODUCTION

While the primary purpose of commercial advertising has always been to promote the purchase of goods and services, the means that advertisers have used to reach this end have varied over time. Until recently, sellers tended to limit their advertisements to statements of the qualities possessed by their own products. Consumers were expected to infer superiority over competing brands, the names of which were rarely mentioned. As the public has become more sophisticated in its appreciation of the media, advertisers have adopted new, aggressive, and more competitive techniques.

Today's advertisements often ask prospective buyers to accept "factual" statements and surveys about named competing products.[1] While accurate product comparisons can be of immense value, comparisons which are flawed in the underlying methodology or which present only incomplete information can be misleading and injurious.[2]

Two groups are injured by misleading advertisements. One group is consumers who, in making their choice among competing goods, do not receive the product for which they bargain. When the misrepresented goods are inexpensive, the monetary injury to this group will be slight and easily minimized as consumers will purchase other competing products in the future. When the goods are more expensive or there is a likelihood of nonmonetary injuries, the need for consumer redress is more pressing.

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[1] It was not until the mid-1970's that the era of polite, no-names-mentioned advertising came to an end. The Federal Trade Commission's encouragement of comparative advertising was a significant force in bringing this head-to-head competition to the forefront of marketing tools. *See* 16 C.F.R. § 14.15 (1982). This change in advertising styles has prompted the significant increase in litigation in the unfair advertising area discussed in this article. *See Tylenol, the Painkiller, Gives Rivals Headache in Stores and in Court*, Wall St. J., Sept. 2, 1982, at 1. Most recently, significant interest and litigation have been generated by comparative advertising in the fast-food restaurant industry. *See* McDonald's Corp. v. Burger King Corp., No. 82-2605 (S.D. Fla. 1982); Wendy's Int'l Inc. v. Burger King Corp., No. C-2-82-1175 (S.D. Ohio 1982).

[2] *See, e.g.*, Vidal Sassoon, Inc. v. Bristol-Myers Co., 661 F.2d 272 (2d Cir. 1981) (misrepresenting findings of surveys); R. J. Reynolds Tobacco Co. v. Loew's Theatres, Inc., 511 F. Supp. 867 (S.D.N.Y. 1980) (improper methodology of survey).

The other injured group is competitors. When a misrepresentation relates solely to qualities possessed by the advertised products, as opposed to the inferiority of named competing brands, all producers in the market share the monetary injury. When particular products are singled out as being inferior, however, the makers of those goods absorb the full injury thus giving them special need for relief.

Despite the injury which can result from false advertising, the Chairman of the Federal Trade Commission (FTC or Commission), the head of an agency which for a considerable time was at the forefront of efforts to curb deceptive advertising, has recently expressed his intent to encourage the FTC not to regulate actively in this area. According to FTC Chairman James Miller, the Commission should only challenge ads that pose a threat of significant injury to the public and that cannot be cured by market forces. If Chairman Miller successfully implements this approach, FTC involvement will be the exception. The practical result will be that businesses and consumers will be required to rely almost exclusively on private remedies to counter an increase in misleading advertisements.[3]

A. *The Common Law: A Brief Review*

The common-law causes of actions available to consumers and competitors are limited and difficult to prove. Consumers generally have a claim only for common-law fraud.[4] A competitor, whose product is expressly misrepresented, may only bring an action for commercial disparagement.[5] Claims of fraud or disparagement, however, are especially dif-

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[3] *See* J. Miller, Remarks Before the American Advertising Federation, Washington, D.C. (Dec. 8, 1981); *Miller's Tale—A Fresh Look at the FTC*, BARRONS, Aug. 30, 1982, at 27; *Ad Constraints Could Persist Even If the FTC Loosens Up*, Wall St. J., Dec. 10, 1981, at 33; *see also* Wash. Post, Jan. 11, 1983, at A13 (suggesting that Miller has been successful in advocating his view). Although there has been a decrease in FTC false advertising complaints since Chairman Miller's seven year term began in September 1981, the FTC has recently challenged advertisements by the manufacturer of Amana microwave ovens. The FTC has specifically challenged the manufacturer's representation in ads run in 1980 that Amana was the only brand to pass all government safety tests. *See* Complaint Dkt. 9162, TRADE REG. REP. (CCH) ¶ 21,964 (Oct. 7, 1982); Wash. Post, Oct. 9, 1982, at F9.

There is no private right of action for violations of the Federal Trade Commission Act. *See* Moore v. New York Cotton Exch., 270 U.S. 593 (1925); Holloway v. Bristol-Myers Corp., 485 F.2d 986 (D.C. Cir. 1973).

[4] Some states have enacted statutes known as "Little FTC Acts" that in some instances give consumers standing to challenge misleading advertising. *See* Leaffer & Lipson, *Consumer Actions Against Unfair or Deceptive Acts or Practices: the Private Uses of Federal Trade Commission Jurisprudence*, 48 GEO. WASH. L. REV. 521 (1980).

[5] *See* Gaughan, *Advertisements Which Identify "Brand X": A Trialogue on the Law and Policy*, 35 FORDHAM L. REV. 445 (1967); Comment, *The Law of Commercial Disparagement: Business Defamation's Impotent Ally*, 63 YALE L.J. 65 (1953).

Commercial disparagement arises when one makes a false assertion which impugns the quality of another's product with intent to injure the manufacturer's business. *See* Gaughan, *supra*, at 447 n.4. Mere seller's puffery would not constitute disparagement. *See*

ficult to sustain because each requires proof of scienter on the part of the defendant.[6] Moreover, access to a federal court under these common-law theories are limited to instances involving diversity or pendent jurisdiction. Further, where a competitor misrepresents the qualities of his own goods without directly disparaging a competing product, the competitor has no common-law right of action against the false advertiser.[7]

B. *Section 43: A Federal Statutory Remedy*

A private remedy for misleading advertising is, however, provided by one federal statute—section 43(a) of the Lanham Act.[8] This section grants a statutory remedy for false advertising without the constraints of the common-law causes of action.[9] While section 43(a) is part of a

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Testing Sys., Inc. v. Magnaflux Corp., 251 F. Supp. 286, 288 (E.D. Pa. 1966); W. PROSSER & J. WADE, CASES AND MATERIALS ON TORTS 1007 (5th ed. 1971).

A competitor has an additional cause of action based upon the common-law prohibition of "palming off" if the defendant has represented his product as being of the competitor's make. *See infra* note 12.

[6] *See* Brayton Chems., Inc. v. First Farmers State Bank of Minier, 671 F.2d 1047 (7th Cir. 1982); Santana, Inc. v. Levi Strauss and Co., 674 F.2d 269 (4th Cir. 1982); Western Contracting Corp. v. Dow Chem. Co., 664 F.2d 1097 (8th Cir. 1981); G. ALEXANDER, COMMERCIAL TORTS § 5.1 (1973). The plaintiff in a commercial disparagement case will have the additional burden of proving actual damages. *See* Scott Paper Co. v. Fort Howard Paper Co., 343 F. Supp. 229, 233 (E.D. Wis. 1972); Note, *The Law of Comparative Advertising: How Much Worse Is "Better" Than "Great"?*, 76 COLUM. L. REV. 80 (1976) [hereinafter cited as *Comparative Advertising*].

A cause of action similar to disparagement is defamation. There have been only a few instances in which courts have allowed defamation actions in this context. *See* Cosgrove Studio and Camera Shop, Inc. v. Paine, 408 Pa. 314, 182 A.2d 751 (1962); Note, *Corporate Defamation and Product Disparagement: Narrowing the Analogy to Personal Defamation*, 75 COLUM. L. REV. 963 (1975). Defamation actions, unlike disparagement actions, do not require proof of special damages. *See Comparative Advertising, supra*, at 83 n.17. *But see* Gertz v. Robert Welsh, Inc., 418 U.S. 323 (1974) (special damages might be required in defamation actions).

[7] *See, e.g.*, American Washboard Co. v. Saginaw Mfg. Co., 103 F. 281 (6th Cir. 1900); Derenberg, *Federal Unfair Competition Law at the End of the First Decade of the Lanham Act: Prologue or Epilogue?*, 32 N.Y.U. L. REV. 1029 (1957); *infra* text accompanying notes 11-14.

[8] 15 U.S.C. § 1125(a) (1976). Section 43(a) of the Lanham Act provides that:

> Any person who shall . . . use in connection with any goods . . . any false description or representation, including words or symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce . . . shall be liable to a civil action by . . . any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

Id.

[9] There are two especially significant differences between the common law and § 43(a) of the Lanham Act. First, § 43(a) provides a remedy where there is no palming off, *see infra* note 12, or disparagement. Second, intent to deceive is not required under § 43(a). *See, e.g.*, Better Business Bureau of Metro. Houston, Inc. v. Medical Directors, Inc., 509 F. Supp. 811 (S.D. Tex. 1981), *modified*, 681 F.2d 397 (5th Cir. 1982); Dallas Cowboys Cheerleaders v. Pussycat Cinema, Ltd., 467 F. Supp. 366 (S.D.N.Y.), *aff'd*, 604 F.2d 200 (2d Cir. 1979); Inter-

larger framework primarily aimed at the regulation of trademark usage, it has created a federal statutory remedy for various types of unfair advertising not limited to trademark abuse.[10] Although the section was initially applied restrictively, a more liberal reading of the statute has developed in recent years. The full extent of the relief available under the statute has not yet been realized.

Sections II and III of this article review the history of section 43(a) and the various issues that have arisen in its application. The remainder of the article analyzes the most recent use of the Lanham Act in the context of comparative advertising.

II. HISTORICAL PERSPECTIVE

A. *Effect of Judicial Precedent*

Two areas of judicial development led to the passage of the Lanham Act. The first area was a line of decisions following the seminal case of *American Washboard Co. v. Saginaw Manufacturing Co.*[11] American's washboards had gained significant popularity among consumers because they were made of aluminum. American Washboard, the plaintiff in this action, sought to enjoin Saginaw from representing that Saginaw's galvanized iron washboards were made of aluminum. Because Saginaw had not attempted to misrepresent its products as the plaintiff's, a cause of action for "palming off" could not be sustained.[12] Instead, the plaintiff

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national Election Sys. Corp. v. Shoup, 452 F. Supp. 684 (E.D. Pa. 1978), *aff'd*, 595 F.2d 1212 (3d Cir. 1979); *infra* text accompanying notes 44-57.

[10] *See, e.g.*, SK&F, Co. v. Premo Pharmaceutical Lab., Inc., 625 F.2d 1055, 1065 (3d Cir. 1980); Estate of Presley v. Russen, 513 F. Supp. 1339 (D. N.J. 1981); CBS Inc. v. Springboard Int'l Records, 429 F. Supp. 563 (S.D.N.Y. 1976); Skil Corp. v. Rockwell Int'l Corp., 375 F. Supp. 777 (N.D. Ill. 1974); Ames Publishing Co. v. Walker-Davis Publications, 372 F. Supp. 1 (E.D. Pa. 1974); Franklin Mint, Inc. v. Franklin Mint, Ltd., 331 F. Supp. 827, 831 (E.D. Pa. 1971).

[11] 103 F. 281 (6th Cir. 1900).

[12] "Palming off" is "an attempt by one person to induce customers to believe that his products are actually those of his competitors." Remco Indus., Inc. v. Toyomenka, Inc., 286 F. Supp. 948, 954, *aff'd*, 397 F.2d 977 (2d Cir. 1968). *See also* Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964); Pic Design Corp. v. Bearings Speciality Co., 436 F.2d 804 (1st Cir. 1971); Bose Corp. v. Linear Design Labs, Inc., 340 F. Supp. 513, 518 (S.D.N.Y. 1971), *modified*, 467 F.2d 304 (2d Cir. 1972); The Coca-Cola Co. v. Dorris, 311 F. Supp. 287, 289 (E.D. Ark. 1970). Prior to the Supreme Court's decision in Erie R.R. Co. v. Tompkins, 304 U.S. 64 (1938), the federal courts, applying federal common law, had developed an expansive palming off doctrine for protection of competitors. *See* S.S. Kresge Co. v. Champion Spark Plug Co., 3 F.2d 415 (6th Cir. 1925); 84 A.L.R. 472 (1933). The *Erie* case extinguished this line of authority by requiring the federal courts to look solely at the various states' palming off jurisprudence, a body of law less developed than the federal doctrine. *See* Time, Inc. v. Viobin Corp., 128 F.2d 860, 863 (7th Cir. 1942), *cert. denied*, 317 U.S. 673 (1942), *rev'd on other grounds sub nom.* Philco Co. v. Phillips Mfg. Co., 133 F.2d 663 (7th Cir. 1943). The Lanham Act, which prohibits palming off, is more favorable to plaintiffs than the federal common-law doctrine. *See, e.g.*, Black Hills Jewelry Mfg. Co. v. Gold Rush, Inc., 633 F.2d

alleged only that the defendant was deceiving the public—an allegation that did not come within any traditional common-law action for which the plaintiff had standing.

The Sixth Circuit upheld a dismissal of the complaint. The court reasoned that the defendant had not infringed upon a "property right" held by the plaintiff, such as a trademark, and that lost future sales were not "property." Thus, the plaintiff had not alleged an injury that a court of equity could protect.[13] The court was especially concerned with the plaintiff's inability to show that it had lost sales by a misrepresentation not expressly directed at American Washboard.

The *American Washboard* result was consistent with views on standing prevailing at that time. Because the plaintiff failed to allege an injury that was cognizable in equity, it lacked standing to seek an injunction. The court held that if persons such as the plaintiff were to be given standing to prevent deceptive advertising it "must come from the legislature, and not from the courts."[14]

Twenty-seven years later, the Supreme Court reached a similar, although slightly more expansive result, in *Mosler Safe Co. v. Ely-Norris Safe Co.*[15] The plaintiff in *Mosler* manufactured safes with an explosion chamber for protection against burglars. The defendant falsely represented that its safes had explosion chambers. The plaintiff admitted that the defendant never gave any customer reason to believe that its products were of the plaintiff's make. Following *American Washboard*, the district court held that the defendant's misrepresentations did not give the plaintiff a private cause of action. The Second Circuit, per Judge Learned Hand, reversed, reasoning that because the complaint alleged that the plaintiff had a patent monopoly on the safes with exploding chambers, a situation not present in *American*

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746 (8th Cir. 1980); L&L White Metal Casting Corp. v. Joseph, 387 F. Supp. 1349 (E.D.N.Y. 1976). For cases finding no palming off under the Lanham Act, however, see Vibrant Sales, Inc. v. New Body Boutique, Inc., 652 F.2d 299 (2d Cir.), *cert. denied*, 455 U.S. 909 (1981); Hesmer Foods, Inc. v. Campbell Soup Co., 346 F.2d 356 (7th Cir.), *cert. denied*, 382 U.S. 839 (1965).

[13] The *American Washboard* court set forth the then prevailing law:

> From the general principle running through [the precedent] it may be said that when one has established a trade or business in which he has used a particular device, symbol, or name so that it has become known in trade as a designation of such person's goods, equity will protect him in the use thereof. Such person has a right to complain when another adopts this symbol or manner of marking his goods so as to mislead the public into purchasing the same as and for the goods of complainant. Plaintiff comes into a court of equity in such cases for the protection of his property rights. The private action is given, not for the benefit of the public, although that may be its incidental effect, but because of the invasion by defendant of that which is the exclusive property of complainant.

103 F. at 284.

[14] *Id.* at 286.

[15] 273 U.S. 132 (1927).

Washboard, any sale by the defendant was a lost sale to the plaintiff.[16] The Second Circuit held that this constituted a cognizable injury.[17]

The Supreme Court, in an opinion by Justice Holmes, reversed the Second Circuit.[18] The reversal, however, was not a rejection of Judge Hand's legal reasoning but rather was based on the Supreme Court's reading of the complaint, supplemented by defendant's oral argument, which indicated that the plaintiff did not have a monopoly on safes with exploding chambers.[19] Absent a monopoly, the plaintiff could not prove any injury and accordingly lacked standing.

The common-law rule in 1927, therefore, was that competitors had no standing to enjoin nondisparaging, deceptive advertising outside the palming off context unless the plaintiff had a monopoly position in the market such that sales were necessarily decreased by the deception. The impact of this restrictive rule was particularly far-reaching in the international sphere. Subsequent to *Mosler*, the United States became a signatory to the Inter-American Trademark Convention of 1929.[20] The convention obligated the United States to provide effective legal protection against many different forms of unfair practices in international trade not prohibited under American common law. Most foreign signatories had laws granting competitors much greater rights against misleading advertising than were available in the United States.[21] The inability of foreign signatories to obtain relief under the *American Washboard* rule, while foreign laws gave American competitors greater rights, was one prime motivation for the enactment of the Lanham Act.[22]

The second judicial development that prompted the Lanham Act

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[16] *See* Mosler Safe Co. v. Ely-Norris Safe Co., 7 F.2d 603 (2d Cir. 1925), *rev'd*, 273 U.S. 132 (1927).

[17] *See* 7 F.2d at 604. Judge Hand in *Mosler* described the rationale for *American Washboard* and its progeny as follows:

> In the case at bar the means are as plainly unlawful as in the usual case of palming off. It is as unlawful to lie about the quality of one's wares as about their maker; it equally subjects the seller to action by the buyer . . . . The reason, as we think, why such deceits have not been regarded as actionable by a competitor, depends only upon his inability to show any injury for which there is a known remedy. In an open market it is generally impossible to prove that a customer, whom the defendant has secured by falsely describing his goods, would have bought of the plaintiff, if the defendant had been truthful. Without that, the plaintiff, though aggrieved in company with other honest traders, cannot show any ascertainable loss. He may not recover at law, and the equitable remedy is concurrent. The law does not allow him to sue as a vicarious avenger of the defendant's customers.

Id.

[18] *See* 273 U.S. 132 (1927).

[19] *See id.* at 133-34.

[20] *See* 46 Stat. 2907, T.S. No. 833 (1929).

[21] *See* Derenberg, *supra* note 7, at 1036-38.

[22] *See* Skil Corp. v. Rockwell Int'l Corp., 375 F. Supp. 777 (N.D. Ill. 1974); Derenberg, *supra* note 7, at 1029, 1036-38.

One witness at a congressional hearing on the Lanham Act emphasized that it was

was the Supreme Court's decision in *Erie Railroad Co. v. Tompkins*.[23] Prior to *Erie*, the federal courts had primarily developed the common law of unfair trade practices.[24] In *Erie*, however, the Court held that "except in matters governed by the Federal Constitution or by acts of Congress, the law to be applied in any case is the law of the State."[25] This decision swept aside the protection provided by federal decisions in the area of palming off and abrogated any hope that the liberal trend embodied in Judge Hand's *Mosler* decision would become the law.[26]

During hearings on the proposed Lanham Act, a major concern of legislators was to provide a statutory basis for continuing the liberal trend of the federal common law prior to *Erie*.[27] It was recognized at the time of passage of the Lanham Act that, given any statutory framework in the area, counsel and courts would revive the federal common-law rules as part of the interpretation of the legislation.[28] This legislative history has prompted courts to hold that a purpose of the Lanham Act was to remedy the destructive effect the *Erie* doctrine had upon the development of a uniform federal law on misleading advertising.[29]

Congress' reaction to *American Washboard* and *Erie* is important to the present construction of section 43(a) of the Lanham Act in two respects. First, Congress' response indicates an intent to give competitors standing broader than that available under *American Washboard* and more in line with that available in foreign countries with whom the United States had trade treaties. Second, Congress' reaction indicates endorsement of progressive regulation of trade advertising as represented by the federal common-law prohibition on palming off.[30]

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misleading to tell foreign nations that the United States would provide effective protection for unfair competition:

> By all the conventions we undertake to grant to foreigners effective protection against unfair competition. The foreigner says, "What have you given us?" And the answer usually is, "There is the Federal Trade Commission Act." Well, what is that? That is only unfair competition that directly affects the public. Then you talk to a foreigner about the common law, and he says, "What is that? We haven't any such thing in our country." And then we try to explain that there are 48 varieties of common law in the United States, and he says, "Which one is the one that I am entitled to be protected under? There is no Federal statute that helps me."

Hearings Before the Subcomm. on Trade-Marks of the House Comm. on Patents, 76th Cong., 1st Sess. 164 (1939). *See infra* text accompanying notes 27-30.

[23] 304 U.S. 64 (1938).

[24] *See* American Consumers, Inc. v. Kroger Co., 416 F. Supp. 1210 (E.D. Tenn. 1976).

[25] 304 U.S. at 78.

[26] *See* Zlinkoff, Erie v. Tompkins: *In Relation to the Law of Trademarks and Unfair Competition*, 42 COLUM. L. REV. 955, 960 (1942).

[27] *See* Derenberg, *supra* note 7, at 1030.

[28] *See* Zlinkoff, *supra* note 26, at 972.

[29] *See* Skil Corp. v. Rockwell Int'l Corp., 375 F. Supp. 777 (N.D. Ill. 1974).

[30] *See* Maternally Yours, Inc. v. Your Maternity Shop, Inc., 234 F.2d 538, 545-47 (2d Cir. 1956) (Clark, C.J., concurring).

B. *Legislative History of Section 43(a)*

The Lanham Act was enacted on July 5, 1946.[31] The Act is intended primarily to regulate the registration of trademarks.[32] Section 43(a)'s broad regulatory impact can be traced to section 3 of the 1920 Trademark Act.[33] Section 3 of the 1920 Act was the first federal legislation providing a private cause of action against a form of unfair competition not resulting from the infringement of a registered trademark.[34] Section 3 was limited in four ways. First, section 3 required that any false designation be made "willfully and with an intent to deceive." Second, the misrepresentation had to relate to a false designation of origin; any other misrepresentation was not actionable. Third, the section was

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[31] *See* ch. 540, 60 Stat. 427 (1946) (currently codified at 15 U.S.C. §§ 1051-1127 (1976)).

[32] Section 45 of the Lanham Act, 15 U.S.C. § 1127 (1976), states that:

> The intent of this Act 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 used in such commerce 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 treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations.

[33] Ch. 104, § 3, 41 Stat. 533 (1920), *repealed by* the Lanham Act, ch. 540, § 46(a), 60 Stat. 444 (1946). The purpose of the Trademark Act of 1920 was to implement certain provisions of the Buenos Aires Convention of 1910. Article VIII of the Convention states:

> The falsification, imitation or unauthorized use of a trade-mark, as also the false representation as to the origin of a product, shall be prosecuted by the interested party in accordance with the laws of the State where the offence is committed. For the effects of this article, interested parties shall be understood to be any producer, manufacturer, or merchant engaged in the production, manufacture or traffic of said product, or in the case of false representation of origin, one doing business in the locality falsely indicated as that of origin, or in the territory [in] which said locality is situated.

39 Stat. 1678-79, T.S. No. 626 (1916).

[34] Section 3 of the 1920 Trademark Act read as follows:

> That any person who shall willfully and with intent to deceive, affix, apply, or annex, or use in connection with any article or articles of merchandise, or any container or containers of the same, a false designation of origin, including words or other symbols, tending to falsely identify the origin of the merchandise, and shall then cause such merchandise to enter into interstate or foreign commerce, and any person who shall knowingly cause or procure the same to be transported in interstate or foreign commerce or commerce with Indian tribes, or shall knowingly deliver the same to any carrier to be so transported, shall be liable to an action at law for damages and to an action in equity for an injunction, at the suit of any person, firm, or corporation doing business in the locality falsely indicated as that of origin, or in the region in which said locality is situated, or at the suit of any association of such persons, firms or corporations.

Ch. 104, § 3, 41 Stat. 533 (1920), *repealed by* the Lanham Act, ch. 540, § 46(a), 60 Stat. 444 (1946). There was apparently little debate on this section and there were almost no reported decisions interpreting it. *See* Derenberg, *supra* note 7, at 1034.

limited to misrepresentations pertaining to "articles"; services were not included. Fourth, standing was limited to those actually injured.

Section 43(a) of the Lanham Act[35] does not have the limitations of section 3 of the Trademark Act. Thus, section 43(a) has been interpreted by many courts as a broad and remedial statute aimed at expanding the standing of competitors.[36]

C. *Early Advertising Cases Under Section 43(a)*

Decisions immediately following the passage of the Lanham Act interpreted section 43(a) as little more than a codification of the federal common-law rule of *American Washboard*; causes of action were limited to cases in which property rights were affected. The earliest of these cases was *Samson Crane Co. v. Union National Sales, Inc.*[37] The plaintiff in *Samson* sought to use section 43(a) to enjoin the defendant, a competitor, from misrepresenting that the defendant's store was being operated by and for the benefit of unions. The district court, in an opinion still relied on today, rejected the section 43(a) claim.

The *Samson* court first stated that, while section 43(a) literally prohibits "any false description or representation," the statutory language must be interpreted "in light of the succeeding phrase which explains these words as including words or symbols tending falsely to describe or represent, not any fact, but the goods or services in connection with which the description or representation is used."[38] Thus, the court reasoned that the literal language was not controlling.[39]

Relying on the same rationale, the *Samson* court minimized the importance of the Lanham Act's intent—"to protect persons engaged in commerce against unfair competition."[40] The court noted that this phrase was the only one in the statement of intent which failed to use the word "mark." The court reasoned that, when the phrase is read in context, the unfair competition referred to must be closely associated with a misuse of trademarks—"the passing off of one's own goods as those of a competitor."[41] Thus, the *Samson* court concluded that:

[T]he section should be construed to include only such false

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[35] *See* 11 U.S.C. § 1125(a) (1976); *supra* text accompanying note 9.

[36] *See, e.g.*, CBS Inc. v. Springboard Int'l Records, 429 F. Supp. 563, 566 (S.D.N.Y. 1976) ("The section is clearly remedial and should be broadly construed"); Skil Corp. v. Rockwell Int'l Corp., 375 F. Supp. 777 (N.D. Ill. 1974); S. REP. No. 1333, 79th Cong., 2d Sess. 1-5, *reprinted in* 1946 U.S. CODE CONG. SERV. 1274-77.

[37] 87 F. Supp. 218 (D. Mass. 1949), *aff'd per curiam*, 180 F.2d 896 (1st Cir. 1950).

[38] *Id.* at 221.

[39] *See id.* at 221-22 (referring to the phrase in § 43(a) which indicates that false representation includes "words or symbols tending falsely to describe or represent the" defendant's goods).

[40] 15 U.S.C. § 1127 (1976).

[41] 87 F. Supp. at 222.

> descriptions or representations as are of substantially the same economic nature as those which involve infringement, or other improper use of trade-marks. It should not be interpreted so as to bring within its scope any kind of undesirable business practice which involves deception, when such practices are outside the field of the trademark laws, and especially when such undesirable practices are already the subject of other Congressional legislation such as the Federal Trade Commission Act.[42]

This narrow reading of section 43(a) was based upon a close examination of the statutory structure of the legislation.

The Ninth Circuit, in *Chamberlain v. Columbia Pictures Corp.*,[43] reached a similarly narrow interpretation by treating section 43(a) as a mere codification of the federal common law in existence in 1946. The defendant in *Chamberlain* was alleged to have advertised a motion picture in such a manner as to deceive consumers into believing that the script was written by Mark Twain. The plaintiff, who claimed all rights possessed by Mark Twain at the time of his death, brought suit under section 43(a). The Ninth Circuit affirmed the dismissal, holding in language strikingly similar to that used in *American Washboard*, that in order to state a cause of action under section 43(a), there must be "a direct injury to the property right of a complainant by passing off the particular goods or services misrepresented."[44]

On the basis of *Samson* and *Chamberlain*, defendants frequently argue that section 43(a) did not alter the substantive law as it existed before passage of the Lanham Act but merely broadened the jurisdiction of federal courts to allow a private party to advance a palming off claim without showing diversity. This argument requires that the plaintiff show direct injury to a property right in order to obtain relief.[45]

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[42] *Id.* The *Samson* court's reference to the FTC Act does not justify its decision. The mere presence of legislation which could be used to prevent unfair advertising should not be used to support a reading of § 43(a) contrary to its literal meaning. This is especially true since the FTC appears to be generally following Chairman Miller's desire to limit its involvement in the unfair advertising area and the courts have generally held that there is no private right of action under the FTC Act. *See* Alfred Dunhill Ltd. v. Interstate Cigar Co., 499 F.2d 232, 237 (2d Cir. 1974) (no private right of action under FTC Act); *supra* note 3.

[43] 186 F.2d 923 (9th Cir. 1951).

[44] *Id.* at 925. The *Chamberlain* court stated that:

> Deceiving the public by fraudulent means, while an important factor in such suit [under § 43(a)], does not give the right of action unless it results in the sale of the goods as those of the complainant.

Id. The facts of *Chamberlain* are analogous to traditional palming off (*i.e.*, the script was passed off as being written by Mark Twain). Thus, the *Chamberlain* court could have found § 43(a) applicable even under its narrow construction of the statute that § 43(a) applies only to palming off.

[45] *See, e.g.*, Gold Seal Co. v. Weeks, 129 F. Supp. 928 (D.D.C. 1955), *aff'd sub nom.* S.C. Johnson & Son, Inc. v. Gold Seal Co., 230 F.2d 832 (D.C. Cir.), *cert. denied*, 352 U.S. 829 (1956).

During the 1960's, both the Sixth[46] and Seventh[47] Circuits, relying on *Samson* and *Chamberlain*, expressed approval of this argument; lower courts in those circuits have continued to follow the courts of appeals' decisions as controlling precedent.[48] The present trend among other courts, however, is toward a construction of section 43(a) that provides a cause of action whenever there has been a "false description or representation" regardless of the misrepresentation's resemblance to the traditional palming off.[49]

D. *Current Trends of Advertising Cases Under Section 43(a)*

The first court to hold that section 43(a) could be applied to misrepresentations other than palming off was the Third Circuit in *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*[50] The plaintiff in *L'Aiglon* was the manufacturer of a popular dress that sold for $17.95. The defendant sold an inferior and differently styled mail order dress for $6.95. In advertisements for the defendant's dress, however, the defendant used photographs of the plaintiff's garment. Since the defendant did not expressly represent that he was selling the plaintiff's product, the plaintiff could not argue that palming off had occurred.[51]

Despite the continued vitality of the *American Washboard* line of

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[46] *See* Federal-Mogul-Bower Bearings, Inc. v. Azoff, 313 F.2d 405 (6th Cir. 1963) (extensively quoting from *Samson*).

[47] *See* Bernard Food Indus., Inc. v. Dietene Co., 415 F.2d 1279, 1283 (7th Cir. 1969); *infra* text accompanying notes 131-40. *See also* General Pool Corp. v. Hallmark Pool Corp., 259 F. Supp. 383 (N.D. Ill. 1966).

[48] *See, e.g.*, American Consumers, Inc. v. Kroger Co., 416 F. Supp. 1210 (E.D. Tenn. 1976); Vermilion Foam Prods. Co. v. General Elec. Co., 386 F. Supp. 255 (E.D. Mich. 1974). *But see* Electronics Corp. of America v. Honeywell Inc., 358 F. Supp. 1230 (D. Mass.), *aff'd*, 487 F.2d 513 (1st Cir. 1973), *cert. denied*, 415 U.S. 960 (1974); Quabau Rubber Co. v. Fabiano Shoe Co., 567 F.2d 154 (1st Cir. 1977) ("[Section 43(a)] does not have a boundless application as a remedy for unfair trade practices").

[49] *See, e.g.*, Vidal Sassoon, Inc. v. Bristol-Myers Co., 661 F.2d 272 (2d Cir. 1981); Ragold, Inc. v. Ferrero, U.S.A., Inc., 506 F. Supp. 117 (N.D. Ill. 1980); Fox Chem. Co. v. Amsoil, Inc., 445 F. Supp. 1355 (D. Minn. 1978); Gold Seal Co. v. Weeks, 129 F. Supp. 928 (D.D.C. 1955), *aff'd sub nom.* S.C. Johnson & Son, Inc. v. Gold Seal Co., 230 F.2d 832 (D.C. Cir.), *cert. denied*, 352 U.S. 829 (1956). *See also* L & L White Metal Casting Corp. v. Joseph, 387 F. Supp. 1349 (E.D.N.Y. 1975); Natcontainer Corp. v. Continental Can Co., 362 F. Supp. 1094 (S.D.N.Y. 1973). *In re* Uranium Antitrust Litig., 473 F. Supp. 393 (N.D. Ill. 1979), contains the most expansive reading of the Lanham Act. In that case the district court refused to dismiss a § 43(a) claim based upon alleged misrepresentations made by the defendant in negotiations with consumers for whose business the plaintiff was competing. *See also* Chromium Indus., Inc. v. Mirror Polishing & Plating Co., 448 F. Supp. 544 (N.D. Ill. 1978) (Lanham Act held to cover a seller's exaggeration of the scope of its patents); H.A. Friend and Co. v. Friend and Co., 276 F. Supp. 707 (C.D. Cal. 1967), *aff'd*, 416 F.2d 526 (9th Cir. 1969), *cert. denied*, 397 U.S. 914 (1970).

[50] 214 F.2d 649 (3d Cir. 1954). For a more recent case involving facts similar to *L'Aiglon* see Matsushita Elec. Corp. of America v. Solar Sound Sys., Inc., 381 F. Supp. 64 (S.D.N.Y. 1974).

[51] 214 F.2d at 650.

cases, as shown by *Samson* and *Chamberlain*, the *L'Aiglon* court noted that a more liberal interpretation had strong adherents, as reflected in section 761 of the *Restatement of Torts*.[52] The keystone of the Third Circuit's rationale, however, was not the *Restatement*. Instead the court turned to the language of section 43(a) itself as a basis for its decision. The court found no words limiting causes of action for false representation to palming off or trademark infringement. Thus, the court felt bound to construe section 43(a) as a new federal statutory tort with broader implications than the *American Washboard* rule.[53]

For fifteen years, the Third Circuit's decision in *L'Aiglon* was the exception.[54] Within the last decade, however, other courts have adopted this broader reading. The Fifth Circuit in *Alum-A-Fold Shutter Corp. v. Folding Shutter Corp.*,[55] the Second Circuit in *Alfred Dunhill Ltd. v. Interstate Cigar Co.*,[56] and the Eighth Circuit in *Potato Chip Institute v. General Mills, Inc.*[57] have each adopted the *L'Aiglon* rationale rather than the narrow construction advanced in *Samson* and *Chamberlain*. Even district courts in circuits with prior appellate court opinions following *Samson* have now adopted *L'Aiglon*.[58] The Ninth Circuit in *U-Haul International, Inc. v. Jartran, Inc.*[59] has recently adopted the *L'Aiglon* ruling, distinguishing its prior decision in *Chamberlain*.

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[52] *See id.* at 651. Section 761(a) of the *Restatement of Torts* states that:

> 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 (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 . . . .

RESTATEMENT OF TORTS § 761(a) (1934).

[53] *See* 214 F.2d at 650-51. *See also* American Tobacco Co. v. Patterson, 456 U.S. 63 (1982) (Courts bound to follow literal words of act absent legislative history to the contrary).

[54] *But see* Gold Seal Co. v. Weeks, 129 F. Supp. 928 (D.D.C. 1955), *aff'd sub nom.* S.C. Johnson & Son, Inc. v. Gold Seal Co., 230 F.2d 832 (D.C. Cir.), *cert. denied*, 352 U.S. 829 (1956). The *Gold Seal* district court expressly adopted *L'Aiglon*.

[55] 441 F.2d 556 (5th Cir. 1971). *See also* Better Business Bureau of Metro. Houston, Inc. v. Medical Directors, Inc., 509 F. Supp. 811 (S.D. Tex. 1981), *modified*, 681 F.2d 397 (5th Cir. 1982). Curiously, the Fifth Circuit in *Alum-A-Fold* failed to distinguish between the different holdings in *Samson* and *L'Aiglon*, treating both cases as supporting the proposition that a new and broader statutory tort had been created. *See* 441 F.2d at 557.

[56] 499 F.2d 232 (2d Cir. 1974). *See infra* text accompanying notes 124-30; *see also* Bowmar Instrument Corp. v. Continental Microsystems, Inc., 497 F. Supp. 947 (S.D.N.Y. 1980); Benson v. Paul Winley Records Sales Corp., 452 F. Supp. 516 (S.D.N.Y. 1978).

[57] 333 F. Supp. 173 (D. Neb. 1971), *aff'd*, 461 F.2d 1088 (8th Cir. 1972).

[58] *See* Skil Corp. v. Rockwell Int'l Corp., 375 F. Supp. 777 (N.D. Ill. 1974) (ignoring the Seventh Circuit's opinion in Bernard Food Indus., Inc. v. Dietene Co., 415 F.2d 1279 (7th Cir. 1969), and quoting at length from the passages in *Samson* expressing a contrary view).

[59] 681 F.2d 1159 (9th Cir. 1982). The Ninth Circuit implicitly adopted *L'Aiglon* in its earlier decision in Smith v. Montoro, 648 F.2d 602 (9th Cir. 1981). The *Smith* court relied primarily on commentators, *see, e.g.*, 2 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 25.1 (1973), and lower court opinions, *see, e.g.*, L & L White Metal Casting Corp. v. Joseph, 387 F. Supp. 1349 (E.D.N.Y. 1975).

Under traditional rules of statutory construction, the rationale of *L'Aiglon* and its progeny represents the more coherent view. First, under established precedent, including the most recent Supreme Court statements on the point, courts are bound to give effect to the literal words of a statute unless the words are ambiguous or lead to an irrational result.[60] As the *L'Aiglon* court emphasized, the literal words of section 43(a) are not limited to palming off but include any "false description or representation." There is no ambiguity in this phrase.

Second, the *L'Aiglon* decision is faithful to the congressional intent of the Lanham Act as revealed in the Act's legislative history. It is not plausible that Congress intended by section 43(a) to freeze the liberal trend developing in the courts, particularly since the Supreme Court's decision in *Erie Railroad Co. v. Tompkins* is viewed as a catalyst for Congress' enactment of the Lanham Act. Rather, this history indicates that the statute was intended to broaden the common law and so bring American law in line with that of foreign signatories to trade conventions with the United States.[61] The change in the language from that of section 3 of the Trademark Act of 1920, which was limited to misrepresentations of origin, to that contained in section 43(a) of the Lanham Act, indicates that Congress did not intend to limit the statutory cause of action to mere palming off.[62]

Finally, an established canon of statutory construction is that remedial statutes must be broadly construed.[63] The underlying purpose of section 43(a) is to protect the marketplace from misrepresentation of products or services in commerce.[64] It is, therefore, generally held to be a remedial statute.[65] The holding of *L'Aiglon* and its progeny, which furthers the remedial purposes of the Act, is thus appropriate.

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[60] *See, e.g.*, American Tobacco Co. v. Patterson, 456 U.S. 63 (1982):

> [I]n all cases involving statutory construction, "our starting point must be the language employed by Congress," and we assume "that the legislative purpose is expressed by the ordinary meaning of the words used." Thus "[a]bsent a clearly expressed legislative intention to the contrary, that language must ordinarily be regarded as conclusive."

Id. at 68 (citations omitted).

[61] *See supra* text accompanying notes 20-22, 32-36.

[62] *See id.*

[63] *See, e.g.*, Payton v. Rowe, 391 U.S. 54 (1968); Tcherepnin v. Knight, 389 U.S. 332 (1967); Westinghouse Elec. Corp. v. Pacific Gas & Elec. Co., 326 F.2d 575 (10th Cir. 1964); United States v. One Hazardous Prod., 487 F. Supp. 581, 588 (D. N.J. 1980); R.R. v. Department of Army, 482 F. Supp. 770 (D.D.C. 1980).

[64] *See* Johanna Farms, Inc. v. Citrus Bowl, Inc., 468 F. Supp. 866 (S.D.N.Y. 1978); S. REP. No. 1333, 97th Cong., 2d Sess. 3, *reprinted in* 1946 U.S. CODE CONG. SERV. 1274, 1275.

[65] *See, e.g.*, Nature's Bounty, Inc. v. Super Drugs Corp., 490 F. Supp. 50 (S.D.N.Y. 1980); CBS Inc. v. Springboard Int'l Records, 429 F. Supp. 563 (S.D.N.Y. 1976); John Wright, Inc. v. Casper Corp., 419 F. Supp. 292 (E.D. Pa. 1976), *aff'd in part, rev'd and remanded in part sub nom.* Donsco, Inc. v. Casper Corp., 587 F.2d 602 (3d Cir. 1978); Ames Publishing Co. v. Walker-Davis Publications, 372 F. Supp. 1 (E.D. Pa. 1974); Geisel v. Poynter Prods., Inc., 283 F. Supp. 261 (S.D.N.Y. 1968); *see also* Metric & Multistandard Components Corp. v. Metric's, Inc., 635 F.2d 710 (8th Cir. 1980); Maternally Yours, Inc. v. Your Maternity Shop,

III. CURRENT ISSUES UNDER THE LANHAM ACT

A. *Who Has Standing?*

Section 43(a) specifically gives standing to "any person who believes that he is or is likely to be damaged."[66] The Ninth Circuit has held, in reliance on section 45, the definitional section of the Act, that the word "person" in section 43(a) includes "juristic persons (*e.g.*, firms, corporations, unions and associations) as well as natural persons."[67]

The courts have been liberal in finding standing. An estate was found to have standing when it asserted a claim against an entertainment group impersonating the decedent without authorization.[68] Standing was also found for an actor when a film distributor replaced his name with that of another actor in both film credits and advertising material.[69] The most significant case indicating a restrictive standing test is the Second Circuit's opinion in *Colligan v. Activities Club of New York, Ltd.*,[70] in which consumers were denied standing.[71] This decision, however, is based upon improper statutory construction[72] and is bad policy since it deprives the market of a potential corrective source.[73]

Inc., 234 F.2d 538 (2d Cir. 1956) (Clark, C. J., concurring).

[66] 15 U.S.C. § 1125(a) (1976).

[67] Smith v. Montoro, 648 F.2d 602, 607 (9th Cir. 1981) (citing 15 U.S.C. § 1127 (1976)). The legislative history of § 43(a) makes the standing of "associations" somewhat ambiguous. Section 3 of the 1920 Trademark Act specifically gave standing to an "association of . . . persons, or corporation." Trademark Act of 1920, ch. 104, § 3, 41 Stat. 533 (1920). One of the early versions of the Lanham Bill, H.R. 6618, 76th Cong., 1st Sess. § 43 (1939), provided for civil liability "at the suit of any association of . . . persons," as did H.R. 82, 77th Cong., 1st Sess. § 43 (1941), which eventually became § 43 of the Lanham Act. Since the bill, as passed, does not contain such language, an argument could be made that the language was intentionally deleted to deny an association standing. However, since the legislative history gives no indication that this was intended, it is probable that Congress assumed the term "person" as defined in § 45, which includes associations, would be incorporated into § 43(a). *See* Derenberg, *supra* note 7, at 1036; *see also* Mutation Mink Breeders Ass'n v. Lou Nierenberg Corp., 23 F.R.D. 155 (S.D.N.Y. 1959).

[68] Estate of Presley v. Russen, 513 F. Supp. 1339 (D. N.J. 1981).

[69] Smith v. Montoro, 648 F.2d 602 (9th Cir. 1981). *See also* Norman M. Morris Corp. v. Weinstein, 466 F.2d 137 (5th Cir. 1972) (holder of exclusive right to sell misrepresented product had standing); D. M. & Antique Import Corp. v. Royal Saxe Corp., 311 F. Supp. 1261 (S.D.N.Y. 1970) (distributor had standing); Yameta Co. v. Capitol Records, Inc., 279 F. Supp. 582 (S.D.N.Y.), *rev'd on other grounds*, 393 F.2d 91 (2d Cir. 1968) (musician had standing to prevent recording company's misrepresentation).

[70] 442 F.2d 686 (2d Cir.), *cert. denied*, 404 U.S. 1004 (1971).

[71] *See id.* at 693-94; *accord In re* "Agent Orange" Prod. Liab. Litig., 475 F. Supp. 928 (E.D.N.Y. 1979); John Wright, Inc. v. Casper Corp., 419 F. Supp. 292, 324-25 n.18 (E.D. Pa. 1976), *aff'd in part, rev'd and remanded in part sub nom.* Donsco, Inc. v. Casper Corp., 587 F.2d 602 (3d Cir. 1978); LeBlanc v. Spector, 378 F. Supp. 301 (D. Conn. 1973); Broward County v. Eli Lilly & Co., 329 F. Supp. 364 (S.D. Fla. 1971).

[72] Rather than accepting the literal meaning of § 43(a) as Congress' intent and requiring the defendant to prove the contrary, the *Colligan* court put the burden on the plaintiff to prove that Congress intended to give consumers standing. *See* 442 F.2d at 692-93.

[73] *See* 2 J. MCCARTHY, *supra* note 59, § 27.5B; *see also infra* text accompanying notes 79-81.

1. Consumer Standing

In *Colligan*, the plaintiffs had purchased a packaged ski tour from the defendant. The defendant had advertised the package to include adequate ski equipment, qualified instruction, and transportation. In reality, the equipment was inadequate, there was only one "qualified" instructor, and the transportation broke down.[74]

The *Colligan* court denied standing to the plaintiff. It reasoned that opening the federal courts to consumer actions "would lead to a veritable flood of claims brought in already overtaxed federal courts, while adequate private remedies for consumer protection, which to date have been left almost exclusively to the States, are readily at hand."[75] The *Colligan* court thus ignored the purpose of the Lanham Act—"to protect the public from imposition by the use of . . . false trade descriptions."[76]

The need for a uniform law on what constitutes misrepresentation in false advertising, one of the purposes of the Lanham Act,[77] is the same whether the plaintiff is a business or a consumer. By requiring consumers to seek state court remedies there arises the likelihood of inconsistent results depending on the plaintiff's forum. This type of problem is what Congress intended to avoid in passing the Lanham Act.

The real interest of the *Colligan* court appears to be that the complaint in that case involved a local matter not generating any national concerns. A better way to have limited access to federal courts on purely local matters would have been to require a significant effect on interstate commerce under the Lanham Act.[78]

Consumers and consumer groups often will have ample justification to challenge for false advertising.[79] If a significant amount of money,

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[74] *See* 442 F.2d at 688.

[75] *Id.* at 693.

[76] *See* S. REP. No. 1333, 79th Cong., 2d Sess. 3, *reprinted in* 1946 U.S. CODE CONG. SERV. 1274, 1275; *see also* U-Haul Int'l, Inc. v. Jartran, Inc., 681 F.2d 1159, 1162 (9th Cir. 1982).

[77] *See* S. REP. No. 1333, 79th Cong., 2d Sess. 5, *reprinted in* 1946 U.S. CODE CONG. SERV. 1274, 1277.

[78] *See* Tubeco, Inc. v. Crippen Pipe Fabrication Corp., 402 F. Supp. 838 (E.D.N.Y. 1975), *aff'd*, 538 F.2d 314 (2d Cir. 1976); Florida v. Real Juices, Inc., 330 F. Supp. 428 (M.D. Fla. 1971); Iding v. Anaston, 266 F. Supp. 1015 (N.D. Ill. 1967) (discussing interstate commerce standard). That the interstate commerce requirement in other legislation has been read broadly by the courts does not preclude a narrow reading under the Lanham Act since "the phrase 'in commerce' does not, of course, necessarily have a uniform meaning whenever used by Congress." United States v. American Bldg. Maintenance Inc., 422 U.S. 271, 277 (1975).

[79] *See* Gold Seal Co. v. Weeks, 129 F. Supp. 928, 940 (D.D.C. 1955), *aff'd sub nom.* S.C. Johnson & Son, Inc. v. Gold Seal Co., 230 F.2d 832 (D.C. Cir.), *cert. denied*, 352 U.S. 829 (1956) (seller can not destroy "the buyer's opportunity to judge fairly between rival commodities"); *see also* Dallas Cowboys Cheerleaders v. Pussycat Cinema, Ltd., 467 F. Supp. 366, 374 (S.D.N.Y.), *aff'd*, 604 F.2d 200 (2d Cir. 1979) (holding in the commercial context of

large numbers of people, or the safety of the public is involved, consumers will have a reasonable interest which must be protected.[80] In fact, there may be instances in which there is no competitor with sufficient economic incentive to challenge an advertising campaign, thus leaving consumer groups as the sole source of protection for the public. Should the views of Federal Trade Commission Chairman James Miller prevail such that the FTC limits its involvement in this area, then consumer standing would become even more imperative.[81]

2. Competitor Standing

In the commercial context, the question of the requisite injury for standing under the Lanham Act merges into the issue of whether the plaintiff has shown a "likelihood of injury" required on the merits. This inquiry was at the center of the Second Circuit's decision in *Johnson & Johnson v. Carter-Wallace, Inc.*[82]

Johnson's claim arose out of Carter's use of baby oil in NAIR, a depilatory, and its advertising campaign promoting this component of the product. Carter added a blue banner containing the words "with baby oil" to the NAIR label and emphasized this fact in its advertising. Johnson's section 43(a) claim alleged that Carter falsely represented to consumers that the baby oil in NAIR had the same moisturizing and softening effect on the skin of the user as the application of baby oil after use of a depilatory. Johnson also claimed that the packaging created the false impression that NAIR was a Johnson & Johnson product. On these facts, Johnson contended that it was entitled to injunctive relief.[83] The trial court dismissed the claim on the ground that Johnson had failed to carry its burden of proving damages or the likelihood of damages.[84] The Court of Appeals reversed.[85]

The Second Circuit first noted that section 43(a) represented a departure from the common-law action for trade disparagement and from the need to prove actual damages as a prerequisite for injunctive

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that case that "[t]here is no requirement that the defendant's service or product be in direct competition with, or be of the same type as, the product or service of the plaintiff"); St. Charles Mfg. Co. v. St. Charles Furniture Corp., 482 F. Supp. 397 (N.D. Ill. 1979).

[80] *See* 1 R. CALLMAN, UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 18.2(b)(1), at 625 (3d ed. Supp. 1980) ("dispositive question" is whether plaintiff "has a reasonable interest to be protected against false advertising"); *see also* New West Corp. v. NYM Co. of Calif., Inc., 595 F.2d 1194, 1198 (9th Cir. 1979).

[81] *See supra* note 3.

[82] 631 F.2d 186 (2d Cir. 1980). The issue in *Johnson*, the degree of injury necessary for standing, is identical to the issue in *American Washboard*, where the court held that the plaintiff lacked standing because it could not prove injury. *See supra* text accompanying notes 11-14.

[83] *See* 631 F.2d at 188.

[84] 487 F. Supp. 740, 749 (S.D.N.Y. 1979).

[85] *See* 631 F.2d at 192.

relief. This departure, according to the *Johnson* court, marked the creation of a "new statutory tort intended to secure a market-place free from deceitful marketing practices."[86] The minimum requisite likelihood of damages, according to the Second Circuit, lies somewhere between a mere subjective belief by the plaintiff that he is injured or likely to be damaged and a quantifiable loss. The *Johnson* court held:

> The statute demands only proof providing a reasonable basis for the belief that the plaintiff is likely to be damaged as a result of the false advertising. The correct standard is whether it is likely that Carter's advertising has caused or will cause a loss of Johnson sales, not whether Johnson has come forward with specific evidence that Carter's ads actually resulted in some definite loss of sales.[87]

The first step in applying the *Johnson* rule is to determine whether the parties are competitors. The *Johnson* court concluded that, while the parties in that case did not compete in the narrow depilatory market, they did compete in the broader hair removal market.[88] Johnson's stake

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[86] *Id.* at 189 (citing Alfred Dunhill Ltd. v. Interstate Cigar Co., 499 F.2d 232, 236 (2d Cir. 1974), and L'Aiglon Apparel v. Lana Lobell, Inc., 214 F.2d 649, 651 (3d Cir. 1954)). The *Johnson* court reasoned that the new tort differed from the common-law action for trade disparagement in two important respects: (1) it does not require proof of intent to deceive; and (2) it entitles a broad range of commercial parties to relief. *See* 631 F.2d at 189.

[87] 631 F.2d at 190 (citing Ames Publishing Co. v. Walker-Davis Publications, Inc., 372 F. Supp. 1, 13 (E.D. Pa. 1974)). The *Johnson* court noted that while plaintiffs need not show actual damages in order to obtain an injunction, they face a difficult burden in any attempt to recover damages since such damages would be often speculative or conjectural. The Second Circuit's expression of concern over proof of actual damages is identical to that raised by Judge Hand in *Mosler* nearly fifty years before. *See supra* note 17.

No court has awarded damages in a comparative advertising case under § 43(a). *See Attorneys Relishing Ad Wars*, Nat'l L.J., Nov. 15, 1982, at 22. Most competitors settle after an injunction is either granted or denied. *See id.* One case in which damages may ultimately be awarded, however, is U-Haul Int'l, Inc. v. Jartran, Inc., 681 F.2d 1159 (9th Cir. 1982), which is pending in the United States District Court of Phoenix. The plaintiff has already obtained an injunction against Jartran's false advertising. *See id.* Because Jartran is U-Haul's only significant competitor in the market, it is likely that U-Haul will be able to prove that its lost sales were attributable to Jartran's advertisements.

Actual and punitive damages have been awarded in the palming off context. *See* Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 561 F.2d 1365 (10th Cir. 1977), *cert. dismissed*, 434 U.S. 1052 (1978) (actual and punitive damages); Truck Equip. Serv. Co. v. Fruehauf Corp., 536 F.2d 1210 (8th Cir.), *cert. denied*, 429 U.S. 869 (1976).

A mandatory injunction requiring the defendant to publish corrective advertisements will in many cases be the most appropriate remedy. *See* Warner-Lambert Co. v. FTC, 562 F.2d 749 (D.C. Cir. 1977), *modifying*, 88 F.T.C. 503 (1976). Such an injunction is necessary where the defendants' advertisements have created a false and material belief in consumers which will live on after the advertising ceases. *See id; see also* Perfect Fit Indus., Inc. v. Acme Quilting Co., 618 F.2d 950 (2d Cir. 1980); P. Ferrero & C.S.p.A. v. Life Savers, Inc., 383 F. Supp. 10 (S.D.N.Y. 1974) (requiring affirmative action by defendant).

[88] *See* 631 F.2d at 190. While NAIR is used for hair removal by depilation, Johnson Baby Lotion has been promoted as a substitute for shaving cream and is used for removal of hair by shaving. *See id.*

in the shaving market thus gave it a "reasonable interest to be protected against the alleged false advertising."[89]

The second step under the *Johnson* rule is to prove a causal connection between the alleged false advertising and the plaintiff's own sales position. The court concluded that Johnson had met this burden by showing that NAIR's share of the hair removal market had increased since its baby oil advertising began. The court reasoned that for each new depilatory user, a corresponding decline in the use of shaving products such as oils and lotions appears probable. The *Johnson* court also accepted the plaintiff's contention that the use of baby oil after depilation is likely to be reduced if Carter's advertising conveyed to consumers the idea that NAIR's baby oil has a moisturizing and softening effect and leads the consumer to believe that use of a second, post-depilation, moisturizer is unnecessary.[90]

In finding for the plaintiff, the *Johnson* court rejected Carter's argument that *de minimus* damages or the failure of the plaintiff to show a definite amount of lost sales precludes relief. The court's analysis is consistent with numerous circuit and district court precedents.[91]

In addition, the Second Circuit correctly held that sound policy reasons exist for not requiring proof of actual loss as a prerequisite to obtaining standing for injunctive relief under section 43(a). An inability to prove monetary damages in an injunction suit, as distinguished from an action for damages, poses no likelihood of an unwarranted recovery for the plaintiff. The plaintiff achieves no more than that to which all competitors are entitled—a market free of false advertising.[92]

Had the Second Circuit in *Johnson* reached a different result, section 43(a) would in many respects have been no better than the rule laid down in *American Washboard*. Essentially, the plaintiff under the Lanham Act

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[89] *Id.* at 190 (quoting 1 R. CALLMAN, UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 18.2(b), at 625 (3d ed. 1967)).

[90] *See* 631 F.2d at 190. Johnson offered other evidence to support its contention that it was likely to be injured. Sales of its baby oil had in fact declined. Surveys introduced into evidence indicated that after viewing NAIR's ads people thought they would not need baby oil after shaving if they used NAIR and a consumer witness testified that she switched from using baby oil for shaving to NAIR because it was advertised as containing baby oil. *See id.* at 191.

[91] *See* Chromium Indus., Inc. v. Mirror Polishing & Plating Co., 448 F. Supp. 544 (N.D. Ill. 1978); Rare Earth, Inc. v. Hoorelbeke, 401 F. Supp. 26 (S.D.N.Y. 1975); Mortellito v. Nina of Calif., Inc. 335 F. Supp. 1288 (S.D.N.Y. 1972); *see also* American Home Prods. Corp. v. Johnson & Johnson, 436 F. Supp. 785 (S.D.N.Y. 1977), *aff'd*, 577 F.2d 160 (2d Cir. 1978); Hesmer Foods, Inc. v. Campbell Soup Co., 346 F.2d 356 (7th Cir.), *cert. denied*, 382 U.S. 839 (1965); Potato Chip Inst. v. General Mills, Inc., 333 F. Supp. 173, 179 (D. Neb. 1971), *aff'd*, 461 F.2d 1088 (8th Cir. 1972); American Brands, Inc. v. R. J. Reynolds Tobacco Co., 413 F. Supp. 1352 (S.D.N.Y. 1976); National Lampoon, Inc. v. American Broadcasting Companies, Inc., 376 F. Supp. 733 (S.D.N.Y.), *aff'd*, 497 F.2d 1343 (2d Cir. 1974); Ames Publishing Co. v. Walker-Davis Publications, Inc., 372 F. Supp. 1, 13 (E.D. Pa. 1974); Mutation Mink Breeders Ass'n v. Lou Nierenberg Corp., 23 F.R.D. 155 (S.D.N.Y. 1959). The Second Circuit recently reaffirmed *Johnson*. *See* The Coca-Cola Co. v. Tropicana Prods., Inc., 690 F.2d 312 (2d Cir. 1982).

[92] *See* 631 F.2d at 192.

would only be able to obtain relief in a situation where it had a near monopolistic position or was the defendant's only competitor. This result Congress sought to avoid in enacting section 43(a). Congress specifically declined to include actual damages as an element of a violation of section 43(a). The test, under the Act, is whether there is a likelihood of damages.[93] The common-law concept of a need for actual damages is, therefore, inappropriate for incorporation under the "new statutory tort" of section 43(a).[94]

B. *What Type of "Falsity" Is Actionable?*

1. Puffing

Courts applying section 43(a) outside the palming off context have been forced to define what type of falsity is actionable. Statements that a product possesses superior qualities are often considered mere puffing and are not actionable.[95] Phrases held to be within this category include statements that the defendant's product is "far better than any [other] ever before offered,"[96] "new and revolutionary,"[97] or "comparable in quality" to other brands.[98] Where representations go beyond mere puffing there can be liability.[99] The distinction, however, between puffing

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[93] *See* 15 U.S.C. § 1125(a) (1976).

[94] The *Johnson* court remanded the case to the district court for a determination of whether the NAIR advertising was false or misleading. The Second Circuit directed the district court that if it found the defendant's advertising to convey a false message, irreparable injury for the purposes of injunctive relief would be present. The court's reasoning on this point is consistent with traditional standards for injunctive relief since in an open market it is impossible to measure the exact amount of plaintiff's damages. *See* The Coca-Cola Co. v. Tropicana Prods., Inc., 690 F.2d 312 (2d Cir. 1982).

[95] *See* Gerber Prods. Co. v. Beechnut Life Savers, Inc., 160 F. Supp. 916 (S.D.N.Y. 1958). To constitute "puffing" the representation must be of a character that it is "offered and understood as an expression of the seller's opinion only . . . on which no reasonable man would rely." W. PROSSER, HANDBOOK OF THE LAW OF TORTS 722 (4th ed. 1971). As one early court said: "The law recognizes the fact that men will naturally overstate the value and qualities of the articles which they have to sell. All men know this, and a buyer has no right to rely upon such statements." Kimball v. Bangs, 144 Mass. 321, 11 N.E. 113, 114 (1887).

[96] *See* Smith-Victor Corp. v. Sylvania Elec. Prods., Inc., 242 F. Supp. 302 (N.D. Ill. 1965).

[97] *See* Lewyt Corp. v. Health-Mor, Inc., 84 F. Supp. 189 (N.D. Ill. 1949), *rev'd on other grounds*, 181 F.2d 855 (7th Cir.), *cert. denied*, 340 U.S. 823 (1950).

[98] *See* Anheuser-Busch, Inc. v. Du Bois Brewing Co., 175 F.2d 370 (3d Cir. 1949), *cert. denied*, 339 U.S. 934 (1950); *see also* Bristol-Myers Co. v. FTC, 185 F.2d 58 (4th Cir. 1950); Kidder Oil Co. v. FTC, 117 F.2d 892 (7th Cir. 1941); Ostermoor & Co. v. FTC, 16 F.2d 962 (2d Cir. 1927).

[99] *See* Western Radio Corp. v. FTC, 339 F.2d 937 (7th Cir. 1965); Kirchner v. FTC, 337 F.2d 751 (9th Cir. 1964); Colgate-Palmolive Co. v. FTC, 310 F.2d 89 (1st Cir. 1962); Gulf Oil Corp. v. FTC, 150 F.2d 106 (5th Cir. 1945); Skil Corp. v. Rockwell Int'l Corp., 375 F. Supp. 777 (N.D. Ill. 1974).

and actionable falsity is an issue of fact that can only be discerned on a case-by-case basis.[100]

The most recent decision under section 43(a) discussing a puffing defense is *American Home Products v. Abbott Laboratories*.[101] The defendant in *Abbott* represented its hemorrhoid medication, Tronolane, as one which "stops pain immediately." Abbott's clinical tests established, however, only that Tronolane reduced pain over time. Two to five hours after application, most Tronolane users continued to experience a significant proportion of the pain they felt prior to initial use of the product. The product failed to produce complete cessation of pain in more than fifty percent of its users.[102]

The *Abbott* court found that the essential question before it was whether the phrase "stops pain immediately" was perceived by consumers to mean total and immediate cessation of pain. In terms of the puffing defense the question was whether consumers took the advertisement literally or with an acceptance that the representation was made in the context of an attempt to sell a product.

The defendant argued that in the context of its advertising, "stops" did not mean "stop"; "rather 'stops pain' can and should be read to mean stops some pain or some significant amount of pain."[103] According to the defendant, consumers understand that "stops" when used in connection with an advertisement for a pain reliever does not mean the same thing as "when used in reference to a policeman's stopping a car or Muhammad Ali's stopping George Foreman."[104] Thus, according to the defendant, the phrase "stops pain immediately" was both intended to be and understood to be mere puffing.

Ruling on the plaintiff's motion for a preliminary injunction, the court rejected this argument. The court emphasized that no dictionary "gives 'partially ceased' or 'partially reduced' or anything synonymous to those phrases as a definition of 'stop.' "[105] The court reasoned that while dictionary definitions are not conclusive, they do give the common meanings of words and thus indicate what the plaintiff will show regard-

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[100] The privilege for "puffing" would appear to be inapplicable as a matter of law where a seller uses statistics in a head-to-head comparison with other products. In such circumstances the representation is more than just the seller's opinion. *See* U-Haul Int'l, Inc. v. Jartran, Inc., 522 F. Supp. 1238 (D. Ariz. 1981), *aff'd*, 681 F.2d 1159 (9th Cir. 1982).

[101] 522 F. Supp. 1035 (S.D.N.Y. 1981). The *Abbott* decision does not describe Abbott's defense as one of "puffing." Nevertheless, it is that concept which was at issue in the case. *See id.* at 1044-45 (that some consumers understood defendant's representations to mean less than the literal meaning of these representations "is perfectly understandable in light of consumer skepticism about advertising claims and consumer capacity to accommodate to exaggeration").

[102] *See id.* at 1042.

[103] *See id.*

[104] *Id.* at 1043.

[105] *Id.* at 1044.

ing consumer perceptions at the trial on the merits. Similarly, the court held that the term "immediately" could not be perceived as meaning two to five hours.[106] The court found further support for its ruling in that none of the defendant's competitors used the term "stops pain" in describing the benefits of their products but rather restricted their self-characterizations to "relieves pain," a term suggested by the Food and Drug Administration.[107] Finally, the court found persuasive consumer survey evidence indicating that some consumers believed Tronolane would end pain immediately.

The court discounted evidence that some consumers understood "stop" to mean "reduced" on the ground that this fact went only to damages and not to falsity.[108] Thus, the court held that the defendant's advertisements representing that Tronolane immediately stopped pain were misleading and in violation of section 43(a).[109]

The *Abbott* court's treatment of the puffing defense is consistent with both congressional intent and the literal words of the Lanham Act. Congress intended to guarantee a marketplace free of deceitful advertising, and section 43(a) expressly prohibits all representations "tending" to describe falsely.[110] The fact that consumers receive an advertiser's claims with skepticism does not alter the fact that a particular advertisement is false or misleading.

Consumer perception of advertising claims is far from irrelevant, however, as the *Abbott* court's reliance on consumer surveys indicates. Surveys have shown that promotional claims which are widely publicized through television, radio, and print media tend to be particularly persuasive. The wide distribution of these advertisements implies review of their claims by responsible people concerned with liability. Wide distribution gives these advertisements an aura of veracity quite unlike the loose language in an individual, and generally unaccountable, salesman's pitch. Widespread claims also have greater potential to harm than those of individual salesmen, simply by virtue of the greater number of people the advertisements may persuade. Thus, the courts should be cautious in deeming any advertising language aimed at a significant portion of the public to be mere puffing.

2. Examples of "Falsity"

The courts have held that when analyzing the issue of falsity it is not necessary for the plaintiff to show that the defendant willfully or inten-

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[106] *See id.*

[107] *See id.* The *Abbott* court also found support for its ruling in evidence that the defendant consciously chose to use the words "stop" and "immediately" so as to "break through the clutter of other advertising messages in the area." *Id.*

[108] *See id.* at 1045.

[109] *See id.*

[110] *See supra* text accompanying notes 9, 27-30.

tionally made the false description or representation. The sole issue is whether consumers are mislead.[111] If the plaintiff can show that the defendant deliberately intended to deceive the consumer, the plaintiff need not prove actual consumer confusion. Once the intent to cause confusion is established, the court will presume that the defendant accomplished his purpose.[112]

The most common falsities violating section 43(a) occur when an advertisement contains an expressly untrue statement concerning the quality of the advertised product. Such misstatements have appeared in a variety of contexts. For example, in *Philip Morris Inc. v. Loew's Theatres, Inc.*,[113] the court found that the defendant's claim that its brand of cigarette was a "National Taste Test Winner" was false on its face because the survey on which the representation was based had in fact shown that consumers preferred a competitor's brand.[114] In *Electronics Corp. of America v. Honeywell, Inc.*,[115] the defendant was found to have violated section 43(a) when it falsely represented that its programming controls for industrial heaters and burners were inexpensive, were easy to use, and required minimal supervision by an electrician.[116] In *American Home Products Corp. v. Abbott Laboratories*,[117] the defendant was enjoined under section 43(a) from promoting its medication as being "new" when in fact the product's formulation had been available for years.[118] In *Toro Co. v. Textron, Inc.*,[119] the defendant was held to have violated section 43(a) by falsely claiming that its snow plow did not require priming, was easier to push than its competitor's product, and had a feature which prevented stalling in drifts.[120] An in *Quaker State Oil Refining Corp. v. Burmah-Castreol, Inc.*,[121] the defendant was held to have violated section 43(a) by falsely representing that its motor oil did not lose viscosity.[122]

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[111] *See* Parkway Baking Co. v. Freihofer Baking Co., 255 F.2d 641, 648 (3d Cir. 1958); Ames Publishing Co. v. Walker-Davis Publications, Inc., 372 F. Supp. 1, 11 (E.D. Pa. 1974); Gold Seal Co. v. Weeks, 129 F. Supp. 928, 940 (D.D.C. 1955), *aff'd sub nom.* S.C. Johnson & Son, Inc. v. Gold Seal Co., 230 F.2d 832 (D.C. Cir.), *cert. denied*, 352 U.S. 829 (1956).

[112] *See* McNeilab, Inc. v. American Home Prods. Corp., 501 F. Supp. 517, 529 (S.D.N.Y. 1980); Johnson & Johnson v. Quality Pure Mfg., Inc., 484 F. Supp. 975 (D.N.J. 1979); Polo Fashions, Inc. v. Extra Special Prods., Inc., 451 F. Supp. 555, 562 (S.D.N.Y. 1978).

[113] 511 F. Supp. 855 (S.D.N.Y. 1980).

[114] *See id.* at 858.

[115] 358 F. Supp. 1230 (D. Mass.), *aff'd*, 487 F.2d 513 (2d Cir. 1973), *cert. denied*, 415 U.S. 960 (1974).

[116] *See id.* at 1236.

[117] 522 F. Supp. 1035 (S.D.N.Y. 1981).

[118] *See id.* at 1047-49.

[119] 499 F. Supp. 241 (D. Del. 1980).

[120] *See id.* at 254.

[121] 504 F. Supp. 178 (S.D.N.Y. 1980).

[122] *See id.* at 180. *But see* Ragold, Inc. v. Ferrero, U.S.A., Inc., 506 F. Supp. 117 (N.D. Ill. 1980); Glenn v. Advertising Publications, Inc., 251 F. Supp. 889 (S.D.N.Y. 1966) (no false representation).

3. Failures to disclose.

Although plaintiffs have been successful in asserting claims for express falsehoods, they have had less success where the defendant has omitted facts that might bear on consumer preference. Courts have held that section 43(a) prohibits only affirmative false representations and not misleading absences of information.[123] This line of cases is derived from the Second Circuit's opinion in *Alfred Dunhill Ltd. v. Interstate Cigar Co.*[124]

In *Dunhill*, a manufacturer had shipped across the Atlantic Ocean 268 fiberboard cases of Dunhill brand tobacco. One hundred sixty-eight of those cases suffered water damage during shipment. Dunhill received payment for the damaged cases from its insurer who in turn sold the tobacco to a salvage company for disposition. The defendant purchased the tobacco, which was labelled "Dunhill," fully aware that the cases of tobacco were salvaged goods. At the time of the defendant's purchase, no conditions were imposed upon resale of the tobacco. Dunhill subsequently requested the defendant to label the tobacco as salvage. The defendant refused Dunhill's request, but did circulate a memorandum to sales personnel advising them that the customers should be warned that the merchandise was salvage.[125] The tobacco was eventually sold at retail.

The district court held that the defendant's selling of the Dunhill labeled goods violated the Lanham Act. Relying on precedent under the Federal Trade Commission Act, the court reasoned that "[s]ales of damaged tobacco in tins bearing trademarks associated with high quality tobacco, without adequate warnings to customers that the goods are damaged, involve false representation of their quality."[126] The Court of Appeals reversed.

Three reasons underlie the Second Circuit's decision. First, Dunhill allowed the damaged goods to be sold in the original packaging without expressly requiring that the purchaser market the goods as salvage. According to the Second Circuit, Dunhill should have either repackaged the tobacco or insisted on a restriction on resale as part of the original agreement with the salvage company. Second, the court reasoned that a mere failure to disclose is not actionable under section 43(a). Third, the Second Circuit rejected the district court's reasoning that the unfair

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[123] *See* Universal City Studios, Inc. v. Sony Corp. of America, 429 F. Supp. 407 (C.D. Cal. 1977); John Wright, Inc. v. Casper Corp., 419 F. Supp. 292, 325 (E.D. Pa. 1976), *aff'd in part, rev'd and remanded in part sub nom.* Donsco, Inc. v. Casper Corp., 587 F.2d 602 (3d Cir. 1978).

[124] 499 F.2d 232 (2d Cir. 1974).

[125] *See id.* at 233-34.

[126] Alfred Dunhill Ltd. v. Interstate Cigar Co., Inc., 364 F. Supp. 366, 372 (S.D.N.Y. 1973), *rev'd*, 499 F.2d 232 (2d Cir. 1974).

trade practice precedent developed by the FTC should be incorporated into section 43(a).[127]

The result in *Dunhill* may be justified on the first of the court's reasons. Dunhill should not have allowed the salvage company to purchase the tobacco without requiring it to designate the product as damaged. The second and third rationales of the Second Circuit, however, are questionable. The reasoning of the *Dunhill* court that a mere omission is insufficient directly contradicts the well-established principle that misrepresentations may result from both the statement of untrue facts and the omission of facts which create a false impression.[128] Further, there is well-reasoned precedent developed under the Federal Trade Commission Act determining what constitutes consumer deception, the same principle at issue under the Lanham Act.[129] The Second Circuit in *Dunhill* should have found that precedent applicable.[130] Failure to do so deprives trial courts of valuable case law by which to judge challenged practices.

4. Misrepresentation of Competitors' Goods.

One issue that has arisen repeatedly under section 43(a) is whether the statute covers only false statements about the inherent qualities of the defendant's product or whether it also touches disparagement of the plaintiff's goods. *Bernard Food Industries, Inc. v. Dietene Co.*,[131] is the

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[127] *See* 499 F.2d at 236-38. The *Dunhill* court refused to incorporate FTC precedent into § 43(a) on the grounds that:

> The Federal Trade Commission Act does not give *competitors* the right to sue for unfair advertising and the Lanham Act does not give anyone the right to sue for acts which constitute deceptive trade practices but which do not constitute unfair advertising . . . . Not every possible evil has yet been proscribed by federal law.

Id. at 237 (emphasis in original).

[128] *See* National Bakers Servs., Inc. v. FTC, 329 F.2d 365 (7th Cir. 1964); *cf.* § 10B of the Securities Exchange Act, 15 U.S.C. § 78j(b) (1980). Although *Dunhill* has not been overruled, it has been greatly undercut by numerous recent decisions holding that § 43(a) applies not only to false representations but to statements which are literally true but have the tendency to deceive. Most of these cases have involved comparative advertising and centered upon the use of statistical data indicating consumer perception of the defendant's representations. *See* Vidal Sassoon, Inc. v. Bristol-Myers Co., 661 F.2d 272 (2d Cir. 1981); R. J. Reynolds Tobacco Co. v. Loew's Theatres, Inc., 511 F. Supp. 867 (S.D.N.Y. 1980).

[129] *See* FTC v. Colgate-Palmolive Co., 380 U.S. 374, 385 (1965); Firestone Tire & Rubber Co. v. FTC, 481 F.2d 246, 249 (6th Cir.), *cert. denied*, 414 U.S. 1112 (1973); *In re* I.T.T. Continental Baking Co.,.83 F.T.C. 947 (1973); *In re* Pfizer, Inc., 81 F.T.C. 23 (1972).

[130] The Lanham Act proscribes conduct that results in consumer deception. It is irrelevant under the Act whether this deception is caused by false advertising or other unfair practices. The Second Circuit's creation of a distinction based upon the form of the deception is erroneous. *See* SK&F, Co. v. Premo Pharmaceutical Lab., Inc., 625 F.2d 1055 (3d Cir. 1980).

[131] 415 F.2d 1279 (7th Cir. 1969), *cert. denied*, 397 U.S. 912 (1970). *See also In re* Uranium Antitrust Litig., 473 F. Supp. 393 (N.D. Ill. 1979). The *Bernard* court adopted the *Sampson* construction of the Lanham Act. *See id.* at 1283.

most significant case on this issue. Bernard began to produce an eggless instant custard in 1964. A Bernard competitor, Dietene, introduced a custard mix containing egg solids in 1965. Within a few months, Bernard introduced a similar egg solids custard. In January, 1966, a Dietene chemist, who later claimed to be unaware of the existence of Bernard's new egg custard, made a comparison of the Dietene product with Bernard's eggless mix. On the basis of the chemist's report, Dietene prepared a sheet comparing its product to that of Bernard. The comparison sheet showed the "Bernard custard" to be inferior in flavor, texture, nutrition, and costs to Dietene's Delmar Quick Egg Custard. Thus, the impression created was that Dietene's product was better than Bernard's product when in fact no comparison had been made between the two egg-containing custard mixes.

The *Bernard* court reversed a lower court's decision for the plaintiff and held that "[f]alse advertising or representations made by a defendant about a plaintiff's product are not covered by § 43(a)."[132] According to the *Bernard* court, the decisive issue is whether the defendant has misrepresented its own product. In this case, Dietene's fact sheet dealt only with claimed deficiencies of the Bernard custard mix; it "[did] not in any manner assert that Dietene's product has qualities that are found in Bernard's custard mix."[133] This fact, according to the court, was fatal to Bernard's claim. Since the common law already provided a remedy for disparagement, the *Bernard* court did not believe that Congress intended section 43(a) to be extended to such disparaging advertising.

This rationale is not supported by congressional intent or common sense. The literal language of section 43(a) shows that Congress intended the Lanham Act to include disparagement-type cases. In a dispar agement-type case, the defendant has both misrepresented the plaintiff's product ("a false description or representation"[134]) and put its own product in commerce ("use in connection with any goods or service"[135]) in order to reap the benefit of that misrepresentation. The misrepresentation only has import to the defendant if it increases the defendant's sales. Accordingly, the defendant in a disparagement action has made a misrepresentation "in connection with any goods."[136] Had Congress intended to limit section 43(a) to misrepresentations concerning the defendant's own product, it would not have chosen the broad "in connection with" language.

The *Bernard* distinction between a defendant misrepresenting its own product versus disparaging a competitor's puts form over substance. A false statement by the defendant about a plaintiff's product

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[132] *Id.* at 1283.

[133] *Id.*

[134] 15 U.S.C. § 1125(a) (1976).

[135] *Id.*

[136] *See* Skil Corp. v. Rockwell Int'l Corp., 375 F. Supp. 777, 782 n.10 (N.D. Ill. 1974).

has the same detrimental effect as a false statement about the defendant's goods. Both tend to mislead the buyer about the qualities of the goods and their relative merits. In both instances, the plaintiff has lost sales and the public has been misled.[137]

The *Bernard* court's artificial differentiation between two interrelated forms of misrepresentation is particularly unworkable in the context of comparative advertising. In such advertisements the defendant has misrepresented both the quality of its own goods and those of its competitor. Comparative advertisements, if false or misleading, are generally found actionable under section 43(a).[138] Under *Bernard*, a court would be required to separate the damages caused by each misrepresentation and then allow recovery only for misrepresentations of the advertised product. Any such separation of damages would be highly artificial and contrary to the remedial purposes of section 43(a).[139] Despite these reasons supporting an opposite result, most courts have elected to follow the *Bernard* court's reading of section 43(a).[140]

IV. COMPARATIVE ADVERTISING

Three questions have been raised by the most recent cases involving comparative advertising: (1) does an action lie under section 43(a) when an advertisement is literally true but creates a misleading impression; (2) does an action lie under section 43(a) when an advertisement accurately reports the results of consumer tests but the methodology underlying those tests is questionable; and (3) what must plaintiffs show in order to demonstrate that an advertisement is misleading? Generally, courts have favored greater consumer protection in answering these questions.

A. *Literally True But Nevertheless Misleading Statements*

The Second Circuit in *American Home Products Corp. v. Johnson & Johnson*,[141] was the first appellate court to address the issue of whether literally true statements could be actionable under section 43(a).

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[137] *See id.*

[138] *See, e.g.*, Phillip Morris, Inc. v. Loew's Theatres, Inc., 511 F. Supp. 855 (S.D.N.Y. 1980); R. J. Reynolds Tobacco Co. v. Loew's Theatres, Inc., 511 F. Supp. 867 (S.D.N.Y. 1980).

[139] *See Comparative Advertising, supra* note 6, at 93.

[140] *See* Vibrant Sales, Inc. v. New Body Boutique, Inc., 652 F.2d 299, 303 n.3 (2d Cir. 1981), *cert. denied*, 455 U.S. 909 (1982); Ragold, Inc. v. Ferrero, U.S.A., Inc., 506 F. Supp. 117, 124 (N.D. Ill. 1980); Toro Co. v. Textron, Inc., 499 F. Supp. 241, 251 n.20 (D. Del. 1980); John Wright, Inc. v. Casper Corp., 419 F. Supp. 292, 325 (E.D. Pa. 1976), *aff'd in part, rev'd and remanded in part sub nom.* Donsco, Inc. v. Casper Corp., 587 F.2d 602 (3d Cir. 1978); Alberto-Culver Co. v. Gillette Co., 408 F. Supp. 1160, 1163 (N.D. Ill. 1976); Holsten Import Corp. v. Rheingold, 285 F. Supp. 607 (S.D.N.Y. 1968); Smith-Victor Corp. v. Sylvania Elec. Prods. Inc., 242 F. Supp. 302, 310 (N.D. Ill. 1965); Gold Seal Co. v. Weeks, 129 F. Supp. 928, 940 (D.D.C. 1955), *aff'd sub nom.* S.C. Johnson & Son, Inc. v. Gold Seal Co., 230 F.2d 832 (D.C. Cir.), *cert. denied*, 352 U.S. 829 (1956).

[141] 577 F.2d 160 (2d Cir. 1978).

American Home Products (AHP) manufactures Anacin, a compound of aspirin and caffeine. McNeil Corporation, owned by Johnson & Johnson, manufactures Tylenol, which in 1976 replaced Anacin as the largest selling over-the-counter internal analgesic. The lawsuit arose out of two Anacin advertisements aired shortly after Tylenol became the market leader. The advertisements represented in part that Anacin is a superior analgesic for conditions involving inflammation. The advertisement did not, however, specifically say that Anacin is a better painkiller. AHP sought a declaratory judgment that the advertisements were not false.[142] The district court denied AHP's request and enjoined AHP under section 43(a) from publishing, or inducing television, radio or print media to publish, advertisements containing the challenged representation.[143] AHP appealed.

The *American Home Products* court made clear at the outset that since the case involved comparative advertising it was distinguishable from prior precedent under section 43(a).[144] AHP argued on appeal that the district court erred in its reliance on surveys interpreting consumer reaction to the advertisements rather than focusing solely on the truthfulness of the representations. These surveys indicated that some consumers perceived the advertisements as making claims which the district court had found false. AHP asserted that the advertisements were true and unambiguous and therefore could not be barred under section 43(a) even though some consumers mistakenly perceived a different and incorrect meaning. The Second Circuit responded by holding that irrespective of the literal truthfulness of the claims, the advertisements were actionable.[145] The *American Home Products* court held that the

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[142] *See id.* at 162.

[143] *See id.* AHP also complained to the National Advertising Division of the Better Business Bureau, which has adopted a code of advertising. The AHP protests, however, were for the most part unsuccessful. Before ABC would broadcast the commercials it required AHP to change certain language, but CBS, NBC, and the print media continued to carry the AHP advertisements without alterations. *See id.* at 163.

[144] The *American Home Products* court recognized that:

> Comparative advertising in which the competing product is explicitly named is a relatively new weapon in the Madison Avenue arsenal. These cross-appeals by two of the leading manufacturers of analgesics—pain relief tablets—raise questions regarding the permissible boundaries of this novel approach to consumer persuasion.

Id. at 162.

[145] *Id.* at 165. The *American Home Products* court based its holding on the conclusion that:

> [Section] 43(a) of the Lanham Act encompasses more than literal falsehoods . . . . [W]ere it otherwise, clever use of inuendo, indirect intimations, and ambiguous suggestions could shield the advertisement from scrutiny precisely when protection against such sophisticated deception is most needed. It is equally well established that the truth or falsity of the advertisement usually should be tested by the reactions of the public.

Id. The Second Circuit also noted that AHP erred in its reliance on the truthfulness of par-

critical question in such cases is not the literal truthfulness of the advertisement but rather the meaning which persons to whom the advertisement is addressed find in the message.[146]

The survey evidence in *American Home Products* showed that while the defendant's advertisement may have literally stated only that its product was better than Tylenol for inflammation and not pain, the consuming public failed to distinguish between the two. The surveys showed that the word "inflammation" triggered an association with pain. Thus it was predictable that by stressing Anacin's superiority over Tylenol as a reducer of "inflammation" the consuming public would perceive Anacin as a superior analgesic.[147]

The *American Home Products* court relied on Judge Lasker's opinion in *American Brands, Inc. v. R. J. Reynolds, Co.*[148] At issue in that case was the defendant's promotion that its NOW two milligram tar cigarettes contained less tar than any competitor. The plaintiff had been selling a cigarette which, although smaller in size than NOW, contained less than two milligrams of tar.

The *American Brands* court first rejected the defendant's argument that section 43(a) applied only in the palming off situation.[149] The court then held that the defendant could be enjoined from continuing its advertisement if the plaintiff demonstrated that consumers construed the NOW advertisements to mean that NOW cigarettes were lower in tar than all other cigarettes, irrespective of size.[150]

Judge Lasker ruled that the perception of an advertisement's message is more important than literal content. He thus emphasized the duty of courts to review the results of the consumer surveys rather than the advertisements themselves.[151] On the basis of surveys indicating con-

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ticular statements within the advertisements. The court concluded that the advertisement must be viewed in its entirety. *See id.* (quoting FTC v. Sterling Drug, Inc., 317 F.2d 669, 674 (2d Cir. 1963)).

[146] *See* 577 F.2d at 166.

[147] *See id.* at 168. The Second Circuit also affirmed the district court's holding that the defendant's claim that Anacin was superior to Tylenol for the relief of pain from inflammatory conditions was false. In addition, the court noted that there was credible evidence that for the conditions expressly mentioned in the Anacin advertisements, Anacin did not reduce inflammation as claimed. *See id.* at 170-71.

[148] 413 F. Supp. 1352 (S.D.N.Y. 1976).

[149] *See id.* at 1355; *supra* note 12.

[150] *See* 413 F. Supp. at 1356.

[151] *Id.* at 1357. The *American Brands* court observed that:

> A court may, of course, construe and parse the language of the advertisement. It may have personal reactions to the defensibility or indefensibility of the deliberately manipulated words. It may conclude that the language is far from candid and would never pass muster under tests otherwise applied—for example, the Securities Acts' injunction that "thou shalt disclose"; but the court's reaction is at best not determinative and at worst irrelevant. The question in such cases is—what does the person to whom the advertisement is addressed find to be the message?

Id.

sumer confusion the *American Brands* court held that the advertisements by the defendants violated section 43(a).[152]

One of the most expansive readings of section 43(a) came in *Vidal Sassoon, Inc. v. Bristol-Myers Co.*[153] In the spring of 1980, Bristol-Myers decided to wage an aggressive new advertising campaign on behalf of its shampoo product Body on Tap using national television advertisements starring the high-fashion model, Cristina Ferrare. In the commercial, Ms. Ferrare, apparently fresh from shampooing her hair, claims that "in shampoo tests with 900 women like me Body on Tap got higher ratings than Prell for body. Higher than Flex for conditioning. Higher than Sassoon for strong, healthy looking hair."[154] These representations were based upon shampoo tests conducted for Bristol-Myers in 1978 and 1980 by the independent market research firm, Marketing Information Systems, Inc. (MISI). The plaintiff alleged that Bristol-Myers' claims were not adequately justified by these tests.

It was undisputed at trial that 900 women did not, after trying both shampoos, make product-to-product comparisons between Body on Tap and Sassoon.[155] Rather, MISI used "blind monadic testing" in which groups of approximately 200 women each tested one shampoo and rated it on a qualitative scale.[156] The scale contained six ratings—outstanding, excellent, very good, good, fair and poor—and was applied to twenty-seven attributes such as body and conditioning. The data for each attribute of the tested shampoos were quantified so that a percentage figure for each qualitative rating could be derived. By focusing on the top two ratings on the scale and disregarding the lower four ratings, MISI determined that thirty-six percent of the women who tested Body on Tap found it outstanding or excellent with regard to "strong healthy hair" whereas only twenty-four percent of the separate group of women who tested Sassoon gave it such ratings.[157]

The Second Circuit initially noted the dubious propriety of using blind monadic testing for purposes of comparative advertising. Although evidence was introduced by the defendant's expert that blind monadic testing had been used in connection with such advertising in the past, plaintiff's experts testified that such testing cannot support comparative

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[152] The advertisements were easily corrected when the defendant changed the representation to NOW being the lowest tar "king size" or "longer cigarette." *See id.* at 1358.

[153] 661 F.2d 272 (2d Cir. 1981).

[154] *Id.* at 274. This same theme was used in Bristol-Myers' newspaper advertisements and in brochures which the defendant intended to mail to over 10,000 households. *See id.*

[155] *See id.* In fact, there was no product-to-product comparison between Body on Tap in any shampoo mentioned in the advertisement. *See id.*

[156] *See id.*

[157] *See id.* Had MISI combined the "very good" and "good" ratings with the "outstanding" and "excellent" ratings, there would have been only a statistically insignificant difference of 1% between the ratings of Sassoon and Body on Tap as to "strong healthy hair." *See id.*

advertising claims.[158] The falsity in the advertisement, according to the Second Circuit, was its impression that 900 women had compared the two products. Sassoon had introduced at trial a consumer perception study which showed that when the test group answered the question "how many different brands mentioned in the commercial did each of the 900 women try?," ninety-five percent of those answering said that each of the 900 women had tried two or more brands.

Based on the evidence produced at trial, the district court issued a preliminary injunction against continuation of the advertising.[159] On appeal Bristol-Myers argued that the misrepresentations alleged by Sassoon were only misstatements concerning the manner in which the tests were conducted, not the "inherent quality of Body on Tap." Misleading statements regarding consumer tests methodology, Bristol-Myers argued, are not covered by section 43(a).

While the Second Circuit agreed that Bristol-Myers had not in so many words falsely described the quality of Body on Tap, it rejected Bristol-Myers' conclusion that section 43(a) was inapplicable. The court held that the alleged untruths concerning the MISI tests were "in connection with" Body on Tap, and as the consumer studies introduced by Sassoon had shown, Bristol-Myers' use of the tests created the impression that Body on Tap was superior. In reaching this result, the Second Circuit refused to limit section 43(a) to express misrepresentations to the quality of the defendant's product.[160]

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[158] *See id.* at 275. Several aspects of the shampoo tests were criticized by the Second Circuit. First, the claim by Ms. Ferrare that 900 "women like her" had tried the shampoos was misleading. This statement suggests that 900 adult women participated in the test. In fact, approximately one-third of the "women" were ages thirteen to eighteen. The Second Circuit indicated that the defendant thus intentionally created the impression that more "women" were involved in the test than actually were. It noted that the creator of the commercials testified that the advertisement was designed to attract a larger portion of the adult women market to Body on Tap, a product which had appealed disproportionately to teenagers. *See id.*

Second, the court questioned the methodology of the test, noting that Bristol-Myers had instructed the women who tested Sassoon to use the shampoo contrary to Sassoon's own instruction and had allowed the women to use other brands while they were testing Sassoon. The court concluded that these women's responses may not have accurately reflected a true test of Sassoon. *See id.*

[159] Bristol-Myers argued that because advertisements are protected by the first amendment to the Constitution, Sassoon should have been required to show more than merely a probable success on the merits of its claim. The Second Circuit concluded that this argument was not persuasive. It correctly noted that misleading commercial speech is beyond the protective reach of the first amendment. *See id.* at 276 (citing Central Hudson Gas & Elec. Co. v. Public Serv. Comm'n, 447 U.S. 557 (1980)); *see also* Dallas Cowboy Cheerleaders, Inc. v. The Pussy Cat Cinema, Ltd., 604 F.2d 200, 206 (2d Cir. 1979) (holding that the Lanham Act's content—neutral prohibition of false and misleading advertising—does not arouse first amendment concerns that justify alteration of the normal standard for preliminary injunctive relief).

[160] *See* 661 F.2d at 277-78. The *Vidal Sassoon* court stated that:

One of the principle purposes of the 1946 revision of the Lanham Act was "[t]o

The Second Circuit expressly did not hold that every misrepresentation concerning consumer test results and test methodology can result in liability pursuant to section 43(a). The holding was limited to depictions of consumer test results and methodology which are so significantly misleading that the reasonably intelligent consumer would gain a false impression of the product's inherent quality or characteristics.[161]

The *Vidal Sassoon* opinion accords with the history and purpose of the Lanham Act. A competitor should not be able to avoid the purpose of section 43(a) by shifting his misrepresentation from the inherent qualities of his product to tests that directly concern those qualities. Such test results can lead consumers to believe that the defendant's product is superior even though an express claim of superiority is not made.[162] The argument raised by Bristol-Myers in *Vidal Sassoon* was an attempt to place form over substance. The Second Circuit's decision underscores the true test under section 43(a): whether the consuming public is misled by the defendant's representations of its or its competitors' products.

Most recently, the Second Circuit took the *Vidal Sassoon* rationale one step further. In *The Coca-Cola Co. v. Tropicana Products, Inc.*,[163] the Second Circuit became the first court to hold actionable under section 43(a) a visual sequence in an advertisement. The advertisement at issue showed athlete Bruce Jenner squeezing juice from an orange and then pouring the juice into a Tropicana Premium Pack carton. Coca-Cola, which sells Minute Maid orange juice, argued that the visual sequence misled consumers into believing that Tropicana is unprocessed, when in fact it is typically pasteurized and sometimes frozen before packaging.[164]

The *Coca-Cola* court held that "[t]he visual component of the ad makes an explicit representation that Premium Pack is produced by squeezing oranges and pouring the freshly-squeezed juice directly in the carton."[165] The court concluded that "[t]his is not a true representation of

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> modernize the trade-mark statutes so that they will conform to legitimate present-day business practices . . . ." We are therefore reluctant to accord the language of § 43(a) a cramped construction, lest rapid advances in advertising and marketing methods outpace technical revisions and statutory language and finally defeat the clear purpose of Congress in protecting the consumer.

Id. at 277. (citations omitted). The Second Circuit noted that nothing in the history of the Lanham Act speaks to consumer testing. The court recognized, however, that this is hardly surprising, since the growth in consumer testing for comparative advertising claims has occurred only with the advent of television and increased sophistication of marketing techniques during the 1950's and 1960's. *See id.*

[161] *See id.*

[162] *See* R. J. Reynolds Tobacco Co. v. Loew's Theatres, Inc., 511 F. Supp. 867 (S.D.N.Y. 1980); *see also* Country Tweeds, Inc. v. FTC, 326 F.2d 144 (2d Cir. 1964).

[163] 690 F.2d 312 (2d Cir. 1982).

[164] *See id.* at 318.

[165] *Id.*

how [Tropicana's] product is prepared."[166] Because the soundtrack of the advertisement did not correct the misimpression given by the visual sequence, the commercial was found actionable.[167]

B. *Flaws in Methodology*

The *American Home Products* and *Coca-Cola* decisions emphasize consumer perceptions as the test of misrepresentation. The *R. J. Reynolds Tobacco Co. v. Loew's Theatres, Inc.*[168] addresses yet another aspect of comparative advertising—the problem of questionable methodology in tests used in comparative advertisements. In *Reynolds*, the defendant, Loew's, had tested its Triumph brand cigarette against the plaintiff's brands. The test was performed in twenty-five suburban shopping malls throughout the country. Each person interviewed was asked to smoke a masked Triumph and one of the plaintiff's brands. The participants were then asked six questions, the first two of which were: (1) "[The code representing Triumph] has .3 mg. of tar while [the code representing the competitor] has x mg. of tar. Taking that into consideration which would you prefer?"; and (2) "Comparing the taste of the two cigarettes, how would you say the taste of [Triumph] . . . compares to the [competitor]?"[169] From the results of this survey the defendant advertised Triumph, first as a "National Taste Test Winner" and subsequently as a "National Smoker Study Winner" which "beat" the plaintiff's brands in "overall preference."[170]

Focusing on the claim of "National Taste Test Winner," Reynolds introduced its own survey which indicated that when the interviewed person was not told in the question which cigarettes had the lowest tar level, Triumph was not found superior. The plaintiff argued from this that this disclosure in the defendant's study biased answers in favor of the lower tar Triumph. The plaintiff also introduced consumer survey evidence showing that the defendant's advertisement conveyed a message of Triumph's taste superiority when in fact the defendant's survey tested the smokers' preference based on low tar as well as taste. On the basis of this evidence the court ruled that Reynolds was entitled to an injunction barring the defendant from including in its Triumph

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[166] *Id.*

[167] *See id.*

[168] 511 F. Supp. 867 (S.D.N.Y. 1980). Similar facts were involved in Phillip Morris Inc. v. Loew's Theatres, Inc., 511 F. Supp. 855 (S.D.N.Y. 1980).

[169] 511 F. Supp. at 872.

[170] *See id.* at 870-72. The plaintiff challenged the methodology of the study on the basis of the timing and use of the tar disclosure, the inadequacy of participant exposure to judge the cigarettes, an unrepresentative and biased sample, the possibility of interviewer bias, "order bias" resulting from the consistent mention of the Triumph code first in questions to the participants, and the suppression of important test results. *See id.* at 872.

advertisements any explicit representation of taste parity or superiority based on the study.[171]

The *Reynolds* court also observed that although the representations that Triumph was a "National Smoker Study Winner" were not literally false, the defendant could nevertheless be liable.[172] The court concluded that the representation that smokers had "overall preference" for Triumph was misleading. The consistent disclosure of tar content before the test participants were asked which cigarette they would prefer to smoke had the effect of eliciting responses merely on tar preference and not "overall preference" as asserted by the defendant. Because independent studies had shown that smokers' main criteria in choosing cigarettes were taste and low tar, the court reasoned that the procedure used dictated the test result.[173] This aspect of the ruling is consistent with the vast majority of cases under section 43(a). The consuming public was deceived and the fact of injury is not altered by the manner of deception.[174]

In supporting its ruling, the *Reynolds* court broke with the line of cases following *Dunhill* that found failures to disclose do not violate the Lanham Act. Responses to two of the six questions asked in the smoker study indicated that Triumph was not superior to the plaintiff's brands in "satisfying taste." Focusing on this data, the court observed that "[o]verall preference in the lexicon of advertisers and smokers of low tar cigarettes is understood to include taste, and the taste results in the Smoker Study were only partially disclosed. Failure to disclose a material aspect of the results, relating to taste, under the circumstances is misleading."[175] Thus, the *Reynolds* court refused to follow the questionable limitation of section 43(a) imposed in *Dunhill*.[176]

Additionally, the court ruled that limiting participants to those smokers intercepted at suburban malls failed to produce a nationally projectable statistical percentage. The court did not rule that all such studies would be unacceptable but that "because of their 'quick and dirty' nature, such studies—and ads based on them—must receive particularly close scrutiny."[177]

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[171] *See id.* at 874.

[172] The *Reynolds* court held:

> The claims "national smoker study winner," "beats," and "overall preference" may be deceptive either because they do not accurately reflect the test results, because of a problem in the test itself, or both. Furthermore, it is necessary "to consider the advertisement in its entirety, not to engage in disputatious dissection. The entire mosaic should be viewed rather than each tile separately."

Id. at 875 (quoting FTC v. Sterling Drug, Inc., 317 F.2d 669, 674 (2d Cir. 1963)).

[173] *See* 511 F. Supp. at 877.

[174] *Accord* Vidal Sassoon, Inc. v. Bristol-Myers Co., 661 F.2d 272, 278 (2d Cir. 1981).

[175] 511 F. Supp. at 876.

[176] *See supra* text accompanying notes 124-30 (the *Dunhill* rationale is suspect); *see also* Chrysler Corp. v. FTC, 561 F.2d 357 (D.C. Cir. 1977) (involving failure to disclose).

[177] 511 F. Supp. at 876.

In *American Home Products Corp. v. Abbott Laboratories*,[178] the court expressed some hesitancy in evaluating the methodology underlying consumer studies.[179] The plaintiff in *Abbott* sought to enjoin the defendant from representing, among other things, that the defendant's product was preferred by consumers "by more than 2 to 1." After a hearing on plaintiff's motion for a preliminary injunction, the plaintiff conceded that it had failed to show that the defendant's claim was literally false. The plaintiff, however, reserved the right to challenge the test methodology at the trial on the merits.

In addressing the question of what methodologies provide acceptable support for claims made in competitive advertising, the *Abbott* court held:

> To answer that question would evidently involve difficult inquiries into test design and execution, and would require testimony from experts and reference to literature in such fields as statistics, market research, and psychology. Both parties to this case, as this court understands them, believe that a court should be cautious in interfering with advertising claims whose truth turns on the validity of consumer tests. A legal standard that permitted enjoining such advertising solely on the basis of a theoretical challenge to test methodology could lead to unpredictable judicial decisions that might severely disrupt the standard practices of the advertising and business communities. The parties here agreed that a court should require substantial proof of invalidity before enjoining the advertising of the results of any test that is colorably valid.[180]

The court also noted that "[t]o prevail on the merits, the plaintiff must develop specific criticisms of the way the test was carried out."[181] Evidence of other tests that are both methodologically superior and practical would not only be relevant but in many instances critical to a successful challenge.[182] These criteria established in *Abbott* balance the need to remedy harm caused by representations premised upon erroneous tests against the need to keep judicial interference to a minimum.

C. *Plaintiff's Evidence of Deception*

The courts' emphasis on consumer surveys raises the issue of what evidence plaintiffs must show to demonstrate that consumers are misled by the defendant's advertising. Proof that an advertisement is

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[178] 522 F. Supp. 1035 (S.D.N.Y. 1981).

[179] *See id.* at 1038-39; *supra* text accompanying notes 102-10.

[180] 522 F. Supp. at 1039.

[181] *Id.*

[182] *Id.*

misleading, as opposed to expressly false, must include a demonstration that a "not insubstantial" number of consumers perceived the erroneous implication of the commercial.[183] The requisite number of misled consumers cannot be quantified since it will vary with the circumstances of each case. Decisions to date indicate, however, that a claim wrongly perceived by one percent of consumers will be deemed insubstantial,[184] while a misleading representation perceived by fifteen percent of consumers will be deemed not insubstantial.[185]

The scope of the plaintiff's burden was the focal point of Judge Lasker's opinion in *McNeilab, Inc. v. American Home Products Corp.*[186] In this case, McNeil, alleged that the defendant's advertisements created the impression that Maximum Strength Anacin (MSA) is a "stronger" analgesic than Extra Strength Tylenol. Tylenol was not mentioned by name in the advertisements.[187] The plaintiff's argument was premised on the fact that Extra Strength Tylenol contains 500 milligrams of acetaminophen, just as much pain reliever as the 500 milligrams of aspirin contained in MSA.[188]

The *McNeilab* court first recognized that the Second Circuit in the earlier *American Home Products* decision[189] had stated that the critical evidence in such cases are studies showing consumer perceptions of the advertisements at issue.[190] In support of its motion for a preliminary injunction, McNeil introduced two studies on consumer reactions to the commercials. The first study indicated that although the advertisement did not specifically refer to Tylenol, sixty-three percent of the Tylenol

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[183] *See* R. J. Reynolds Tobacco Co. v. Loew's Theatres, Inc., 511 F. Supp. 867 (S.D.N.Y. 1980); McNeilab, Inc. v. American Home Prods. Corp., 501 F. Supp. 517, 528 (S.D.N.Y. 1980).

[184] *See* American Home Prods. Corp. v. Johnson & Johnson, 577 F.2d 160, 165 (2d Cir. 1978).

[185] In The Coca-Cola Co. v. Tropicana Prods., Inc., 538 F. Supp. 1091 (S.D.N.Y.), *rev'd*, 690 F.2d 312 (2d Cir. 1982), the district court held that on a motion for a preliminary injunction, a level of consumer confusion below 15% indicates that the plaintiff is unlikely to prevail at the trial on the merits. *See* 538 F. Supp. at 1096. The Second Circuit reversed the district court, holding that the plaintiff was likely to prevail on the merits. *See* 690 F.2d at 312; *see also* R. J. Reynolds Tobacco Co. v. Loew's Theatres, Inc., 511 F. Supp. 867, 876 (S.D.N.Y. 1980).

[186] 501 F. Supp. 517 (S.D.N.Y. 1980).

[187] *See id.* at 521.

[188] *See id.* at 525-27.

[189] *See supra* text accompanying notes 141-47.

[190] 501 F. Supp. at 525. Judge Lasker, in an apparent pull-back from his holding in *American Brands*, *see supra* note 151, refused to limit the court's involvement:

> Though the court's *own* reaction to the advertisements is not determinative, as finder of fact it is obliged to judge for itself whether the evidence of record establishes that *others* are likely to be misled or confused. In doing so, the court must . . . rely on its own experience and understanding of human nature in drawing reasonable inferences about the reactions of consumers to the challenged advertising.

501 F. Supp. at 525 (emphasis in original).

users who saw the commercial believed it made a direct comparison between Tylenol and MSA. Sixty-seven percent believed that "based on what the commercial said," MSA contained more pain reliever than Extra Strength Tylenol. The second study focused on the advertisement's use of bar graphs showing MSA as the product with the most pain reliever. This study revealed that 39.5% of the Tylenol users perceived a smaller bar in the graphs as depicting Tylenol.[191] Since Tylenol contains as much pain reliever as MSA, the impression created was misleading.

The defendant's rebuttal was based on expert testimony stating that the data underlying the plaintiff's studies did not support the percentage figures quoted. According to the expert, a proper tabulation of the raw data compiled in the plaintiff's first study "would indicate that a much smaller portion of the viewers perceived the commercial as making a claim of analgesic superiority."[192] The *McNeilab* court correctly rejected this argument on the ground that the defendant's "criticism misses the point, which is not whether the study provides accurate quantitative evidence of the proportion of the population that is misled, but whether it indicates that the challenged commercial '*tends* to confuse or mislead.' "[193]

The defendant's expert next testified that the methodologies used in the studies were flawed. The participants in the first study were shown the advertisements twice. According to the expert, this caused an "unusual" kind of concentration unlike that in the real world. The court rejected this argument reasoning that the sole issue is what is perceived and not the degree of comprehension. The expert also testified that the second study was neither based on a projectable sample nor an experimental design. The court rejected the significance of this contention on the ground that it "would be well taken if the question before the court required some sort of quantitative determination of the extent to which consumers are misled . . . [b]ut a qualitative rather than a quantitative determination is enough to support a conclusion that an advertisement *tends* to mislead."[194] The thrust of the *McNeilab* opinion is that the "not insubstantial" test will be easily met in most instances where the court perceives the potential for misleading impressions in the subject advertisement. The exact number of misled consumers will not be critical.

V. CONCLUSION

The language and legislative history of section 43(a) shows that Con-

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[191] *See* 501 F. Supp. at 526-27.

[192] *Id.* at 527.

[193] *Id.* (emphasis in original).

[194] *Id.* at 528-29 (emphasis in original).

gress intended to create a broad federal remedy for unfair advertising. However, only with recent developments in advertising, particularly the advent of comparative advertising, have the courts begun to explore the breadth of section 43(a)'s potential.

It is now well established that section 43(a) reaches all expressed falsity in advertising irrespective of whether palming off is involved. The trend is toward applying the section to all forms of misleading advertising ranging from ambiguous representations based upon test results to misrepresentations arising from flaws in the tests themselves. Only a minimal number of consumers need be misled in order to make an advertisement actionable. A decision by the Federal Trade Commission to relax its involvement in the area would make the continuance of the present trend a necessity if the marketplace is to be freed from the distortions which arise from sellers' misrepresentations.