Michigan Law Review

Volume 57 | Issue 2

1958

Unfair Competition - False Advertising - Scope of Federal Jurisdiction Under Section 43(a) of Lanham Act

John D. Kelly S.Ed.
University of Michigan Law School

UNFAIR COMPETITION—FALSE ADVERTISING—SCOPE OF FEDERAL JURISDICTION UNDER SECTION 43(a) OF LANHAM ACT—Plaintiff brought suit in a state court seeking injunctive relief, alleging unfair competition by defendant in manufacturing and selling slavish copies of plaintiff's swimsuits. One of the six causes of action alleged in the complaint was based on a violation of section 43(a) of the Lanham Act.[1] Defendant had the suit removed to federal district court. On motion to remand, *held*, denied. The alleged violation of section 43(a) created a federal right of action within the original jurisdiction of the federal courts. *Catalina, Inc. v. Gem Swimwear, Inc.*, (S.D. N.Y. 1958) 162 F. Supp. 911.

At common law "passing off" of defendant's goods as those of the plaintiff has traditionally been considered to be an essential element of a suit for unfair competition.[2] Thus, as an example, misrepresentation of the quality of one's product could not become the basis of a cause of action by a competitor, simply because the magic element of "passing off" was lacking. The rule has been justified on the ground that abandonment of this limitation would open to the courts a virtual "Pandora's

1 60 Stat. 441 (1946), 15 U.S.C. (1952) §1125(a): "Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other 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 doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation."

2 American Washboard Co. v. Saginaw Mfg. Co., (6th Cir. 1900) 103 F. 281. But cf. Anheuser-Busch Brewing Assn. v. Fred Miller Brewing Co., (C.C. Wis. 1898) 87 F. 864.

box" of possible litigation.[3] Notwithstanding severe criticism concerning the narrowness of the rule[4] and despite a limited judicial departure where plaintiff had a monopoly[5] or was an association of all competing producers in a particular geographical area,[6] this requirement continued to be applied until passage of the Lanham Act in 1946. Section 43 (a) was proclaimed as establishing a federal substantive law of unfair competition covering all cases of false designation of origin and false description of goods in commerce, giving a party injured or likely to be injured by the false advertising the right to relief in a federal court.[7] The terms of the statute would seem to justify this interpretation. In one of the first cases decided under section 43 (a), however, the Ninth Circuit rejected such an interpretation and continued to require "passing off" as an essential element of complainant's cause of action.[8] While admitting that the section could be construed otherwise, it was felt that no fundamental change in the existing law of unfair competition was intended. Thus that court would still require a showing that as a result of defendant's conduct his goods were being sold as those of the complainant.[9] While it has been suggested that the facts in that case did not entitle the complainant to relief even under a more liberal interpretation of section 43 (a),[10] the basis on which the court chose to refuse relief has been sharply criticized because it ignores both the clear language of the statute and the legislative history behind passage of the act.[11] In *L'Aiglon Apparel v. Lana Lobell, Inc.*,[12]

3 American Washboard Co. v. Saginaw Mfg. Co., note 2 supra, at 286.

4 Handler, "False and Misleading Advertising," 39 YALE L. J. 22 at 37 (1929).

5 Ely-Norris Safe Co. v. Mosler Safe Co., (2d Cir. 1925) 7 F. (2d) 603, revd. on other grounds 273 U.S. 132 (1927).

6 Grand Rapids Furniture Co. v. Grand Rapids Furniture Co., (7th Cir. 1942) 127 F. (2d) 245, cert. den. 321 U.S. 771 (1944); Pillsbury-Washburn Flour Mill Co. v. Eagle, (7th Cir. 1898) 86 F. 608, cert. den. 173 U.S. 703 (1899). But see California Apparel Creators v. Wieder of California, (2d Cir. 1947) 162 F. (2d) 893, cert. den. 332 U.S. 816 (1947).

7 Bunn, "The National Law of Unfair Competition," 62 HARV. L. REV. 987 at 999 (1949); Callmann, "False Advertising as a Competitive Tort," 48 COL. L. REV. 876 at 885 (1948).

8 Chamberlain v. Columbia Pictures Corp., (9th Cir. 1951) 186 F. (2d) 923. *Accord*, Samson Crane Co. v. Union Nat. Sales, (D.C. Mass. 1949) 87 F. Supp. 218, affd. per curiam (1st Cir. 1950) 180 F. (2d) 896. See Rosaire v. Baroid Sales Division, National Lead Co., (S.D. Tex. 1954) 120 F. Supp. 20, affd. (5th Cir. 1955) 218 F. (2d) 72, cert. den. 349 U.S. 916 (1955), for a case in which §43(a) appears not to have been raised by counsel as a basis for federal jurisdiction and the district court continued to apply the "passing off" doctrine as a requisite to relief for unfair competition.

9 Chamberlain v. Columbia Pictures Corp., note 8 supra, at 925.

10 Derenberg, "Federal Unfair Competition Law at the End of the First Decade of the Lanham Act: Prologue or Epilogue?" 32 N.Y. UNIV. L. REV. 1029 at 1037 (1957).

11 Leidy, "Competitors' Remedy for False Description," 43 TRADE-MARK REP. 1109 at 1118 (1953); Diggins, "The Lanham Trade-Mark Act," 37 TRADE-MARK REP. 305 at 444 (1947).

12 (3d Cir. 1954) 214 F. (2d) 649. The decision in this case was recently followed in Parkway Baking Co. v. Freihofer Baking Co., (3d Cir. 1958) 255 F. (2d) 641. 4 TORTS RE-

the Third Circuit reached a more realistic result, specifically rejecting the Ninth Circuit approach and construing section 43 (a) as going beyond the "passing off" doctrine. The District of Columbia Circuit[13] and the court in the principal case have followed this view. To secure relief under section 43 (a), plaintiff must prove (1) that defendant's advertisement is false, (2) that a substantial number of customers were likely to be misled, (3) that the misrepresentation was a material inducement to purchase defendant's product, and (4) that trade has been diverted or is likely to be diverted from plaintiff or that the good will which plaintiff's own product enjoyed with the buying public has been injured.[14] Section 43 (a) should be considered as establishing an affirmative code of business ethics whose standards can be enforced by any competitor likely to be injured as a result of the false advertising.[15] Although the Second Circuit has not directly passed on this issue, some indication of its position lies in a recent concurring opinion of Judge Clark, in which specific approval is given the Third Circuit's broad interpretation of section 43 (a).[16] In applying this broad interpretation the principal case provides attorneys with another indication of the opportunities existing under the Lanham Act to prevent, through injunctive relief and actions for damages, the serious injury that is likely to result when a client's competitor engages in false advertising.

John D. Kelly, S.Ed.

STATEMENT §761 (1939), appears to expand the basis of relief beyond the "passing off" doctrine in terms not unlike those used in §43(a).

13 Gold Seal Company v. Weeks, (D.C. D.C. 1955) 129 F. Supp. 928, affd. sub nom. S.C. Johnson and Son, Inc., v. Gold Seal Co., (D.C. Cir. 1956) 230 F. (2d) 832, cert. den. 352 U.S. 829 (1956).

14 Weil, "Protectibility of Trademark Values Against False Competitive Advertising," 44 CALIF. L. REV. 527 at 537 (1956).

15 Gold Seal Company v. Weeks, note 13 supra, at 940. See 1 CALLMANN, THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS, 2d ed., §6.2(c) (1950).

16 Maternally Yours v. Your Maternity Shop, (2d Cir. 1955) 234 F. (2d) 538 at 546. See also footnotes 1 and 5 of the opinion of Waterman, J., at 540 and 544.