

THE OUTER LIMITS OF THE LANHAM ACT'S SECTION 43(A): WHEN DOES "PROMOTION" BECOME COMMERCIAL DEFAMATION?

I. INTRODUCTION

The Trademark Law Revision Act of 1988¹ ("TLRA") was the first substantial overhaul of federal trademark and unfair competition law since the passage of the Lanham Act² in 1946.³ According to one of its sponsors, the TLRA was "designed to bring the 41-year-old Lanham Act up to date with present day business and commercial practices and realities."⁴ Among other significant changes,⁵ the TLRA amended section 43(a) of the Lanham Act to create a federal cause of action for commercial defamation.⁶ Although the original section 43(a) only allowed plaintiffs to sue for false claims made

1. Pub. L. No. 100-667, 102 Stat. 3935 (1988) (codified as amended at 15 U.S.C. §§ 1051-1127 (1994)). Citations to sections of the TLRA in this Note will be accompanied by references to the corresponding sections of the Lanham Act.

2. Trademark Act of 1946, Ch. 540, §§ 1-50, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051-1127 (1994)). The Act is referred to as the Lanham Act in honor of its principal sponsor, Congressman Fritz G. Lanham. Frank Z. Hellwig, *The Trademark Law Revision Act of 1988: The 100th Congress Leaves Its Mark*, 79 TRADEMARK REP. 287, 287 n.3 (1989).

3. Although the TLRA is the first complete revision of federal trademark and unfair competition law, several non-substantive changes have been enacted, and more significant changes have been proposed but not enacted in the past. For an example of proposed intent-to-use provisions, see S. 4524, 85th Cong., 2d Sess. (1958), *reprinted in* 54 TRADEMARK REP. 440 (1964); H.R. 12,009, 87th Cong., 2d Sess. (1962), *reprinted in* 54 TRADEMARK REP. 440 (1964); and S. 2786, 88th Cong., 2d Sess. (1964), *reprinted in* 54 TRADEMARK REP. 440 (1964). For an example of a proposed unfair competition statute, see S. 1154, 90th Cong., 1st Sess. (1967), *reprinted in* 57 TRADEMARK REP. 109 (1967).

4. 133 CONG. REC. 32,812 (1987) (statement of Sen. DeConcini).

5. In addition to its revision of section 43(a) and numerous minor amendments, the TLRA added an intent-to-use provision. TLRA, Pub. L. No. 100-667, sec. 103, § 1, 102 Stat. 3935 (1988) (codified as amended at Lanham Act § 1(b), 15 U.S.C. § 1051(b) (1994)). This provision bases priority in a trademark on the filing of an intent-to-use application, as had long been the practice in almost all other nations. Previously, United States trademark registrants were required to use their marks in commerce before registering them, while registrants in other nations could get priority over U.S. businesses by simply filing intent-to-use applications. See CHARLES R. MCMANIS, *UNFAIR TRADE PRACTICES IN A NUTSHELL* 116-18 (3d ed. 1993). The change effected by the TLRA was intended to "eliminate[] the advantage foreign companies enjoy in applying for U.S. trademark rights." 134 CONG. REC. 31,853 (1988) (remarks of Rep. Moorhead). See generally Todd B. Carver, Comment, *What Is the Impact of the Trademark Law Revision Act of 1988?*, 16 U. DAYTON L. REV. 129 (1990).

6. 134 CONG. REC. 31,850 (1988) (Rep. Kastenmeier stating that "[t]he provision revising section 43(a) to prohibit a kind of commercial defamation has been carefully limited to commercial advertising and promotion").

about a defendant's own product or service,⁷ the revised section allows suits for false and injurious communications about another person's products or services.⁸ Some commentators have predicted that this change, combined with the relatively relaxed pleading requirements and comprehensive remedies of the Lanham Act, will result in a flood of litigation.⁹

Perhaps fearing just such a deluge of Lanham Act commercial defamation litigation, some federal district courts¹⁰ have interpreted the new section

7. As originally enacted, section 43(a) of the Trademark Act of 1946 read as follows:

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, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

15 U.S.C. § 1125(a) (1982) (amended by TLRA, Pub. L. No. 100-667, sec. 132, § 43(a), 102 Stat. 3946 (1988) (codified as amended at 15 U.S.C. § 1125(a) (1994)).

8. The amended section 43(a)(1) provides:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.

Lanham Act § 43(a)(1), 15 U.S.C. § 1125(a)(1) (1994).

9. Paul A. Batista, *A Revolution for the 1990s: Commercial Defamation, the Lanham Act, and the Federal Courts*, N.Y. ST. B.J. July/August 1992, at 14 (predicting that section 43(a)'s expansion into the "vast realm" of commercial defamation and unfair competition could transform federal civil litigation); James B. Kobak & Mary K. Fleck, *Commercial Defamation Claim Added to Revised Lanham Act*, NAT'L L.J., October 30, 1989, at 33, 35 col. 2 (citing Garrett J. Waltzer, *Monetary Relief for False Advertising Claims Arising under Section 43(a) of the Lanham Act*, 34 U.C.L.A. L. REV. 953, 974 (1987) (predicting that amendment could produce huge increase in claims)).

10. To date, no circuit court of appeals has reached the question of the proper scope of the commercial defamation action under section 43(a). However, the Sixth Circuit, in a case involving alleged false claims about a defendant's own product, briefly examined the legislative history of the TLRA. *Semco, Inc., v. Amcast, Inc.*, 52 F.3d 108 (6th Cir. 1995). In *Semco*, the plaintiff claimed that a self-serving article in a trade journal, written by the president of the defendant corporation, amounted to an advertisement; the defendant argued that the article was not "commercial advertising or promotion" within the meaning of section 43(a). *Id.* at 110-11. The court noted that the Senate and the House of Representatives had interpreted the phrase differently, and declined to "attempt[] to divine

somewhat restrictively. These courts require public dissemination of the offending representations¹¹ because section 43(a) states that actionable representations must be made in "commercial advertising or promotion."¹² In particular, such courts have held that regardless of its purpose or effect, a single defamatory communication cannot be the basis of a section 43(a) claim.¹³

In contrast, other courts have taken a more permissive approach to the new language, citing the broad remedial purposes of the Lanham Act.¹⁴ These courts have placed less emphasis on the notion of publicity, and instead have given more weight to the purpose or effect of false representations in determining whether a plaintiff has stated a section 43(a) claim.¹⁵

The range of treatment accorded to section 43(a)'s "commercial advertising or promotion" requirement by federal district courts has left unsettled this important area of federal unfair competition law. This Note examines the question of what "commercial advertising or promotion" means in the context of section 43(a) of the Lanham Act.¹⁶ First, Part II examines the

the true meaning of 'commercial advertising and [sic] promotion' because of the contradictory legislative history concerning that language." *Id.* at 111-12. However, the court held that the article in question amounted to commercial speech under either definition, saying that "we cannot ignore the promotions of Amcast, also evident in the article, which do not contribute to its intellectual or technical value." *Id.* at 113-14. The court also noted that the defendant's use of reprints of the article as a sales and promotional aid was clearly commercial in nature, even if the court had found the article to be noncommercial speech. *Id.* at 114.

11. *See, e.g., The Garland Co. v. Ecology Roof Sys. Corp.*, 895 F. Supp. 274, 276 (D. Kan. 1995) (stating that the phrase "commercial advertising or promotion" carries a connotation of public dissemination of information); *Medical Graphics Corp. v. Sensormedics Corp.*, 872 F. Supp. 643, 650 (D. Minn. 1994) (stating that "both 'advertising' and 'promotion' . . . include a notion of the public dissemination of information"); *American Needle & Novelty, Inc. v. Drew Pearson Mktg., Inc.*, 820 F. Supp. 1072, 1078 (N.D. Ill. 1993) (stating that the words "advertising" and "promotion" have "attendant requirements of publicity").

12. *See supra* note 8 for full text of revised section 43(a).

13. *Garland*, 895 F. Supp. at 276 (holding that single disparaging letter sent by defendant to contractor accepting bids from both defendant and plaintiff was not sufficiently publicly disseminated to be "commercial advertising or promotion" under section 43(a)); *American Needle*, 820 F. Supp. at 1078 (holding that allegedly libelous, private letter delivered to single, non-consuming entity cannot satisfy "attendant requirements of publicity" of phrase "commercial advertising or promotion").

14. *See, e.g., Gordon & Breach Science Publishers, S.A. v. American Inst. of Physics*, 859 F. Supp. 1521, 1532 (S.D.N.Y. 1994) (citing *PPX Enters. v. Audiofidelity, Inc.*, 746 F.2d 120, 125 (2d Cir. 1984); *Vidal Sassoon, Inc. v. Bristol-Myers Co.*, 661 F.2d 272, 278 (2d Cir. 1981); *Alfred Dunhill Ltd. v. Interstate Cigar Co.*, 499 F.2d 232, 236 (2d Cir. 1974)).

15. *See, e.g., Mobius Management Sys., Inc. v. Fourth Dimension Software*, 880 F. Supp. 1005, 1021 (S.D.N.Y. 1994) (holding that single letter qualifies as "commercial advertising or promotion" where it promoted defendant's product over plaintiff's and was intended to influence purchasing decision of customer about to purchase plaintiff's product).

16. Although commercial defamation has important First Amendment freedom of speech dimensions, this Note will not discuss that aspect of the tort except as it relates to congressional intent.

differences between commercial defamation, as embodied in the TLRA, and the related common-law torts of defamation and trade disparagement. Part III then traces the legislative history of the revision of section 43(a). Part IV reviews the district courts' treatment of "commercial advertising or promotion." Finally, Part V analyzes the various interpretations of the "commercial advertising or promotion" requirement, and proposes a solution that accounts for the broad remedial purpose of the Lanham Act, congressional intent, and the plain meaning of the statutory language.

II. DEVELOPMENT OF RELATED COMMON-LAW TORTS

The federal cause of action created by the new section 43(a) is essentially a combination of the common-law torts of defamation and trade disparagement.¹⁷ However, some important differences exist between the traditional common-law torts and the new federal tort. These differences make the federal cause of action attractive to litigants and raise the prospect of an enormous increase in section 43(a) litigation.¹⁸

A. Defamation

From its earliest days, the common law made false statements attacking a person's reputation actionable. The term "defamation" comprises both libel and slander.¹⁹ The elements of defamation are: (1) a false and defamatory²⁰ and statement concerning another, (2) that is published to a third party, and (3) through the fault of the defendant.²¹ The heart of the tort is an injury to a person's reputation or good name in the eyes of others; therefore, publication

See infra notes 63-71 and accompanying text. For a general discussion of the constitutional aspects of federal commercial defamation, see Arlen W. Langvardt, *Section 43(a), Commercial Falsehood, and the First Amendment: A Proposed Framework*, 78 MINN. L. REV. 309 (1993); John C. Ulin, Comment, *First Amendment Crossroads—Extending Constitutional Defamation Protection to Commercial Speech: A Critique of U.S. Healthcare, Inc. v. Blue Cross of Greater Philadelphia and Some Suggestions*, 39 U.C.L.A. L. REV. 633 (1992).

17. Because the sponsors of the TLRA referred to the new cause of action created by section 43(a) as "commercial defamation," 134 CONG. REC. 31,850 (1988) (remarks of Rep. Kastenmeier), and because it seems a particularly apt term, this Note will do so as well.

18. *See supra* note 9 and accompanying text.

19. W. PAGE KEETON ET AL., PROSSER & KEETON ON THE LAW OF TORTS § 111, at 771 (5th ed. 1984). In general, libel is written defamation, while slander is spoken. *Id.*

20. A defamatory communication is one that "tends so to harm the reputation of another as to lower him in the estimation of the community or to deter third persons from associating or dealing with him." RESTATEMENT (SECOND) OF TORTS § 559 (1976).

21. *Id.* § 558. The minimum of fault required is "fault amounting at least to negligence." *Id.*

is an essential element.²² Without the involvement of a third party, a cause of action for defamation is reduced to nothing more than intentional infliction of emotional distress.²³ However, the word "publication" in this context does not carry its usual connotation of wide public dissemination; only one other person need be exposed to the defamatory statement or writing for liability to exist.²⁴

To recover for most kinds of defamation under the common law, a plaintiff had to plead and prove special damages, or specific economic harm.²⁵ However, false and defamatory statements about another's trade or business were presumed to cause such harm, and proof of special damages was not required.²⁶ Similarly, revised section 43(a) does not require proof of special damages either, and more significantly, it does not require any showing of fault on the part of a defendant.²⁷ Thus, it is likely to be much more attractive to plaintiffs than common-law defamation.²⁸

B. Trade Disparagement

Trade disparagement,²⁹ an offshoot of personal defamation law, involves cases where a defendant injures the economic interests of a plaintiff rather than the plaintiff's reputation.³⁰ Trade disparagement evolved out of the early tort of slander of title.³¹ Slander of title occurred where a person publicly and falsely claimed that another was fraudulently trying to sell property to which he did not have title.³² A plaintiff could sue such a person for damage

22. KEETON ET AL., *supra* note 19, § 111, at 771.

23. *Id.*

24. The Restatement defines publication as "communication intentionally or by a negligent act to one other than the person defamed." RESTATEMENT (SECOND) OF TORTS § 577 (1976).

25. *Id.* §§ 558(d), 622, 622A.

26. KEETON ET AL., *supra* note 19, § 111, at 790-92.

27. See *supra* note 8 for full text of revised § 43(a).

28. See *supra* notes 7-9 and accompanying text.

29. The common-law tort of injuring another's economic interests through false written or spoken communications goes by several names. Courts and commentators have referred to it variously as "trade disparagement," MCMANIS, *supra* note 5, at 342; "product disparagement," Bose Corp. v. Consumers Union of United States, Inc., 508 F. Supp. 1249, 1259 (D. Mass. 1981), *rev'd on other grounds*, 692 F.2d 189 (1st Cir. 1982), *aff'd*, 466 U.S. 485 (1984); "commercial disparagement," Sherry Gunn, Note, *Lanham Act Revision Provides Relief for Misleading Comparative Advertisements: Does It Go Too Far?*, 68 WASH. U. L.Q. 707, 712-13 (1990); "injurious falsehood," RESTATEMENT (SECOND) OF TORTS § 623A (1976). The elements of the tort are the same regardless of what it is called; for the sake of clarity, this Note will consistently refer to it as "trade disparagement."

30. KEETON ET AL., *supra* note 19, § 128, at 962.

31. *Id.*

32. *Id.*

resulting from the plaintiff's inability to sell the property.³³ Courts eventually extended the tort to protect sellers of personalty, and then to cover statements about the quality of such property rather than its title.³⁴

The elements of a trade disparagement case are: (1) the falsity of the disparaging statement, (2) actual malice³⁵ on the part of the defendant, and (3) special damages resulting from the statement.³⁶ As in the case of defamation, the disparaging statement need only be communicated to a single person other than the plaintiff.³⁷ One important difference between trade disparagement and defamation is that the latter does not require the pleading and proof of special damages, at least where the plaintiff's business reputation is under attack.³⁸ Therefore, plaintiffs have a far lighter burden when bringing defamation actions, and will thus often try to portray trade disparagement actions as defamation actions.³⁹

C. Commercial Defamation

The commercial defamation action created by Congress in the TLRA is a hybrid of common law defamation and trade disparagement. It combines defamation's lack of an actual malice requirement with the economic interest orientation of trade disparagement.⁴⁰ Moreover, section 43(a) commercial defamation goes further by not requiring any fault at all on the part of the defendant,⁴¹ and eliminating the special damages requirement entirely.⁴² Also, it is easier to bring a section 43(a) action than either of the traditional torts. The standard for who may bring suit is "any person who believes that he or

33. *Id.* at 962-63.

34. *Id.* at 963.

35. Defined as "desire to cause injury or knowing or reckless disregard of falsity of a statement." MCMANIS, *supra* note 5, at 342.

36. *Id.*

37. RESTATEMENT (SECOND) OF TORTS § 630 (1976) ("Publication of an injurious falsehood is its communication intentionally or by a negligent act to someone other than the person whose interest is affected.").

38. *See supra* notes 25-26 and accompanying text.

39. MCMANIS, *supra* note 5, at 342 ("... burdensome pleading and proof requirements have severely limited the action for trade disparagement and have led the victims ... to attempt to characterize disparaging statements as defamatory wherever possible.").

40. *See supra* note 8 and accompanying text.

41. However, "innocent" publishers of defamatory material are exempted from liability under section 32(2). 134 CONG. REC. 31,852 (1988) (remarks of Rep. Kastenmeier) ("[T]hrough section 32(2), innocent dissemination and communication of false and misleading advertising, including promotional material, by the media are excluded from the reach of section 43(a).").

42. MCMANIS, *supra* note 5, at 365-66.

she is likely to be damaged by such act,"⁴³ certainly not a difficult threshold to cross.⁴⁴

The only difference between the traditional torts of defamation and trade disparagement and commercial defamation that might make the latter less available as a litigation strategy is section 43(a)'s requirement that the defamatory communications be made "in commercial advertising or promotion."⁴⁵ It is this difference that some district courts have focused on in an effort to limit the scope of the revised section 43(a).⁴⁶

III. HISTORY OF SECTION 43(a) OF THE LANHAM ACT

A. Judicial Expansion

When enacted as part of the Lanham Act in 1946, section 43(a) was largely a response to *Erie Railroad v. Tompkins*,⁴⁷ in which the United States Supreme Court held that "there is no federal general common law."⁴⁸ The *Erie* decision destroyed the considerable body of unfair competition law that had been created by the federal courts up to that point.⁴⁹ Section 43(a)

43. Lanham Act § 43(a), 15 U.S.C. § 1125(a) (1994).

44. However, plaintiffs must present more than an unsupported claim that they "believe" they are "likely to be injured" by a defendant's false or misleading representations. *Johnson & Johnson v. Carter-Wallace, Inc.*, 631 F.2d 186, 189 (2d Cir. 1980) ("despite the use of the word 'believes,' something more than a plaintiff's mere subjective belief that he is injured or likely to be damaged is required before he will even be entitled to injunctive relief."). In *Johnson & Johnson*, the court held the plaintiff must show a "logical causal connection" between alleged false advertising and its lost sales in order to prove a likelihood of injury. *Id.* at 190.

45. Lanham Act § 43(a)(1)(B), 15 U.S.C. § 1125(a)(1)(B) (1994).

46. See *supra* notes 11-13 and accompanying text.

47. 304 U.S. 64 (1938).

48. *Id.* at 78; see also *Pecheur Lozeng Co. v. National Candy Co.*, 315 U.S. 666, 667 (1942) (per curiam) (holding that the *Erie* rule includes unfair competition cases).

49. The problems caused by applying the *Erie* doctrine to federal unfair competition law prior to passage of the Lanham Act have been described as follows:

Since *Erie*, the federal courts have been faced with a serious if not virtually insuperable problem in unfair competition cases. They must look first to state unfair competition law that varies markedly from state to state, and in fact renders illegal in some states acts which in others are legal.

Although the *Erie* rule enjoys obvious legal justification and desirability in some applications, its effect in the unfair competition area has been drastic and universally condemned.

Brief in Support of Congressional Passage of Proposed Unfair Competition Amendment to Lanham Trademark Act of 1946, 57 TRADEMARK REP. 88, 92 (1967) (footnotes omitted). In contrast, in a report on which many of the TLRA's provisions were based, the Trademark Review Commission ("TRC") of the United States Trademark Association ("USTA") reported quite a different situation 20 years later:

Section 43(a) has now reached almost towering stature as a weapon to combat unregistered trademark and trade dress infringement and many other types of unfair competition. As a result, the

replaced some of that federal common law by providing protection for those persons using unregistered common-law trademarks.⁵⁰ The section also prohibited the tort of “passing off,” where a defendant attempts to mislead the public into believing the defendant’s goods are those of the plaintiff.⁵¹

For nearly ten years after Congress passed the Lanham Act, courts interpreted section 43(a) in this fairly narrow fashion.⁵² Then, in 1954, the Third Circuit held that section 43(a) provided a cause of action for false advertising that did not involve “passing off.”⁵³ Eventually, the use of section 43(a) to combat false advertising by business rivals became commonplace.⁵⁴ However, most courts held that only a defendant’s representations concerning its own products or services were actionable,⁵⁵ although some courts criticized this limitation as illogical.⁵⁶ Also, although section 43(a) did not explicitly allow courts to grant monetary remedies, some courts did so without express authority.⁵⁷ Finally, courts disagreed on whether consumers

doctrine of *Erie Railroad Co. v. Tompkins*, that there is no federal common law, has virtually no remaining effect on unfair competition law. Today, under the rubric of Section 43(a), there is in every way but name only a federal common law of the major branches of the law of unfair competition.

The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 TRADEMARK REP. 375, 376 (1987) [hereinafter *TRC Report*] (footnotes omitted).

50. *Id.*

51. Langvardt, *supra* note 16, at 316 n.28.

52. See *Chamberlain v. Columbia Pictures Corp.*, 186 F.2d 923, 925 (9th Cir. 1951) (holding that no cause of action exists for alleged misrepresentation not involving “passing off”).

53. *L’Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 651 (3d Cir. 1954) (holding that “Congress has defined a statutory civil wrong of false representation . . . and has given a broad class of suitors injured or likely to be injured by such wrong the right to relief in the federal courts”).

54. Joseph P. Bauer, *A Federal Law of Unfair Competition: What Should Be the Reach of Section 43(a) of the Lanham Act?*, 31 U.C.L.A. L. REV. 671, 690-92 (noting prevalence of false advertising suits under section 43(a)).

55. *Bernard Food Indus. v. Dietene Co.*, 415 F.2d 1279, 1283 (7th Cir. 1969), *cert. denied*, 397 U.S. 912 (1970) (holding that no cause of action exists under section 43(a) for disparaging misrepresentations about plaintiff’s product).

56. See, e.g., *Skil Corp. v. Rockwell Int’l Corp.*, 375 F. Supp. 777 (N.D. Ill. 1974). In *Skil Corp.*, the court observed that “it does not seem logical to distinguish between a false statement about the plaintiff’s product and a false statement about the defendant’s product. . . . [I]t would seem that in comparison advertising, a false statement by the defendant about plaintiff’s product would have the same detrimental effect as a false statement about defendant’s product.” *Id.* at 782 n.10; see also *S. REP. NO. 515*, 100th Cong., 2d Sess. 40 (1988) (observing that the *Bernard Food* rule is “illogical on both practical and public policy levels”).

57. Although there is language in the remedy provisions of the Lanham Act that refers specifically to “registered marks,” prior to the passage of the TLRA, three circuits had held that section 43(a) actions were subject to those remedies as well. *U-Haul Int’l, Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1041-42 (9th Cir. 1986); *Rickard v. Auto Publisher, Inc.*, 735 F.2d 450, 453-54 (11th Cir. 1984); *Metric & Multistandard Components Corp. v. Metric’s, Inc.*, 635 F.2d 710, 715-16 (8th Cir. 1980).

had standing to sue for false advertising.⁵⁸

B. Legislative Action

Congress stated that amending the Lanham Act to reflect the more expansive interpretations adopted by some federal courts was one goal of the TLRA.⁵⁹ With one exception, they were able to accomplish this goal. As noted above, the revised section 43(a) now allows suit for false and damaging representations concerning a plaintiff's products or services.⁶⁰ Also, the remedial sections of the Lanham Act are now explicitly applicable to actions brought under section 43(a).⁶¹ However, Congress failed to resolve the issue of consumer standing.⁶² A provision that would have given consumers standing fell victim to a legislative compromise; thus, the language affecting standing remains essentially unchanged.⁶³

Like the standing issue, the language defining the commercial defamation action was the subject of some debate and compromise prior to passage of the TLRA.⁶⁴ While both houses of Congress wanted to avoid First Amendment problems, the House of Representatives was more concerned than the Senate.⁶⁵ Even after agreeing to add the word "commercial" in front of "advertising and promotion" to allay House fears of a First Amendment

58. Compare *Colligan v. Activities Club of N.Y.*, 442 F.2d 686, 689-91 (2d Cir. 1971) (holding that consumers lacked standing to bring class action under Lanham Act) with *Thorn v. Reliance Van Co.*, 736 F.2d 929, 933 (3d Cir. 1984) (holding that shareholder of bankrupt competitor had standing to complain of harm suffered as an investor).

59. 134 CONG. REC. 32,053 (1988) (statement of Sen. DeConcini) (one objective of TLRA was "revision of section 43(a) of the Lanham Act, which has evolved into a Federal unfair competition statute, so that the language reflects federal court interpretation").

60. See *supra* note 8 and accompanying text.

61. Lanham Act §§ 34-36, 15 U.S.C. § 1117(a) (1994). The relief now available to section 43(a) litigants includes injunctions, treble damages, the defendant's profits, destruction of the violating matter, costs, and in exceptional cases, attorney's fees and a second trebling of profits or damages. This change has led to a distinct increase in the size of awards in cases brought under section 43(a). *Id.*; see also Miriam L. Siroky, *Awards in False Ad Cases Are Climbing*, NAT'L L.J., May 25, 1992, at 21, 22 (discussing the courts' increased tendency to give plaintiffs large damage awards).

62. See *supra* notes 7 and 8 for full texts of original and revised versions of section 43(a).

63. The House of Representatives version of the TLRA would have explicitly acknowledged that consumers have standing to sue for false advertising under section 43(a). H.R. 5372, 100th Cong., 2d Sess. § 27 (1988). Although this provision was deleted as part of a legislative compromise, the House sponsor stated that he continued to "believe that consumers already have standing to sue under current law, and that the provision that was deleted only clarified that law." 134 CONG. REC. 31,850 (1988) (remarks of Rep. Kastenmeier).

64. 134 CONG. REC. 32,053 (1988) (remarks of Sen. DeConcini); 134 CONG. REC. 31,850 (1988) (remarks of Rep. Kastenmeier).

65. *Id.*

challenge to the new statute,⁶⁶ the Senate still intended a broader reading of section 43(a) than the House.⁶⁷ The House sponsor of the bill, Representative Kastenmeier, stated that “the provision . . . has been carefully limited to commercial advertising and promotion. Therefore, consumer reporting, editorial comment, political advertising, and other constitutionally protected material is not covered by this provision.”⁶⁸ However, the Senate felt that the addition of the word “commercial” was unnecessary because the section was already limited to statements about “goods and services.”⁶⁹ Nevertheless, the Senate agreed to the addition, considering it “harmless so long as Congress’ intent that it be interpreted only as excluding political speech is clear.”⁷⁰ The Senate apparently did not consider consumer reporting and editorial comment to be protected by the language of the section.⁷¹ Apparently, neither the House nor the Senate ever considered the phrase “commercial advertising or promotion” as anything but a safeguard of free speech rights, despite differences over the extent of protection provided those rights.

The legislative history of the revision to section 43(a) reveals a clear intent to create a new federal tort resembling both defamation and trade disparagement, with an awareness of the First Amendment ramifications of such a cause of action. Both the House and the Senate focused on limiting the section’s scope to commercial speech, as opposed to widely disseminated commercial speech.

IV. THE DISTRICT COURT DECISIONS

As business litigators have gradually discovered the import of the revised section 43(a)’s broad language, they have begun to test its limits. While traditional mass-media advertising campaigns clearly fall within the statute’s ambit, the federal district courts have given less obvious types of “advertising or promotion” widely varying treatment, resulting in confusion and uncertainty over what kinds of communications are actionable as commercial defamation under section 43(a).

66. 134 CONG. REC. 32,053 (1988) (remarks of Sen. DeConcini).

67. *Id.*

68. 134 CONG. REC. 31,850 (1988) (remarks of Rep. Kastenmeier).

69. 134 CONG. REC. 32,053 (1988) (remarks of Sen. DeConcini).

70. *Id.*

71. Courts and commentators have questioned the Senate’s interpretation. *See, e.g., National Artists Mgmt. Co. v. Weaving*, 769 F. Supp. 1224, 1232 (S.D.N.Y. 1991) (stating that the Senate’s interpretation makes the word “commercial” superfluous and raises constitutional concerns); Langvardt, *supra* note 16, at 329 n.79 (observing that application of section 43(a) to *Consumer Reports* magazine would be “textually insupportable”).

One of the broadest interpretations of the "commercial advertising or promotion" language occurred in *National Artists Management Co. v. Weaving*.⁷² In *National Artists*, the District Court for the Southern District of New York held that a former employee's denigration of the plaintiff in telephone calls to persons who were both friends and professional contacts amounted to commercial defamation under the Lanham Act.⁷³ The court gave great weight to the fact that the defendant was starting a competing business of her own and her comments caused the plaintiff to lose clients.⁷⁴

The court observed that the TLRA expanded the reach of section 43(a) to commercial defamation claims.⁷⁵ The court then determined that the other elements of section 43(a) were satisfied and turned to the question of whether the defendant's telephone calls were "commercial advertising or promotion" within the meaning of the statute.⁷⁶

The court discussed the legislative history of section 43(a), focusing on Congress's concern that the commercial defamation action not violate the First Amendment.⁷⁷ Examining the Senate's broad reading of the phrase,⁷⁸ the court found that such an interpretation made the word "commercial" superfluous, because the section already requires that the misrepresentations be made about "goods and services."⁷⁹ In addition, the court found the Senate view to be constitutionally suspect, because under it, the section might be

72. 769 F. Supp. 1224 (S.D.N.Y. 1991).

73. *Id.* at 1235-36. It is worth noting that the plaintiffs' section 43(a) claim was the only thing standing between them and state court, a fact of which they were apparently acutely aware. The claim was added through an amended complaint after the defendants challenged diversity jurisdiction, claiming that both they and the plaintiffs were citizens of New York state. *Id.* at 1227. As it happened, the court agreed with the defendants and found it did not have diversity jurisdiction, relying instead on the subject matter jurisdiction conferred by the Lanham Act. *Id.* at 1229.

74. *Id.* at 1233-36.

75. *Id.* at 1229-30 (citing *Monoflo Int'l, Inc. v. Sahn*, 726 F. Supp. 121, 126 n.10 (E.D. Va. 1989)).

76. The court stated four elements necessary to a section 43(a) claim, requiring the following: (1) that defendants made false or misleading factual representations [about] plaintiffs' services; (2) that defendants used the . . . representations "in commerce" . . . ; (3) that defendants made the . . . representations in the context of commercial advertising or commercial promotion; and (4) that defendants' actions made plaintiffs believe that they were likely to be damaged by such . . . representations.

Id. at 1230. Because the district court only determined whether a claim had been stated for the purpose of establishing subject matter jurisdiction, it accepted as true the plaintiffs' allegations of fact on the first and fourth elements. *Id.* at 1230-31. The court noted that the "in commerce" requirement of the second element was "addressed more directly and explicitly by the third element," and was therefore willing to assume the second element was satisfied for the purpose of its discussion. *Id.* at 1231.

77. *Id.* at 1231-32.

78. See *supra* notes 66-71 and accompanying text.

79. *National Artists*, 769 F. Supp. at 1232.

applied to political speech involving goods and services.⁸⁰ Thus, the court held, the word “commercial” should be read to mean “for business purposes” in line with the United States Supreme Court’s definition of “commercial speech.”⁸¹

After determining that the defendant’s speech had been “commercial” in the sense intended by Congress, the court turned to the second part of the phrase. The court conceded that the defendant’s conduct was not advertising or promotion in the usual sense of those words.⁸² However, the court found that in the “theatre-booking industry,” services such as the defendant’s are promoted “by word-of-mouth, and information is spread through a network of telephone contacts with producers, promoters, and presenters.”⁸³ The court reasoned that in such a “small and closely interconnected” industry, the defendant’s conduct amounted to “advertising or promotion.”⁸⁴

Although it arguably treads a fine First Amendment line,⁸⁵ the *National Artists* decision is a logical, common-sense interpretation of the “commercial advertising or promotion” language. The court was careful in its use of legislative history, rejecting what it saw as an unconstitutionally broad reading given the term by the Senate.⁸⁶ More importantly, the court looked at the purpose and effect of the communications.⁸⁷ The defendant was starting her own booking agency, and therefore competing with the plaintiff,⁸⁸ so her purpose in disparaging the plaintiff could reasonably be termed competitive.

80. *Id.*

81. *Id.* The court had previously noted that the Supreme Court’s definition of “commercial speech” is “expression related solely to the economic interests of the speaker and its audience.” *Id.* (citing *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm’n of N.Y.*, 447 U.S. 557, 561 (1980)).

82. *Id.* at 1235.

83. *Id.*

84. *Id.*

85. *Cf.* Langvardt, *supra* note 16, at 384-85 n.396 (discussing with approval the efforts of the *National Artists* court to avoid limiting freedom of expression by its interpretation of “commercial advertising or promotion” language).

86. Both Professor Langvardt and the *National Artists* court reject the Senator’s broad interpretation. Langvardt, *supra* note 16, at 329 n.79. Senator DeConcini asserted that section 43(a) would apply “any time there is a misrepresentation relating to goods or services,” as long as it was not contained in political speech. 134 CONG. REC. 32,053 (1988). However, as Professor Langvardt observed:

The senator’s view, if taken literally, would allow a section 43(a) claim against *Consumer Reports* in the above example. Such a view is unsound for two primary reasons. First, it is textually insupportable, given the statute’s “commercial advertising [or] promotion” limitation. 15 U.S.C. § 1125(a) (1988). Second, magazines and similar periodicals are customarily classified as primarily noncommercial and therefore entitled to full First Amendment protection.

Langvardt, *supra* note 16, at 329 n.79.

87. *National Artists*, 769 F. Supp. at 1234-36.

88. *Id.* at 1226.

Several of the plaintiff's clients switched from the plaintiff's agency to the defendant's, so the effect was certainly similar to that of effective advertising or promotion.⁸⁹

The pragmatic approach of the *National Artists* court was not entirely embraced by other courts. In *American Needle & Novelty, Inc., v. Drew Pearson Marketing, Inc.*,⁹⁰ the District Court for the Northern District of Illinois held that a single letter delivered to a non-consuming licensor of sportswear does not constitute "advertising or promotion" for purposes of section 43(a), because the dictionary definitions of both words connote public dissemination.⁹¹

The defendant, a National Basketball Association ("NBA") licensee, had terminated for cause a distribution contract it had with the plaintiff and sent a copy of the termination letter to officials of the NBA, including the licensing executive from whom the plaintiff had tried to obtain a direct license.⁹² The plaintiff filed suit, alleging that the letter contained false and defamatory statements that injured its business reputation and goodwill.⁹³ The defendant filed a motion to dismiss on the ground that the copy of the letter sent to the NBA was not intended to induce customers to buy its licensed sportswear.⁹⁴

The court rejected the defendant's argument, observing that nothing in the statute requires that a false representation "be intended to influence the ultimate consumer, whoever that might be."⁹⁵ The court noted, however, that false statements must be made in "commercial advertising or promotion" and proceeded to look at the dictionary definitions of those words.⁹⁶ Finding that both "advertising" and "promotion" include connotations of public dissemination of information, the court held that the single copy of a letter "addressed to a non-consuming licensor" did not come under section 43(a).⁹⁷

The court apparently missed the point of the defendant's argument for dismissal.⁹⁸ The defendant was not claiming that the allegedly false

89. *Id.* at 1234.

90. 820 F. Supp. 1072 (N.D. Ill. 1993).

91. *Id.* at 1077-78.

92. *Id.* at 1074.

93. *Id.* at 1074-75.

94. *Id.* at 1077.

95. *Id.*

96. *Id.* The court quotes from WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY (1986), which defines "advertising" as "the action of calling something to the attention of the *public* [especially] by paid announcements" and "promotion" as "the furtherance of the acceptance and sale of merchandise through advertising, publicity, or discounting." *Id.* (alterations and emphasis by court).

97. *Id.* at 1077-78.

98. The court's inclusion of the term "non-consuming" in its holding indicates that it was at least

communication had to reach the "ultimate consumer"; rather, the defendant was merely pointing out that its act of sending a copy of the offending letter to the NBA was not done for any advertising or promotional purpose. After all, it already had a licensing arrangement with the league. The defendant was not trying to influence the NBA in any way, but was simply informing officials there of a business development relevant to the relationship between the defendant and the NBA.⁹⁹ The court's examination of the dictionary definitions was therefore entirely unnecessary; once the nonpromotional purpose of the letter was clear, the court's analysis should have ended.¹⁰⁰

In another case, the influential Southern District of New York created a widely followed four-step test for divining which communications are "commercial advertising or promotion." In *Gordon & Breach Science Publishers, S.A. v. American Institute of Physics*,¹⁰¹ the court held that a nontraditional form of advertising such as distributing preprint copies of a survey result at a librarians' conference and through electronic mail constituted "commercial advertising or promotion."¹⁰²

The plaintiff, a publisher of scientific journals, claimed that the

partially aware of the logic of the defendant's contention that because the defendant was not trying to sell or market anything to the NBA officials who received the letter, the letter could not have been "advertising or promotion."

99. *American Needle*, 820 F. Supp. at 1074.

100. The importance of a communication's purpose was not lost on the court in *Gordon & Breach Science Publishers, S.A. v. American Inst. of Physics*, 859 F. Supp. 1521 (S.D.N.Y. 1994). The court made a defendant's purpose the third part of its influential four-part test to determine if a representation constitutes "commercial advertising or promotion." *Infra* note 110 and accompanying text. However, at least one court that has applied the *Gordon & Breach* test has misunderstood the importance of that third step. See *Goldsmith v. Polygram Diversified Ventures, Inc.*, No. 94 CIV. 8888 (DLC), 1995 WL 614560 (S.D.N.Y. Oct. 19, 1995). In *Goldsmith*, the plaintiff alleged that a single letter from the defendants' attorney caused her book deal to fall apart. *Id.* at *3. The attorney had written the plaintiff's publisher, threatening legal action if the publisher went ahead with its planned book of photographs of the Woodstock '94 music festival. *Id.* at *2. The defendants claimed the sole right to publish such a book. *Id.* The court considered each of the four parts of the *Gordon & Breach* test in turn, although like the *American Needle* court, it could have disposed of the claim by simply looking at the purpose of the attorney's letter. The third part of the test requires that representations be made "for the purpose of influencing consumers to buy defendant's goods or services." *Gordon & Breach*, 859 F. Supp. at 1536 (emphasis added). Clearly, a threatening lawyer's letter is not sent for that purpose, although it may be intended to clear the field for a defendant's product, as it was in *Goldsmith*. However, on a motion to dismiss, the court inexplicably said, "Whether the statements in the . . . letter were made for the purpose of influencing consumers to buy defendants' book is a question of fact that cannot be resolved by the Court at this stage." *Goldsmith*, 1995 WL 614560, at *7. The court then went on to laboriously apply the fourth part of the *Gordon & Breach* test and hold that "[a] single communication . . . is insufficient." *Id.* Had it properly applied the third part of the test, the court could have made short work of the complaint without ever reaching the single-letter issue.

101. 859 F. Supp. 1521 (S.D.N.Y. 1994).

102. *Id.* at 1544-45.

publication by a rival publisher of a survey of such journals ranking them on the basis of "cost/impact ratio"¹⁰³ violated the Lanham Act by unfairly giving the plaintiff's journals very low rankings.¹⁰⁴ Perhaps not coincidentally, the defendant's journals had received high rankings.¹⁰⁵ On a motion to dismiss, the defendant maintained, among other things, that the articles containing the survey did not constitute "commercial advertising or promotion."¹⁰⁶

The court noted that because most commercial misrepresentations are made in traditional radio, television, and print advertisements, there are relatively few cases addressing the issue of whether a particular representation was made in "commercial advertising or promotion."¹⁰⁷ However, the court surveyed cases that had examined the issue,¹⁰⁸ and distilled four requirements that have guided several other district courts since then.¹⁰⁹ The court held that for "representations to constitute 'commercial advertising or promotion' under Section 43(a)(1)(B), they must be: (1) commercial speech; (2) by a defendant who is in commercial competition with plaintiff; (3) for the purpose of influencing consumers to buy defendant's goods or services."¹¹⁰ Although the representations "need not be made in a 'classic advertising campaign,' . . . [they] (4) must be disseminated sufficiently to the relevant purchasing public to constitute 'advertising' or 'promotion' within that industry."¹¹¹

Applying this test to the facts of the case, the court held that, at least for

103. *Id.* at 1525. The defendant had arrived at its "cost/impact ratio" by determining the cost per thousand characters of the journals and combining those figures with the number of times a particular journal had been cited by other scientific writers, as reflected in the *Scientific Citation Index*. *Id.*

104. *Id.*

105. *Id.* One of the defendant's two publishing concerns ranked first in each of the eight categories listed, and the plaintiff ranked "dead last" in the two categories in which it appeared. *Id.*

106. *Id.* at 1528.

107. *Id.* at 1532.

108. *Id.* at 1533-36. The court discussed *Birthright v. Birthright, Inc.*, 827 F. Supp. 1114, 1138 (D.N.J. 1993) (holding that fund-raising letters of nonprofit group are "promotion" of group's services for purpose of section 43(a)); *National Artists Management Co. v. Weaving*, 769 F. Supp. 1224 (S.D.N.Y. 1991), *see supra* notes 72-89 and accompanying text; *American Needle & Novelty, Inc. v. Drew Pearson Mktg.*, 820 F. Supp. 1072 (N.D. Ill. 1993), *see supra* notes 90-100 and accompanying text; and *Wojnarowicz v. American Family Ass'n*, 745 F. Supp. 130, 141 (S.D.N.Y. 1990) (observing that section 43(a) "is clearly directed only against false representations in connection with the sale of goods or services).

109. *See, e.g.*, *H & R Indus. v. Kirshner*, 899 F. Supp. 995, 1005 (E.D.N.Y. 1995); *The Garland Co. v. Ecology Roof Sys.*, 895 F. Supp. 274, 277-78 (D. Kan. 1995); *Mobius Management Sys. v. Fourth Dimension Software, Inc.*, 880 F. Supp. 1005, 1019-21 (S.D.N.Y. 1994); *Medical Graphics Corp. v. Sensormedics Corp.*, 872 F. Supp. 643, 650 (D. Minn. 1994) (all applying *Gordon & Breach* test).

110. *Gordon & Breach*, 859 F. Supp. at 1535-36.

111. *Id.* at 1536.

the purposes of defeating a motion to dismiss, the plaintiff had satisfied the second, third, and fourth requirements.¹¹² There was little dispute as to the second and third requirements,¹¹³ and as for the fourth, the court noted that the defendant had distributed preprints of the articles containing the survey to librarians.¹¹⁴ Although the complaint did not allege any particular number of librarians that received the preprints, they had been distributed at a librarians' conference.¹¹⁵ Because librarians are the main consumers of scientific journals, the court found that distribution was enough to constitute "advertising or promotion" within the scientific journal industry.¹¹⁶

The *Gordon & Breach* court's analysis is one of the most thorough and careful examinations of the "commercial advertising or promotion" language by any court to date.¹¹⁷ In particular, it built on the *American Needle* court's observation that the "level of circulation required to constitute advertising and promotion will undeniably vary from industry to industry and from case to

112. The court later examined the first test, questioning whether the various uses of the surveys were reachable as "commercial speech." It held that the defendant's publication of the surveys in its own journals was protected as noncommercial speech, *id.* at 1542, but the distribution of preprint copies of the surveys to librarians was not, *id.* at 1545. The court explained the distinction by analogizing to a restaurant review or a *Consumer Reports* article. While the initial publication of such articles is not commercial speech, the court noted that "a restaurant clearly engages in commercial speech when it posts the *New York Times* review in its window, and General Motors engages in commercial speech when it announces in a television commercial that its car was ranked first by *Consumer Reports*." *Id.* at 1544. The court refused to reach a different conclusion "merely because the secondary user of the articles is the same entity that published them in the first place." *Id.* at 1544-45.

113. *Id.* at 1536.

114. *Id.*

115. *Id.*

116. *Id.*

117. Because the court granted the defendant's motion to dismiss only in part, the case continued. The court later considered further motions and cross-motions of the parties in *Gordon & Breach Science Publishers, S.A. v. American Inst. of Physics*, 905 F. Supp. 169 (S.D.N.Y. 1995) (*Gordon & Breach II*). In that opinion, the court took the opportunity to agree expressly with the intervening opinion of the *Mobius Management* court that the proper focus is on the purpose of representations, rather than the extent to which they have been disseminated. *Id.* at 180. In discussing a single letter that had been sent to a librarian in England, the court said:

We find, however, that breadth of dissemination, although important, is not dispositive. Rather, the primary focus is the degree to which the representations in question explicitly target relevant consumers. In *Mobius Management*, the court specifically held that a letter sent by a computer software manufacturer to a single customer could constitute "commercial advertising or promotion." . . . We concur with Judge Preska that *any* promotional statement directed at actual or potential purchasers falls within the reach of section 43(a).

Id. at 182 (emphasis in original). The court also rejected the defendant's reliance on *American Needle* on exactly the ground proposed by this Note: the fact that "the single letter found by the court to fall outside the Lanham Act was 'addressed to a nonconsuming licensor.'" *Id.* (quoting *American Needle & Novelty, Inc. v. Drew Pearson Mktg.*, 820 F. Supp. 1072, 1078 (N.D. Ill. 1993) (emphasis added by court)).

case"¹¹⁸ by requiring that the representations be publicized sufficiently to the "relevant purchasing public."¹¹⁹ However, the court did not discuss in any real depth the question of exactly who constitutes that purchasing public.¹²⁰ This issue would become more significant in later cases, leading to results that are difficult to reconcile.

One of those later cases is *Mobius Management Systems, Inc. v. Fourth Dimension Software, Inc.*,¹²¹ in which the Southern District of New York held that despite a wider potential market for the plaintiff's goods, a single letter sent to a customer of the plaintiff constituted "commercial advertising and promotion" where it was intended to convince the customer to buy the defendant's product instead of the plaintiff's product.¹²²

The plaintiff and the defendant were both mainframe computer software makers, competing for the business of a bank data processing company.¹²³ The plaintiff succeeded in obtaining a sales contract that was conditioned on a testing period.¹²⁴ The defendant then sent the customer a letter that contained false comparisons of the two companies' products,¹²⁵ which led the customer to become "suspicious" of the plaintiff's product.¹²⁶ Although the plaintiff

118. *Gordon & Breach*, 859 F. Supp. at 1535 (quoting *American Needle & Novelty, Inc. v. Drew Pearson Mktg.*, 820 F. Supp. 1072, 1078 (N.D. Ill. 1993)). The *American Needle* court was itself citing *National Artists Management Co. v. Weaving*, 769 F. Supp. at 1224, 1235 (S.D.N.Y. 1991), as an example of the variation possible in the amount of dissemination required.

119. *Gordon & Breach*, 859 F. Supp. at 1536.

120. In its later opinion dealing with further motions and cross-motions in the same case, *see supra* note 117, the court did consider in more detail the meaning of the phrase "relevant purchasing public" and gave it a fairly broad reading. *Gordon & Breach II*, 905 F. Supp. at 181. The defendant had mailed promotional letters containing the offending survey results to its members, asking them to "inform your librarians of these facts." *Id.* The defendant claimed that because its members received its publications at reduced rates, they were not "relevant consumers." *Id.* However, the court disagreed, saying "members influence librarians. Librarians will consider the members' suggestions and recommendations as to which journal subscriptions to renew. Defendants themselves were plainly aware of—indeed, even sought to benefit from—this relationship." *Id.* The court held that because the letters were intended to influence purchasing decisions, they came within section 43(a), even though the actual recipients of the letters were not making those purchasing decisions. *Id.*

121. 880 F. Supp. 1005 (S.D.N.Y. 1994).

122. *Id.* at 1021.

123. *Id.* at 1010.

124. *Id.* at 1008-10.

125. The defendant's behavior was particularly egregious because it had previously settled another Lanham Act suit filed by the same plaintiff, resulting from an earlier comparative advertisement provided to a potential customer. *Id.* at 1009-10. That settlement agreement included a promise by the defendant not to disseminate 65 statements about the plaintiff's product that were conceded to be false; several of those statements were included in the letter at issue here. *Id.* at 1012. The deliberate nature of the defendant's violation prompted the court to award attorneys' fees, which would not have been available to the plaintiff at common law. *Id.* at 1026.

126. *Id.* at 1015.

was eventually able to reassure the customer, that effort cost the plaintiff over \$50,000 in time and expenses.¹²⁷

Using the *Gordon & Breach* test, the court found that the first three parts were clearly satisfied.¹²⁸ However, in discussing the fourth part, the court observed that “the primary concern of Congress in requiring ‘commercial advertising or promotion’ was to ensure that the Lanham Act did not reach speech that did not promote a competitor’s product.”¹²⁹ Reasoning that the defendant’s letter was clearly promotional, the court rejected the defendant’s argument that the letter should not come under section 43(a) merely because it was not an advertisement “disseminated to the public.”¹³⁰

The court enumerated two grounds for finding that the letter had been “disseminated sufficiently to the relevant purchasing public.”¹³¹ First, the court stated that the “relevant purchasing market is quite small” and that tarnishing the plaintiff’s product in one customer’s mind might have repercussions elsewhere.¹³² Second, the court pointed out that the “true relevant purchasing public” was the particular customer in this case.¹³³ The letter was targeted at that consumer with the specific purpose of derailing the plaintiff’s sale and securing the deal for the defendant instead. Additionally, the court noted the fallacy of the defendant’s reliance on the publicity notion of the word “advertising” in the face of the obviously promotional nature of its behavior.¹³⁴ Because the statute requires “advertising *or* promotion” (emphasis added), the court pointed out that accepting the defendant’s argument “effectively would write the word ‘promotion’ out of section 43(a).”¹³⁵

The court based its first interpretation of “relevant purchasing public” on traditional defamation theory: injury to one’s reputation in the business community. However, the court did not require that the defendant communicate its falsehoods to the “relevant purchasing public,” but simply assumed that the falsehoods would be disseminated to that public because of its relatively small size. Therefore, the court did not follow the fourth part of

127. *Id.*

128. *Id.* at 1020-21.

129. *Id.* at 1020.

130. *Id.* at 1019.

131. *Id.* at 1020 (quoting *Gordon & Breach Science Publishers, S.A. v. American Inst. of Physics*, 859 F. Supp. 1521, 1535-36 (S.D.N.Y. 1994)).

132. *Id.* at 1020-21.

133. *Id.* at 1021.

134. *Id.* The court observed that “to label this behavior as anything but ‘commercial advertising or promotion’ would defeat the broad remedial purposes of the Lanham Act.” *Id.*

135. *Id.*

the *Gordon & Breach* test.¹³⁶ The court's second interpretation of "relevant purchasing public" purported to apply the fourth test, but was in fact a creative evasion of the public dissemination requirement imposed by prior judicial interpretations. The court accomplished this evasion by reducing the "relevant purchasing public" to one customer for purposes of its analysis. As the court pointed out, this view is consistent with the language of the statute because it gives meaning to the second half of the phrase "commercial advertising or promotion." Thus, the *Mobius Management* court's analysis may have led to an interpretation that Congress intended all along.¹³⁷

The unpredictability and potential unfairness of the varying approaches to analyzing section 43(a) commercial defamation cases are demonstrated in *The Garland Co. v. Ecology Roof Systems Corp.*¹³⁸ A more recent decision interpreting the "commercial advertising or promotion" requirement, *Garland* reached a result directly contrary to *Mobius Management* on very similar facts. In *Garland*, the District Court for the District of Kansas held that a single letter sent by the defendant to a prospective customer of both the plaintiff and defendant was not sufficiently publicly disseminated to be "commercial advertising or promotion."¹³⁹

The plaintiff and the defendant competed in the roofing business, both bidding for the opportunity to supply roofing materials to a school district.¹⁴⁰ The defendant sent a letter to the contractor that allegedly misrepresented the physical characteristics of the plaintiff's product.¹⁴¹ The defendant won the contract, and the plaintiff filed suit.¹⁴²

The defendant moved to dismiss, relying on the *Gordon & Breach* requirement that misrepresentations be sufficiently publicly disseminated to constitute advertising or promotion in the relevant industry.¹⁴³ The plaintiff,

136. See *supra* note 111 and accompanying text.

137. At least one commentator agrees that the word "promotion" was probably intended to bring under the statute those commercial communications that fall outside the definition of traditional advertising. Langvardt, *supra* note 16, at 328 n.78 ("Given the congressional concern about restricting the statute to instances of commercially motivated falsehoods, . . . and the congressional desire to create a cause of action for 'commercial defamation,' . . . it seems reasonable to conclude that 'promotion' contemplates commercially motivated statements made outside the context of conventional commercial advertising.") (citations and footnotes omitted).

138. 895 F. Supp. 274 (D. Kan. 1995).

139. *Id.* at 279.

140. *Id.* at 275.

141. *Id.* The letter purported to compare the plaintiff's product with that of the defendant, *id.*, which was exactly the same situation as had occurred in *Mobius Management*. See *supra* notes 121-27 and accompanying text.

142. *Id.*

143. *Id.*

on the other hand, relied on the *Mobius Management* holding that a single letter to a single customer is sufficient where it has the purpose and effect of promoting the defendant's product at the expense of the plaintiff's product.¹⁴⁴

The court began by looking at the "plain meaning" of the statutory language.¹⁴⁵ The court found that although the notion of public dissemination is more clearly tied to "advertising" than "promotion," there is enough reference to "publicity" in the definition of "promotion" to require more than a single communication.¹⁴⁶ On the whole, however, the court found the "plain meaning" of "promotion" to be somewhat less than plain.¹⁴⁷ Therefore, the court examined the legislative history of section 43(a), which it also found unhelpful in determining the meaning of the term.¹⁴⁸ The court then turned to the other district courts' examinations of the issue.

The court cited the adoption of the *Gordon & Breach* test¹⁴⁹ and discussed with approval the *American Needle* court's analysis of the statute's "plain meaning."¹⁵⁰ It also agreed with that court's observation that requiring more than one communication does not leave "commercial entities . . . free to

144. *Id.* at 278.

145. *Id.* at 276. The court used a different dictionary than the *American Needle* court. *See supra* note 96. The *Garland* court used WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY (1986), which defines promotion as "active furtherance of sale of merchandise through advertising or other publicity." Although the difference is subtle, the definition used in *Garland* leans more toward a requirement of public dissemination than that used in *American Needle* because of the phrase "advertising or other publicity." The list of activities that constitute "promotion" in WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY does not seem to be as exclusive. *Cf. supra* note 96. Even though both courts concluded that the word connotes public dissemination, the difference in the definitions serves to demonstrate one of the pitfalls of the so-called "plain meaning" approach.

146. *Garland*, 895 F. Supp. at 276.

147. *Id.*

148. *Id.* at 276-77. The court maintained that "an analysis of the history and purpose of the Lanham Act itself is of little value in attempting to determine whether Congress meant any broader definition of 'promotion' than that suggested by Webster's." *Id.* at 277. However, one of this Note's central contentions is that the history and purpose of the Lanham Act do in fact indicate Congress's intent that the Act, and specifically section 43(a), be interpreted liberally as a general federal law of unfair competition.

149. *Id.* at 277. The *Garland* court cited *Medical Graphics Corp. v. Sensormedics Corp.*, 872 F. Supp. 643, 650 (D. Minn. 1994), in which the court held that disparaging statements made by the sales personnel of a medical device manufacturer to individual customers of a competitor were too sporadic and isolated, in view of the national scope of the industry, to constitute "commercial advertising or promotion."

150. *Garland*, 895 F. Supp. at 278. Interestingly, the *Garland* court conceded that "*American Needle* is arguably distinguishable from the present case because in that case the allegedly libelous or misleading letter was sent to a non-consuming licensor, while in the present case the letter was sent to a potential customer." *Id.* at 278 n.3. Thus, the *Garland* court agrees with this Note's assertion that the non-consuming status of the NBA in *American Needle* is potentially dispositive. *See supra* note 98. However, the court then went on to assert that "the *American Needle* court did not rely on this distinction" in its holding. *Garland*, 895 F. Supp. at 278 n.3.

defame one another on an isolated basis with impunity,"¹⁵¹ citing the common law tort remedies available.¹⁵² The court then expressly rejected the "more expansive" approach of the *Mobius Management* court.¹⁵³ The court concluded that although it could not articulate a standard¹⁵⁴ as to the minimum amount of public dissemination required under section 43(a), a single letter is insufficient.¹⁵⁵

V. ANALYSIS AND PROPOSAL

The district court decisions reviewed in this Note can be roughly divided into two groups. One group includes those decisions in which the court looks at the purpose and effect of the challenged communication and reads the word "promotion" broadly as meaning "the act of promoting something."¹⁵⁶ The second group focuses more closely on the supposed "plain meaning" of the words "commercial advertising or promotion," drawing a line, somewhere out of sight, beyond which enough public dissemination has occurred.¹⁵⁷ All the second group of courts can say about "advertising or promotion" is that neither was reflected in the facts of their cases. To paraphrase Justice Stewart's definition of obscenity, they can't define it, but they know it when they see it.¹⁵⁸ On the whole, the opinions in the first group are better reasoned and more consistent with the statutory purpose.

151. *American Needle & Novelty, Inc. v. Drew Pearson Mktg.*, 820 F. Supp. 1072, 1078 n.2 (N.D. Ill. 1993) ("The Lanham Act did not abolish the common law torts of defamation, interference with contractual relationships, or interference with business expectancy or economic advantage, which, among others, could be used to redress any harm caused by a defamatory statement made outside the public-oriented realm of advertising or promotion.").

152. *Garland*, 895 F. Supp. at 279. Both the *Garland* and *American Needle* courts imply that because common law remedies are available to the plaintiffs in each case, there is no need to "stretch" the reach of the Lanham Act to include those cases. Assuming *arguendo* that section 43(a) was not intended to reach such cases, the plaintiffs cannot just as easily sue in state court. As noted in Section II of this Note, the availability of common law remedies is severely limited by their pleading requirements. In particular, the requirement of actual malice would have been difficult for the *Garland* and *American Needle* plaintiffs to show.

153. *Id.*

154. This inability to set a standard is one of the main weaknesses in the approach taken by the district courts that attempt to determine the "plain meaning" of "commercial advertising or promotion." Holding that a single allegedly defamatory communication is not enough merely begs the question of how much is enough.

155. *Garland*, 895 F. Supp. at 279.

156. See discussions regarding *National Artists*, *supra* notes 72-89 and accompanying text, and *Mobius Management*, *supra* notes 121-37 and accompanying text.

157. See discussions regarding *American Needle*, *supra* notes 90-100 and accompanying text, and *Garland*, *supra* notes 138-55 and accompanying text.

158. See *Jacobellis v. Ohio*, 378 U.S. 184, 197 (1963) (Stewart, J., concurring).

The second group of courts has sought to restrict the reach of the federal commercial defamation action in section 43(a) by relying on the United States Supreme Court's exhortations to ignore extrinsic indicators of meaning where statutory language has a "plain meaning."¹⁵⁹ However, it seems fairly clear that "commercial advertising or promotion" does not have a generally accepted "plain" meaning. The courts cannot agree on one, and even the various editions of Webster's dictionaries seem at odds with one another, at least as regards "promotion."¹⁶⁰ If the phrase has no plain meaning, it becomes necessary to turn to the legislative history and the general purpose of the statute itself to find the intent of Congress.

However, as noted by the court in *Garland*, the legislative history is not particularly helpful. The congressional discussions of the revisions to section 43(a) focus on the meaning of the word "commercial" and neglect "advertising or promotion" entirely.¹⁶¹ However, the legislative silence on the subject may be significant. Congress was only focused on protecting First Amendment values; Congress appeared unconcerned with the number of communications required to trigger the protections of the statute, as long as the communications are "commercial speech" as defined by the Supreme Court.¹⁶²

159. See, e.g., *Garland*, 895 F. Supp. at 276; *American Needle & Novelty, Inc. v. Drew Pearson Mktg.*, 820 F. Supp. at 1072, 1078 (N.D. Ill. 1993) (both citing *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985) ("Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose.")). Justice Scalia, one of the most outspoken proponents of the plain meaning approach of statutory interpretation, has phrased the principle even more strongly, stating:

The best evidence of [a statute's] purpose is the statutory text adopted by both Houses of Congress and submitted to the President. Where that contains a phrase that is unambiguous—that has a clearly accepted meaning in both legislative and judicial practice—we do not permit it to be expanded or contracted by the statements of individual legislators or committees during the course of the enactment process.

West Virginia Univ. Hospitals v. Casey, 499 U.S. 83, 93 (1987). However, there is some indication that the sponsors of the TLRA actually expected courts to consult the legislative history of the statute when interpreting it. Senator DeConcini, while discussing a deleted provision that would have explicitly stated Congress's intent that state and common law remedies for unfair competition not be preempted, said: "A provision to this effect was contained in the version of S. 1883 we passed last May, but it does not appear in the version approved by the House. It is critical, therefore, that this point be made in the legislative history." 134 CONG. REC. 32,054 (1988) (emphasis added). Senator DeConcini, at least, considered the legislative history a legitimate method of expressing congressional intent.

160. See *supra* notes 96, 145.

161. See *supra* notes 66-71 and accompanying text.

162. 134 CONG. REC. 31,851 (1988) (remarks of Rep. Kastenmeier) ("Because section 43(a) will now provide a kind of commercial defamation action, the reach of the section specifically extends only to false and misleading speech that is encompassed within the 'commercial speech' doctrine developed by the United States Supreme Court.").

The history of section 43(a) supports this broader reading. The federal courts gradually expanded the reach of the section until it became a general federal law of unfair competition. Congress, instead of legislatively overturning this growth when it had a chance, ratified it in the TLRA.¹⁶³ One of the bill's sponsors even encouraged the courts to continue their "innovative interpretation" of section 43(a).¹⁶⁴ This congressional approval of the courts' broad interpretation of the old section 43(a) weighs in favor of a similar reading of the revised section.

In addition, the fact that the sponsors of the TLRA referred to the new cause of action as "commercial defamation," although hardly enough by itself, indicates the connection between section 43(a) and the common-law torts of defamation and trade disparagement. Neither of those torts requires any publicity beyond the publication of the falsehood to a single third party.¹⁶⁵ While defamation's focus on injury to personal reputation makes it an unlikely relative of the new federal tort, trade disparagement is an appropriate part of any general unfair competition law. If Congress in fact intended the new federal tort to be a hybrid of defamation and trade disparagement, publication to a single third party would be sufficient.

Finally, the *Mobius Management* court made a telling point by focusing on the disjunctive phrasing of "commercial advertising or promotion."¹⁶⁶ Those courts that have read a requirement of public dissemination into the phrase are essentially treating "promotion" as a synonym for "advertising," thereby making it superfluous. Clearly, "promotion" was intended to mean something besides traditional, mass-media advertising. Its inclusion was not likely an oversight; the attention paid by legislators to the word "commercial"¹⁶⁷ shows the care with which the statute was constructed. Rather, it seems probable that "promotion" was meant to bring within the

163. 134 CONG. REC. 32,053 (1988) (remarks of Sen. DeConcini) (stating that an objective of the TLRA was "revision of section 43(a) of the Lanham Act, which has evolved into a Federal unfair competition statute, so that the language reflects federal court interpretation. . .").

164. 134 CONG. REC. 32,819 (1987) (remarks of Sen. DeConcini) ("In amending section 43(a), however, there is no intent that the courts should discontinue giving the section the same innovative interpretation they have given it in the past."); S. REP. NO. 515, 100th Cong., 2d Sess. 40 (1988) ("Because Section 43(a) of the Act fills an important gap in federal unfair competition law, the committee expects the courts to continue to interpret the section."); *TRC Report, supra* note 49, at 426-27 ("Our proposal . . . would make it clear that we encourage the courts to give our amended section the same innovative interpretation they have given the original.")

165. *See supra* notes 24, 37 and accompanying text.

166. *Mobius Management Sys. v. Fourth Dimensions Software*, 880 F. Supp. 1005, 1021 (S.D.N.Y. 1994).

167. *See supra* notes 66-71 and accompanying text.

statute's reach all promotional activities that do not necessarily involve widespread publicity.¹⁶⁸

This Note posits that the proper meaning of "promotion" is that implicitly adopted by the *National Artists* and *Mobius Management* courts: "the act of promoting." This definition would require the alteration of the fourth part of the ubiquitous *Gordon & Breach* test, which is otherwise an accurate statement of the definition of "commercial advertising or promotion." Rather than requiring that representations be "disseminated sufficiently to the relevant purchasing public to constitute 'advertising' or 'promotion' within that industry,"¹⁶⁹ this Note suggests that the fourth part of the test be changed. The revised requirement would simply be that the representations reach one of those persons whom they are meant to influence.

This revised fourth part, when combined with the other three parts of the *Gordon & Breach* test, would have several positive effects. First, it would make the job of the district courts easier. Considering the relatively small number of cases dealing with section 43(a) commercial defamation claims since 1988, a significant percentage¹⁷⁰ have become bogged down in the "commercial advertising or promotion" quagmire. Eliminating that tedious, uncertain inquiry would go far toward conserving judicial resources.

In addition, the change would be more consistent with the broad remedial purpose of the Lanham Act's section 43(a), as developed by the federal courts and affirmed by Congress. It is simply not within the spirit of the law to allow a business that competes unfairly by sending out one false and disparaging promotional letter to escape the sanctions of the Lanham Act, while a business that sends out many cannot. This distinction is especially unfair in industries involving infrequent sales of relatively expensive items, where one sale can make the difference between a monthly profit or loss.¹⁷¹ Adopting the

168. Professor Langvardt agrees with this assessment. *See supra* note 137.

169. *Gordon & Breach Science Publishers, S.A. v. American Inst. of Physics*, 859 F. Supp. 1521, 1536 (S.D.N.Y. 1994).

170. As of early 1996, of the 32 reported opinions involving Lanham Act commercial defamation claims, at least eight, or 25%, have devoted significant effort to determining whether the promotional activities at issue constituted "commercial advertising or promotion."

171. One example of such an industry is the mainframe computer software sold by the plaintiff in *Mobius Management*. Unlike consumer software designed for home use, mainframe software has a limited market of businesses that need, and are willing to pay for, specially designed systems like that marketed by the *Mobius Management* plaintiff, whose product the court described as "a report distribution system . . . that allows large organizations to process, store, and retrieve reports containing financial data and other information." *Mobius Management Sys. v. Fourth Dimensions Software*, 880 F. Supp. 1005, 1008 (S.D.N.Y. 1994). The court found that the plaintiff had expended \$21,008.80 just to respond to the defendant's false statements, *id.* at 1016, which gives some idea of the value to the plaintiff of the single sale at issue.

revision proposed by this Note would end the disparity between those industries and others that deal in more frequent sales of less expensive items.

Finally, this Note's proposal would eliminate the arbitrariness produced by requiring district courts to determine who the relevant purchasing public is and whether a defendant's misrepresentations have been "disseminated sufficiently" to that public. An example of the unfairness produced by this process is the result in *Garland*: the plaintiff reasonably expected to be able to rely on the holding in *Mobius Management*, the facts of which were strikingly similar, yet the court dismissed the plaintiff's complaint after finding that the market for roofing products is "nationwide in scope."¹⁷² By setting a clear minimum standard, courts would enable both potential plaintiffs and defendants to know precisely what is forbidden by section 43(a) of the Lanham Act.

VI. CONCLUSION

The Lanham Act's section 43(a) is an important piece of federal legislation that continues to play a vital role in the regulation of American business. Section 43(a) provides much-needed uniformity in unfair trade practice law by giving businesses access to all the remedies of the Lanham Act, without regard to the widely varying and frequently ineffective state-law causes of action. In light of the crucial role played by section 43(a), district courts should not feel free to limit the reach of the section through questionable statutory interpretation. The solution proposed by this Note would both ease the analytical burden on district courts and eliminate any possibility of inconsistent application of section 43(a). At the same time, this Note's proposal would be more consistent with the intent of Congress to create a general federal unfair trade law than the restrictive reading of some district courts.

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172. *The Garland Co. v. Ecology Roof Sys.*, 895 F. Supp. 274, 279 (D. Kan. 1995).

