

Merchant and Consumer Protection: The Uniform Deceptive Trade Practices Act

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Deceptive trade practices victimize honest merchants as well as consumers, and impair rational allocation of economic resources. In recent years, state and federal legislators have become increasingly concerned with suppression of commercial deception, with the recently enacted federal Fair Packaging and Labeling Act¹ perhaps the most spectacular development so far.

Banning deception is appropriately a task for state as well as federal law. Federal legislation for the protection of consumers is a notoriously slow process; it took Senator Hart five years to win acceptance for his truth-in-labeling proposals, and his compulsory package-size suggestions have fallen before stiff opposition.² In some states, at least, it is easier to enact consumer protection legislation, particularly where such laws have the support of local businessmen faced with the deceptive practices of competing, out-of-state firms. Three years ago, the National Conference of Commissioners on Uniform State Laws recommended the enactment of the Uniform Deceptive Trade Practices Act as a supplement to existing state legislation.³ The Act has already been passed in five states,⁴ and is likely to become a significant means of combatting consumer fraud.

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1. 80 Stat. 1296 (1966).

2. Hart, *Can Federal Legislation Affecting Consumers' Economic Interests be Enacted?*, 64 MICH. L. REV. 1255 (1966). The House Amendments to the bill are described in BNA, ATRR 276: A-8 (10/25/66).

3. In 1966, following a resolution by the ABA Section of Patent, Trademark, and Copyright Law, the Commissioners revised § 3(b) which deals with costs and attorneys' fees. See ABA SECTION OF PATENT, TRADEMARK, AND COPYRIGHT LAW PROCEEDINGS 54-56, 64-66 (1965). The official and current version of the Act appears in 9 U.L.A. (Supp. 1965). The original version of the Act can be found in OPPENHEIM, UNFAIR TRADE PRACTICES, Appendix E (2d ed. 1965).

4. 1965 Conn. Legislative Service 418-19; DEL. CODE tit. 6 §§ 1401-07 (Supp.); IDAHO CODE ANN. §§ 48-601-06 (Supp. 1965); ILL. ANN. STAT. ch. 121½, §§ 311-17 (Smith-Hurd Supp. 1965); OKLA. STAT. ANN. tit. 78 §§ 51-55 (Supp. 1965). The Oklahoma enactment contains substantial deviations from the recommended version of the Act.

The Uniform Act complements other state legislation forbidding deceptive advertising because the method of enforcement is more effective than that provided by most existing laws. Traditional deceptive advertising statutes carry criminal penalties, which are too severe and time-consuming to be invoked in all but extreme cases. In some states, public agencies can enjoin misleading advertising but the budget of the enforcing agencies is seldom large enough to permit adequate supervision of merchandising. At best, only flagrant abuses are enjoined. In contrast, the Uniform Act authorizes injured merchants to bring private actions, and affected consumers to bring class actions to enjoin every deceptive trade practice which adversely affects them or those whom they represent.

Practices Prohibited

The deceptive trade practices singled out by the Uniform Act can be roughly subdivided into conduct involving either misleading trade identification or deceptive advertising. Specifically, the Act forbids undisclosed substitution of other goods or services for those requested by a customer,⁵ trade symbol infringement,⁶ misrepresentation of the geographic origin of goods or services,⁷ false advertising of goods, services, and businesses,⁸ disparagement of goods, services, and businesses,⁹ bait advertising,¹⁰ price misrepresentation,¹¹ and "any other conduct which similarly creates a likelihood of confusion or of misunderstanding."¹² The scope and importance of the Act will be illustrated by discussion of the provisions dealing with trade symbol infringement, false advertising, and price misrepresentation, as well as the relationship of those provisions to the general ban on "other conduct which similarly creates a likelihood of confusion or of misunderstanding."

Section 2(a)(2) forbids trade symbol infringement caused by simulation of distinctive product features as well as by misleading symbols used to distinguish goods or services—whether trademarks, service marks, certification marks, or collective marks.¹³ The Act reaffirms

5. UNIFORM DECEPTIVE TRADE PRACTICES ACT § 2(a)(1) (1964).

6. *Id.* §§ 2(a)(2) & (3).

7. *Id.* § 2(a)(4).

8. *Id.* §§ 2(a)(5), (6), & (7).

9. *Id.* § 2(a)(8).

10. *Id.* §§ 2(a)(9) & (10). "Bait advertising" is "a practice by which a seller seeks to attract customers through advertising at low prices products which he does not intend to sell in more than nominal amounts." Official Comment to §§ 2(a)(9) & (10).

11. UNIFORM DECEPTIVE TRADE PRACTICES ACT § 2(a)(11).

12. *Id.* § 2(a)(12).

13. This is federal Lanham Trademark Act terminology for trade symbols used to distinguish goods; trade symbols used to distinguish services; trade symbols used to

the common law principle that it is generally improper to use a commercial symbol which is likely to confuse actual or prospective purchasers as to the source of goods or services¹⁴ and extends the principle to embrace likelihood of confusion as to the "sponsorship, approval or certification of goods or services."¹⁵

The evidence required to establish likelihood of confusion varies according to the subject matter for which protection is sought. Ordinarily, a complainant must at least show substantial similarity between his and the defendant's trade identifiers, his temporal priority in the market in question, and a substantial investment in his symbol. This showing may be sufficient if a plaintiff's trade symbol is composed of distinctive, nondescriptive language or devices. On the other hand, if a plaintiff's trade symbol is descriptive or a term which is in common use as trade identifier, he may have to show that purchasers associate the particular symbol with him in the context in which he claims protection. Descriptive language and words in common use as marks that can be shown to have acquired significance as an indication of source, sponsorship, approval, or certification are said to have acquired secondary meaning.¹⁶

The secondary meaning prerequisite is used as much to protect the interests of junior users who may have adopted their trade symbols in good faith as to insure against the existence of possible confusion. If there is evidence that the defendant deliberately copied the plaintiff's trade symbol, likelihood of confusion may be inferred from concurrent

indicate that the goods or services of another meet the standards of the certifier; and trade symbols used by an organization, for example, a cooperative, to identify the goods or services of its members or to indicate membership in the organization. § 45, 60 Stat. 443 (1946), as amended, 15 U.S.C. § 1127 (1964). Section 2(a)(3) of the Uniform Act similarly deals with infringement caused by Lanham Act trade names, trade symbols used to distinguish businesses. *Ibid.* The Lanham Act breakdown of trade symbols is adopted by the Uniform Act. Uniform Deceptive Trade Practices Act §§ 1(2), (3), (6), (7), (8).

14. *E.g.*, *McLean v. Fleming*, 96 U.S. 245, 251 (1878); *VANDENBURGH*, *TRADEMARK LAW & PROCEDURE* 107 (1959); *RESTATEMENT (SECOND), TORTS* § 729 & comment a (Tent. Draft No. 8, 1963); *Tone & Eovaldi, New Illinois Trade Regulation Laws—The Uniform Deceptive Trade Practices Act*, 56 *TRADEMARK REP.* 534, 536 (1966).

15. The following examples illustrate the breadth of potentially actionable confusion under the Uniform Act: likelihood of confusion as to source exists where consumers may erroneously believe that the well-known "Yale" lock company manufactures a defendant's "Yale" flashlights; likelihood of confusion as to sponsorship exists where consumers may erroneously believe that *Seventeen* magazine sponsors a defendant's "Seventeen" girdles; likelihood of confusion as to approval exists where consumers may erroneously believe that *Consumer Reports* has approved a defendant's air-conditioner as a "Best Buy;" and likelihood of confusion as to certification exists where consumers may erroneously believe that Underwriters' Laboratories has authorized use of its seal of approval on a defendant's toaster.

16. See generally, *DOLE, TERRITORIAL TRADEMARK RIGHTS AND THE ANTITRUST LAWS* 6-8 (1965).

use of the symbols without regard to secondary meaning.¹⁷ It must be borne in mind, however, that even the presence of likelihood of confusion due to secondary meaning or deliberate use of a trade symbol similar to another's trade symbol does not insure that the senior user will obtain relief. The availability of relief for trade symbol infringement at common law and under the Uniform Act depends ultimately on judicial appraisal of the respective interests of the parties in the light of the likelihood of confusion that exists.¹⁸

Moreover, trade symbol protection must yield at some point to the goal of competitive markets. In deference to competition, Judge Hand maintained that evidence that consumers cared about source, as well as evidence of secondary meaning, was necessary to sustain a claim of product simulation.¹⁹ However, other judges were not so punctilious, and indiscriminate relief for product simulation eventually led the Supreme Court to declare in the *Sears-Compco* cases that courts applying state law were precluded by the preemptive effect of the federal patent and copyright laws from granting relief which prohibited or penalized the copying of an unpatented or uncopyrighted article, regardless of the presence or absence of secondary meaning and likelihood of confusion.²⁰ Nevertheless, the Court was careful to exclude from the sweep of its preemption rationale the use of state deceptive trade practices law to require labeling and "other precautionary steps" where product simulation might produce confusion, as well as the use of state deceptive trade practices law to protect trademarks, labels, and distinctive dress in packaging.²¹

Sections 2(a)(5), (6), and (7), the false advertising sections of the Act, make it a deceptive trade practice if a merchant:

represents that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities that they do not have or that a person has a sponsorship, approval, status,

17. *E.g.*, *Perfectform Corp. v. Perfect Brassiere Co.*, 256 F.2d 736 (3d Cir.), *cert. denied*, 358 U.S. 919 (1958). Evidence of deliberate copying has been said to raise a presumption of likelihood of confusion which must be rebutted by the defendant. *E.g.*, *National Van Lines v. Dean*, 237 F.2d 638, 692 (9th Cir. 1956).

18. *E.g.*, *Triumph Hosiery Mills, Inc. v. Triumph International Corp.*, 308 F.2d 196 (2d Cir. 1962) (denying relief despite likelihood of confusion). Section 3(a) provides that the principles of equity condition the availability of relief under the Uniform Act.

19. *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 Fed. 299 (2d Cir. 1917). This doctrine makes it virtually impossible to prove actionable product simulation. Stern, *Buyer Indifference and Secondary Meaning in Unfair Competition and Trademark Cases*, 32 CONN. B.J. 381, 395-98 (1958).

20. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

21. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964).

affiliation, or connection that he does not have; represents that goods are original or new if they are deteriorated, altered, re-conditioned, reclaimed, used or secondhand; [or] represents that goods or services are of a particular standard, quality, or grade, or that goods are of a particular style or model, if they are of another.

Despite the unqualified language of the statute, decisions under analogous § 43(a) of the federal Lanham Trademark Act suggest that a person who invokes these false advertising provisions will have to show that the defendant's advertisement is a false representation of "fact," that it actually deceives or has the tendency to deceive a substantial segment of its audience, that the deception is likely to make a difference in the purchasing decision, and that the particular plaintiff has been, or is likely to be injured by the deception.²² In the case of a merchant-plaintiff, injury may be shown by direct diversion of sales or by lessening of the good will which the plaintiff's product enjoys with the buying public. In the case of a consumer class action, injury will usually consist of the purchase by consumers of goods or services that are not desired.

Professor Handler believes that limiting legal control of false advertising to misrepresentations of fact is a "serious defect." "The skillful advertiser can mislead the consumer without misstating a single fact. The shrewd use of exaggeration, innuendo, ambiguity and half-truth is more efficacious from the advertiser's standpoint than factual assertions."²³ Handler's illustrations demonstrate, however, that it is a literal and wooden ban on misstatements of fact that he condemns,²⁴ and there is no reason that the Uniform Act should be so interpreted. Sections 2(a)(5), (6), and (7) forbid the "representing" of certain untruths. "To represent" a fact comprehends far more than overt factual declaration.²⁵ Whether a representation of fact is or is not involved depends primarily on the effect of a statement on the listener or reader, not on the phrasing of the statement alone; and, as Dean

22. Weil, *Protectability of Trademark Values against False Competitive Advertising*, 44 CALIF. L. REV. 527, 537 (1956).

23. HANDLER, *CASES ON TRADE REGULATION* 982 (3d ed. 1960).

24. Handler was no doubt drawing in part on his familiarity with the exceedingly technical construction of statutes providing criminal penalties for false advertising. See Handler, *False and Misleading Advertising*, 39 YALE L.J. 22, 28-34 (1929). It may be questioned, however, whether there is as great a danger of devitalizing interpretation of the Uniform Act. Judicial treatment of statutes declaring false advertising to be a crime is in no small degree a reaction to the obloquy associated with a criminal remedy. See Note, *Regulation of Advertising*, 56 COLUM. L. REV. 1018, 1077 (1956).

25. WEBSTER, *NEW INTERNATIONAL UNABRIDGED DICTIONARY* 1926 (3d ed. 1966).

Prosser has noted in another context, "The courts quite often have been willing . . . to find disparaging statements of fact buried in general assertions, and to permit recovery on that basis."²⁶

Of course, it is true that the limitation of actionable false advertising to misrepresentations that will be understood as involving facts does exculpate entirely vacuous seller's talk; but how grave an omission is that? Buyers who can be misled by glittering generalities that are shorn of even implicit factual misrepresentations need education, not legal tutelage. Moreover, the Act invites judicial perception in the isolation of "buried" misrepresentations of fact. A half-truth, for example, is at least a half-misrepresentation of fact. Thus, if a refrigerator is described as "defrosting automatically" where the cold storage section defrosts by itself but the freezing compartment does not, the refrigerator as a whole is not self-defrosting; and the courts should accordingly find that it is a misrepresentation of fact to suggest that *the refrigerator* is self-defrosting. A recent case under § 43(a) of the Lanham Act offers another illustration. In *Smith-Victor Corp. v. Sylvania Elec. Prods., Inc.*²⁷ plaintiff sold a "light bar" for use in making home motion pictures and defendant sold a competitive "Sun Gun," which was advertised as follows: "far brighter than any lamp ever before offered for home movies;" "the beam . . . floods an area greater than the coverage of the widest wide-angle lens;" "produces 35,000 center-beam candlepower;" and "life is rated, officially, at 10 hours." On motion for summary judgment the court assumed all four statements were false, yet held that only the latter two were actionable. The distinction made was between a general statement that a product is superior and a misstatement of the "absolute qualities" of a product. This is a reasonable distinction, but it was misapplied. All four statements related to objective qualities of the defendant's product and were assumed to be false. All four statements should have been actionable under § 43(a), as they should also be actionable under § 2(a)(5) of the Uniform Act.

A requirement that a misrepresentation of fact have a "tendency to deceive" in order to violate §§ 2(a)(5), (6), and (7) could usually be easily satisfied. The average consumer, for example, had no independent way to tell whether the "Sun Gun" advertised in the *Smith-Victor* case did or did not have a life of 10 hours.

A requirement that a false representation be likely to affect the

26. PROSSER, TORTS 949-50 (3d ed. 1964).

27. 242 F. Supp. 302 (N.D. Ill. 1965).

purchasing decision of consumers is axiomatic. The law has little need to suppress irrelevant misrepresentation. Moreover, misrepresentations that spur consumer decisions foster misallocations of resources and are obviously most likely to injure other businessmen and consumers themselves. Yet, the importance of a materiality requirement with respect to false advertising does not mean that proof of materiality is exceedingly difficult. The expenditure of substantial sums on a false claim is evidence that the false advertiser believes that the claim will influence purchasing decisions,²⁸ and sustained, persuasive advertising may itself cause even a frivolous product attribute to influence sales.²⁹

A New Jersey court wrestled with an intriguing problem which should be considered in connection with the false advertising provisions of the Act. In *General Elec. Co. v. Gem Vacuum Stores, Inc.*,³⁰ General Electric had obtained an interlocutory injunction requiring a retailer to disclose in advertising that plaintiff's C-1 model vacuum cleaner had been superseded by the C-2 model. However, the New Jersey Superior Court reversed, in part because the C-2 model was "very little different in performance and general appearance from the C-1 model." Although critics of modern marketing practices have properly fulminated against needless proliferation of models and styles, the New Jersey court's action in denying an injunction was justified largely because there was no evidence in the record to contradict defendant's allegation that the C-1 and C-2 models were virtually identical insofar as the consumer was concerned. A consumer who may be inconvenienced by a model change should be informed of the change even if it was largely *pro forma*. Failure to inform consumers of such changes may injure them and seriously impair a manufacturer's good will. Thus, evidence that vacuum cleaners, like automobiles, depreciate according to their model year, or evidence that parts for the superseded model would become more difficult or expensive to obtain would have justified the injunction in the *General Electric* case even though the successive models of the product looked alike and performed essentially the same way.

Section 2(a)(11), which forbids "false or misleading statements of fact concerning the reasons for, existence of, or amounts of price re-

28. Weil, *supra* note 22, at 537-38.

29. Brown, *Advertising and the Public Interest—Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1170-75 (1948).

30. 36 N.J. Super. 234, 115 A.2d 626 (1955).

ductions," touches what is probably the most prevalent type of deceptive advertising.³¹ There are two principal points of contact. Price claims violate the Act where price reductions are falsely asserted or implied to exist and where the amounts of actual price reductions are presented in a false or misleading manner.

Either type of forbidden misrepresentation may or may not be accompanied by a bogus explanation for the asserted reductions, such as a purported "fire" or "lost-our-lease" sale. These false explanations constitute independent violations of § 2(a)(12) and may also be actionable at common law,³² or under a state statute specifically regulating the conduct of such sales.³³

Ascertaining whether an asserted price reduction is wholly or partially fictitious can be complex. Though there are some clear-cut cases, as where inner tubes advertised as "50% off regular first-line tube list price" are actually third-line inner tubes,³⁴ or where a vendor steadfastly refuses to honor his low, advertised prices,³⁵ the issue is often complicated by the existence of at least three customary price bases from which reductions can be made: a supplier's list or suggested retail price, the advertiser's former price, and the prevailing community price for the particular item.³⁶ The Federal Trade Commission has formulated detailed standards concerning the permissibility of advertising discounts from each of these price bases, but the FTC standards are too intricate for judicial absorption under § 2(a)(11).³⁷ *People v. Minjac Corp.*,³⁸ a New York decision applying that state's criminal false advertising statute to fictitious discounts, suggests a more easily administered test. *Minjac* held that it was deceptive for a merchant to advertise goods for sale at "20% to 40% off" where the price

31. Barnes, *False Advertising*, 23 OHIO ST. L.J. 597, 629 (1962).

32. *E.g.*, Lower Main Street Merchants Assoc. v. Paul Geller & Co., 67 N.J. Super. 514, 171 A.2d 21 (1961) (threatening issue of an injunction against a perpetual "going-out-of-business" sale).

33. A number of states have statutes which set standards for the conduct of sales and require a local license in order to hold a sale. *E.g.*, MASS. GEN. LAWS ANN. ch. 93, §§ 28A-28F (Supp. 1965). A private injunctive remedy is sometimes authorized with respect to conduct deviating from the statutory norm. *Id.* § 28E.

34. *Cf.* *People v. Wahl*, 39 Cal. App. 2d 771, 100 P.2d 550 (App. Dept., Super. Ct., L.A. County 1940).

35. *Cf.* *Goss v. Birnbaum Furniture Co.*, 21 Conn. Supp. 207, 151 A.2d 705 (Super. Ct. 1959).

36. See 2 TRADE REG. REP. ¶ 7897 (1965) (FTC Guide Against Deceptive Pricing); *Recent Developments*, 58 COLUM. L. REV. 1303, 1305 (1958). Seller's cost is another, but seldom used basis for price reductions. Alexander, *Some Problems in the Pricing of Goods*, 31 FORDHAM L. REV. 141, 149-51 (1962).

37. See 2 TRADE REG. REP. ¶ 7897 (1965) (FTC Guide Against Deceptive Pricing); Alexander, *supra* note 36.

38. 4 N.Y.2d 320, 151 N.E.2d 180, 175 N.Y.S.2d 16 (1958).

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basis from which the discount was made was not revealed and the resulting prices were equal to, or higher than the prevailing community prices. Applying this principle to § 2(a)(11), the price basis from which a discount was made should be required to be disclosed and the representations concerning the amount of the discount should be required to be accurate in order to avoid a violation of the Uniform Act. Moreover, if the price basis of an advertised discount is a former price of the seller at which no sales ever took place, or if the price basis is an allegedly prevailing community price which was arbitrarily fixed by the seller, a violation should also exist. A seller should not be permitted to engage in misleading discount advertising through his own contrived use of initial, artificially high prices, or a random guess as to the prevailing community price. Conversely, a seller should be permitted to advertise discounts from actual suppliers' list prices, even though these prices are frequently discounted in his community, and to advertise discounts from an estimate of a prevailing community price which is bottomed on some objective evidence. Customers will see through the former practice if it is widely engaged in, and both types of advertising may provide consumers with useful comparative information. Substantial truth in an advertised discount price is both an improvement over the current situation and a judicially administrable standard.

Section 2(a)(11) does not deal with the vexatious problem as to whether goods advertised as "free" are indeed free,³⁹ and with good reason. The Federal Trade Commission has experienced considerable difficulty in the formulation of workable rules in this field.⁴⁰ Nevertheless, once the Federal Trade Commission refines its standards, state courts can apply the crystallized principles by analogy under section 2(a)(12) of the Uniform Act.

Section 2(a)(12) declares that "any other conduct which similarly creates a likelihood of confusion or of misunderstanding" is actionable under the Uniform Act. This important provision, like the general terms of § 5 of the Federal Trade Commission Act, constitutes legislative recognition that the determination of what is actionable deceptive conduct should ultimately depend upon "the gradual process of judicial inclusion and exclusion."⁴¹ The specific deceptive trade practices in § 2(a) offer guideposts as to what deceptive trade practices

39. See Explanatory Notes, ILL. ANN. STAT. ch. 121½, § 312 (Smith-Hurd Supp. 1965).

40. See *Mary Carter Paint Co. v. FTC*, 393 F.2d 654 (5th Cir. 1964), *rev'd*, 382 U.S. 46 (1965).

41. *FTC v. R.F. Keppel & Bros.*, 291 U.S. 304, 312 (1934); see generally, Oppenheim,

can be fruitfully regulated by the courts at the present time, and imply that conduct is permissible if it is germane to the specific sections but not expressly prohibited. The Uniform Act's limited proscription of fictitious price claims in § 2(a)(11), for example, implies that the advertisement of actual price-cuts on loss leaders should not be considered actionable under § 2(a)(12). Nevertheless, section 2(a)(12) makes clear that the courts are by and large free to apply the remedial provisions of the Uniform Act to new deceptive trade practices enunciated by the judges themselves.

FTC experience suggests one particular deceptive trade practice which warrants prompt judicial development under § 2(a)(12). Unfortunate publicity can result from the institution of FTC proceedings against deceptive trade practices, and the effect of this publicity may not be dissipated by the agency's eventual exoneration of a respondent. The allegations of a complaint are invariably more newsworthy than the terms of a terse notice of dismissal. The FTC, thus, considers that it is a violation of § 5 of the Federal Trade Commission Act for a businessman to complain to the Commission about a competitor and then to publicize the fact that a complaint has been lodged with the Commission *before* the Commission has decided whether to act on the complaint.⁴² Two FTC stipulated settlements of § 5 proceedings similarly forbid the dissemination of information concerning § 5 proceedings against competitors, even where violations were established, as long as the competitors have forsworn the conduct previously found to violate the Federal Trade Commission Act.⁴³ These FTC orders suggest that it should be considered a § 2(a)(12) deceptive trade practice for a party-plaintiff to publicize the initiation of a proceeding under the Uniform Act before a determination of his claims on the merits unless there is a legitimate reason for doing so,⁴⁴ and that it should likewise be a § 2(a)(12) deceptive trade practice to herald past proceedings under the Act against competitors without extenuating reasons for doing so.

The Judicial Process in Unfair Competition Law, 2 PATENT, TRADEMARK, AND COPYRIGHT J. OF RESEARCH AND EDUCATION 116 (Conference Supp. 1958).

42. United States Prods. Co., 7 FTC 301 (1924).

43. Lacy Prods. Corp., 26 FTC 1310 (1937) (Stip.); Seeley's (Rupture) Establishment, Ltd., 21 FTC 785 (1935) (Stip.).

44. A plaintiff should, for example, be privileged to warn persons dealing in goods bearing what he believes in good faith to be infringing trade symbols that an action has been commenced under the Uniform Act against the user of the trade symbol and that that person's distributors and dealers are similarly subject to suit. *E.g.*, Lucien Lelong, Inc. v. Dana Perfumes, Inc., 138 F. Supp. 575 (N.D. Ill. 1955).

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Remedies

The primary remedy for violation of the Uniform Act is an injunction. Section 3(b) gives statutory authority for the award of attorneys' fees to the prevailing party in certain instances, but the express conditions on judicial discretion to award attorneys' fees make evident that the award is to be confined to exceptional circumstances. The statute allows award of reasonable attorneys' fees to the defendant if the plaintiff has brought an action which he knew to be groundless, or to the plaintiff if the defendant has engaged in a trade practice which he knew to be deceptive;⁴⁵ yet even in these situations the award is not to be automatic. The statute directs the judge to exercise discretion and weigh the nuances of the record in passing on every application for attorneys' fees. However, courts should be particularly willing to award attorneys' fees where the plaintiffs are consumers who have prevailed over merchants who have willfully deceived them; consumers can ill afford to assume for themselves the financial burdens of a suit which only results in an injunction.

Section 3(a) authorizes the injunctive remedy for the commission of a deceptive trade practice and outlines the test for standing under the Uniform Act. Sandwiched among these dispositive provisions, moreover, is the statement that the availability of relief under the Uniform Act does not necessarily hinge on the plaintiff's establishing an "intent to deceive" on the part of the defendant. This is a substantive contribution to the definition of an actionable deceptive trade practice which would have been more logically placed in § 2. The location of the provision in § 3(a) undoubtedly derives from § 3's limitation of remedies under the Act principally to a prospective injunction. This reliance on an injunctive remedy makes it reasonable to have the substantive provisions of the Act reach unintentional as well as intentional conduct.⁴⁶

One consequence of the actionability of unintentional deceptive trade

45. This is the substance of the 1966 amendment to § 3(b) approved by the Commissioners on Uniform State Laws. The original version of the Uniform Act authorized the court to award attorneys' fees to the prevailing party "in exceptional cases" with the caveat that attorneys' fees could be assessed against a defendant only if the court found that he had willfully engaged in a deceptive trade practice. *E.g.*, ILL. ANN. STAT. ch. 121½, § 313 (Smith-Hurd Supp. 1965). The "uniform interpretation" clause in § 5 of the Uniform Act should lead judges in those states which enacted the initial version of the Act to interpret the original § 3(b) in the light of the 1966 amendment until conforming amendments are made.

46. *Cf.* *Goebel Brewing Co. v. Esslingers, Inc.*, 373 Pa. 334, 95 A.2d 523 (1953) (passing off); *LaTouraine Coffee Co. v. Lorraine Coffee Co.*, 157 F.2d 115 (2d Cir.), *cert. denied*, 329 U.S. 771 (1946) (trade symbol infringement); *Parkway Baking Co. v. Freihofer Baking Co.*, 255 F.2d 641 (3d Cir. 1958) (deceptive advertising).

practices under the Uniform Act is that wholesalers and retailers who are supplied deceptive advertising or goods with infringing trade symbols will be as subject to suit as the originators of these materials. This liability is most burdensome with respect to goods bearing infringing trade symbols. Objectionable advertising can simply be taken down or removed from publication. On the other hand, a retailer or wholesaler who has been enjoined from trade symbol infringement could conceivably be left with an inventory of goods with infringing symbols, which goods cannot be sold or advertised without violating the injunction unless the offending symbols are removed. Nevertheless, the Uniform Act follows existing law in subjecting good faith distributors and dealers to suit for trade-symbol infringement.⁴⁷ Strict liability serves to induce wholesalers and retailers to take precautions against the purchase of goods with infringing trade symbols and thereby reduces the number of infringing products on the market.⁴⁸

The technical liability of wholesalers and retailers for innocent trade-symbol infringement is not unduly oppressive in practice. Distributors and dealers can exercise self-help by refusing to stock questionable items unless they are given an express warranty against infringement by their supplier. Many trade-symbol users are reluctant to incur ill-will by suing distributors and dealers and content themselves with issuing warnings against infringement to the trade while suing only the person initiating the infringement. Finally, the Uniform Commercial Code, which is in force throughout most of the United States, provides that a contract for the sale of goods by a merchant regularly dealing in those goods contains an implied warranty against "infringement or the like," unless otherwise agreed.⁴⁹ Although the Code warranty does not appear applicable where innocent wholesalers or retailers suffer economic loss through use of deceptive or disparaging advertising furnished them by a supplier, general principles allowing indemnity to innocent, but technical tortfeasors should afford similar protection.⁵⁰

47. *E.g.*, *Grocers Baking Co. v. Sigler*, 132 F.2d 498 (6th Cir. 1942); *Saratoga Vichy Spring Co. v. Saratoga Carlsbad Corp.*, 45 F. Supp. 260 (S.D.N.Y. 1942); *Lucien Lelong, Inc. v. Dana Perfumes, Inc.*, 138 F. Supp. 575, 579 (N.D. Ill. 1955) (dictum); RESTATEMENT, TORTS § 734 & illus. 1 (1938).

48. Comment, *Liability of Retail Seller for Good Faith Sales of Goods with Infringing Trade Mark*, 3 VILL. L. REV. 372, 376-79 (1958).

49. UNIFORM COMMERCIAL CODE § 2-312(3); see generally, Dudine, *Warranties Against Infringement Under the Uniform Commercial Code*, 36 N.Y. St. B.J. 214 (1964). The Code requires that the buyer seasonably notify the seller of the assertion of a claim for infringement against the buyer in order to be able to hold the seller to this warranty. UNIFORM COMMERCIAL CODE § 2-607(3)(b).

50. See PROSSER, TORTS § 48 (3d ed. 1964). The supplier might also be subject to suit

Another consequence of § 3(a)'s dispensing with "intent to deceive" is that the Uniform Act does not require a demand that a potential defendant desist from violation as a prelude to suit. This is in line with the common law view that the service of a summons and complaint gives a person engaging in wrongful conduct sufficient notice to justify a prospective injunction.⁵¹ Nonetheless, it will generally make sense for an aggrieved person to demand cessation of objectionable conduct before suing. After all, a threat of suit may be sufficient to bring the prospective defendant to terms. Moreover, if the defendant is in good faith and ceases the objectionable conduct as soon as the plaintiff files suit under the Uniform Act, the court may dismiss the complaint and award costs to the defendant.⁵² A plaintiff's failure to demand voluntary discontinuance of defendant's conduct prior to suit may also be evidence of laches or unclean hands.⁵³ The latter aspect of failure to give notice could be important with respect to the § 3(b) provision dealing with award of attorneys' fees.

There are several reasons why relief under the Uniform Act is limited to an injunction. In the first place, plaintiffs are likely to care more about ending the unlawful acts than collecting damages, which may be difficult to prove in even the best of circumstances.⁵⁴ Indeed, the difficulty in establishing recoverable damages caused by deceptive trade practices is a major reason why plaintiffs seek to recover defendants' profits instead.⁵⁵ These profits are more readily demonstrable and their recovery is naturally a severe blow to feckless tortfeasors. But, although recovery of profits has been granted with some frequency in trade symbol infringement actions, few guidelines as to when profits should be allowed have emerged.⁵⁶ A leading practitioner, the late Harry D.

for negligent failure to perceive the deceptive or disparaging character of the advertising or negligent failure to warn the wholesaler or retailer that potentially actionable material was being disseminated. See Comment, *supra* note 48, at 380.

51. *E.g.*, *Stork Restaurant, Inc. v. Sahati*, 166 F.2d 348, 361-62 (9th Cir. 1948) (alternative holding) (trade name infringement); *B.V.D. Co. v. Davega-City Radio, Inc.*, 16 F. Supp. 659 (S.D.N.Y. 1936) (false claims of price reduction). RESTATEMENT, TORTS § 717, comment a, at 565 (1938). State statutes analogous to the Uniform Act both do and do not require a formal notice to desist prior to suit. *E.g.*, HAWAII REV. LAWS § 289-15 (Supp. 1965) (48 hour notice requirement—if defendant ceases violation on receipt of notice, "no injunction shall issue"); MICH. STAT. ANN. §§ 28.79(1)—28.79(9) (1962), as amended, (Supp. 1965) (no notice provision).

52. See *Wynne v. Aluminum Awning Prods. Co.*, 202 F.2d 130 (4th Cir. 1953). UNIFORM DECEPTIVE TRADE PRACTICES ACT § 3(b) allows costs to the prevailing party unless the court otherwise directs.

53. *Cf. Bulova Watch Co. v. Allerton Co.*, 216 F. Supp. 875, 877-78 & 878 n.12 (N.D. Ill. 1963), *rev'd on other grounds*, 328 F.2d 20 (7th Cir. 1964).

54. Kunin, *Eriecantomphinitis: The Malady and its Cure*, ABA SECTION OF THE PATENT, TRADEMARK, AND COPYRIGHT LAW, PROCEEDINGS 276, 281 (1961).

55. VANDENBURGH, TRADEMARK LAW & PROCEDURE 385-86 (1959).

56. *Id.* at 383-84.

Nims, has suggested that this may be because the profits actually derived from deceptive trade practices are in reality no more certain than the damages caused by them.⁵⁷

The deterrent and punitive functions of monetary remedies are also less expedient with respect to the *inadvertent* deceptive conduct to which the Act applies than with respect to the calculated flimflamming of consumers; and the omission of economic penalties from the Act is of primary significance to merchants injured by unintentional deception. Section 3(c) of the Uniform Act preserves concurrent remedies for conduct which also runs afoul of the Act so that merchants can generally recover damages and profits attributable to willful deception at common law⁵⁸ and consumers can often recover damages with respect to calculated misrepresentations in tort⁵⁹ or with respect to both guileless and calculated misrepresentations on a breach of warranty theory.⁶⁰

The draftsmen of the Uniform Act also thought that judges would be more likely to give straightforward interpretations to the Uniform Act if the primary consequence flowing from a finding of violation would be the issue of a prospective injunction "under the principles of equity." This rationale will lessen in significance after the Uniform Act has received critical, initial interpretations, and the National Conference of Commissioners on Uniform State Laws will undoubtedly reconsider the remedial provisions of the Uniform Act in connection with the Conference's periodic reviews of outstanding uniform legislation.

The third cardinal aspect of § 3(a) is its test for standing to sue: "A person likely to be damaged by a deceptive trade practice of another may be granted an injunction. . . . Proof of monetary damage; [or] loss of profits, . . . is not required." An even more remote standing test might have been adopted. Some private deceptive trade practices legislation dispenses with the necessity of a substantial individual interest on the part of a plaintiff. A California statute which is analogous to the Uniform Act, for example, provides that "actions for injunction under this section may be prosecuted by . . . any person acting for the interests of itself, its members, or the general public."⁶¹ Such statutes,

57. 2 NIMS, UNFAIR COMPETITION & TRADE-MARKS 1390 (4th ed. 1947).

58. *Compare* Ojala v. Bohlin, 178 Cal. App. 2d 292, 2 Cal. Repr. 919 (1960) with Wood v. Peffer, 55 Cal. App. 2d 116, 130 P.2d 220 (1942).

59. E.g., Willard v. Chrysler Corp., CCH PRODS. LIABILITY REP. ¶ 5585 (S.C. Sup. Ct. 1966).

60. E.g., *Baxter v. Ford Motor Co.*, 179 Wash. 123, 35 P.2d 1090 (1934).

61. CAL. CIV. CODE § 3369(5) (Supp. 1965). A California intermediate appellate court has interpreted less specific language in another statute as competently dispensing with

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in effect, permit private attorneys general⁶² to suppress conduct deemed of little or no social utility. There is always a danger, however, that wholesale legislative abandonment of a substantial and adverse individual interest as a prerequisite for standing will be self-defeating. Abrupt legislative jettisoning of a traditional and reasonable control over vexatious litigation may provoke judicial counteraction which will permanently cripple the intended statutory reform.⁶³ For this reason, § 3(a) of the Uniform Act essentially retains the traditional concept of a substantial and adverse individual interest as the test of standing. The Official Comment explains that § 3(a)'s coupling of a "likelihood of damage" test with the statement that "proof of monetary damage, [or] loss of profits . . . is not required" simply permits a plaintiff to satisfy the standing requirement through circumstantial evidence that the defendant's course of conduct will cause significant economic harm to the individual plaintiff or to the plaintiff-class.

The significance of the Uniform Act's injunctive remedy as an additional safeguard against strike suits cannot be overstressed. A defendant's financial liability is not materially increased by permitting "any persons," including consumers where a class action is appropriate, to sue for an injunction in order to forestall probable economic loss.⁶⁴ Moreover, the injunctive remedy materially reduces the danger of multiple suits with respect to the same deceptive conduct. Once one aggrieved party has obtained an injunction under the Act there will be little incentive for others to sue with respect to the same conduct, but, if they should choose to do so, the initial injunction should ordinarily

evidence of "special injury" as a prerequisite for an injunction. *Mering v. Yolo Grocery & Meat Market*, 127 P.2d 985 (Cal. App. 1942).

62. This is Judge Frank's term for persons with minimal individual interests who are given statutory standing to seek review of administrative action. *Reade v. Ewing*, 205 F.2d 630, 632 (2d Cir. 1953).

63. See *Frost v. City of Los Angeles*, 181 Cal. 22, 183 Pac. 342 (1919) (statute dispensing with necessity of individual injury in order to enjoin a public nuisance creates a "bare technical right" which does not justify an injunction which would impose considerable hardship on the defendant).

64. Insofar as merchants are concerned, the following should have standing under the Uniform Act: a person with exclusive rights in a trade symbol which is infringed or enmeshed in deceptive advertising or disparagement by another, *cf. Browning King Co. of N.Y. v. Browning King & Co.*, 76 F. Supp. 927 (E.D. Pa. 1948), *aff'd*, 176 F.2d 105 (3d Cir. 1949); persons with exclusive sales agencies for trademarked products or service-marked services with respect to deceptive advertising or disparagement of those products or services within their sales territories, *cf. Goss v. Birnbaum Furniture Co.*, 21 Conn. Supp. 207, 151 A.2d 705 (Super. Ct. 1959); substantial competitors of a defendant who have to compete with the goods or services embellished by the defendant's deceptive trade practices, *cf. PIC Design Corp. v. Sterling Precision Corp.*, 231 F. Supp. 106, 114 (S.D.N.Y. 1964); and members of an industry, the collective reputation of which is imperiled by a defendant's misrepresentations, *cf. Mutation Mink Breeders Ass'n v. Lou Nierenberg Corp.*, 23 F.R.D. 155 (S.D.N.Y. 1959).

remove any factual "likelihood of damage" to the belated suitors. These johnnies-come-lately will thus no longer have standing to sue; and, by bringing suits which they should know to be groundless, will lay themselves open to an award of attorneys' fees under § 3(b) in favor of the defendant. However, violation of an injunction issued under the Uniform Act could entitle additional plaintiffs to commence suit where the person who obtained the original injunction remains dormant for an unreasonable period of time.

Needless to say, a deliberate violation of an injunction issued under the Uniform Act under circumstances which do give another person standing to enjoin the same conduct would also entitle the second plaintiff to an award of attorneys' fees under § 3(b). Calculated violation of an injunction under the Uniform Act is the strongest possible evidence that the defendant "willfully engaged in the trade practice knowing it to be deceptive."

It may seem that a consumer who has discovered that a merchant is engaging in deceptive trade practices is not in danger of being deceived again and therefore needs no injunction to protect himself. This analysis is supported by two lower court decisions indicating that "a member of the public, as such" has no standing to sue under § 43(a) of the Lanham Act.⁶⁵ On the other hand, other consumers who patronize the business engaging in deceptive trade practices may in fact be "likely to be damaged" by the deceptive trade practices precisely because these consumers are not aware of the deception, yet, for this very reason of course, these consumers will never bring suit. The social interest in suppression of commercial deception should, however, override the brittle logic of this legalistic paradox. Enlightened consumers should be allowed to satisfy the standing requirement of section 3(a) through a class suit on behalf of their less fortunate brethren.⁶⁶ This consumer remedy is only available under the Act

65. See *Marshall v. Procter & Gamble Mfg. Co.*, 170 F. Supp. 828, 835 (D. Md. 1959); *Carpenter v. Rohm & Haas Co.*, 109 F. Supp. 739 (D. Del. 1952), *aff'd per curiam*, 201 F.2d 671 (3d Cir. 1953). There is a closer question with respect to an individual consumer remedy under § 43(a) which arguably authorizes recovery of actual damages, treble damages, and profits for certain violations in addition to an injunction. Damages could be useful even to a consumer who has "seen the light." The possible availability of stiff economic penalties for violation of § 43(a) may, however, have induced restrictive construction of its standing requirement.

66. Cf. *Grand Rapids Furniture Co. v. Grand Rapids Furniture Co.*, 127 F.2d 245 (7th Cir. 1942); see Comment, *Commercial Nuisance: A Theory of Consumer Protection*, 33 U. CHI. L. REV. 590 (1966) concerning the need for a consumer remedy. There is ample precedent for allowing an injunction in a class action to run in favor of members of the class who have not joined as parties-plaintiff. *E.g.*, *Frasier v. Board of Trustees*, 134 F. Supp. 589 (M.D.N.C. 1955), *aff'd per curiam*, 350 U.S. 979 (1956); *National Hairdressers'*

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where a substantial number of consumers patronize a potential defendant, for a class action is only maintainable where the persons constituting a class are so numerous that it would be impracticable to bring them all before the court.⁶⁷ However, this is also the situation where a consumer remedy is most desirable, and, in fact, the typical situation with respect to the most objectionable trade deception. The commercial con men who prey upon the poor have to fleece large numbers of individuals in order to maximize their profits.⁶⁸

Preemption

The increasing federalization of American law suggests that virtually any Uniform Act which significantly affects interstate businesses, as the Deceptive Trade Practices Act certainly does, must be tested for possible supersession by federal law. The relevant federal statutes are the Federal Trade Commission Act,⁶⁹ the federal patent,⁷⁰ copyright,⁷¹ and trademark laws,⁷² and the Federal Communications Act.⁷³

As should be evident from earlier references, the Federal Trade Commission Act's ban on "unfair methods of competition in commerce, and unfair or deceptive acts or practices in commerce,"⁷⁴ encompasses virtually all the conduct made actionable by the Uniform Act. However, there is scant likelihood in the foreseeable future that state regulation of deceptive trade practices affecting interstate commerce will be considered preempted *in toto* by § 5. The FTC itself takes the position that there is no compelling need for exclusive federal regulation of interstate deceptive trade practices,⁷⁵ and neither the Federal Trade Commission Act nor its legislative history evince a congressional intention to oust concurrent state regulation which does not impair federal superintendence of the field.⁷⁶ Although there could be cases of *ad hoc*

& Cosmetologists' Ass'n v. Philad Co., 41 F. Supp. 701 (D. Del. 1941), *aff'd per curiam*, 129 F. 2d 1020 (3d Cir. 1942).

67. E.g., FED. R. CIV. P. 23(a); N.Y. CIV. PRAC. LAW § 1005(a).

68. See generally, Comment, *Translating Sympathy for Deceived Consumers into Effective Programs for Protection*, 114 U. PA. L. REV. 395 (1966).

69. §§ 1-11, 38 Stat. 717-24 (1914), as amended, 15 U.S.C. §§ 41-58 (1964).

70. 35 U.S.C. §§ 1-293 (1964).

71. 17 U.S.C. §§ 1-216 (1964).

72. §§ 1-45, 60 Stat. 427-43 (1946), as amended, 15 U.S.C. §§ 1051-1127 (1964).

73. 48 Stat. 1064 (1934), as amended, 47 U.S.C. §§ 151-609 (1964).

74. 38 Stat. 719 (1914), as amended, 15 U.S.C. § 45(a)(1) (1964).

75. BNA, ATRR 224: A-8 (10/26/65) (amicus curiae brief in the Federal District Court for Northern Texas urging non-preemption). The brief proved persuasive. Double-Eagle Lubricants, Inc. v. Texas, 248 F. Supp. 515 (N.D. Tex. 1965), *appeal dismissed per curiam*, 86 Sup. Ct. 1601 (1966).

76. Head v. New Mexico Bd. of Examiners, 374 U.S. 424, 441 n.20 (1963) (concurring opinion).

preemption where the terms of an FTC cease and desist order immunize conduct compelled by the order from attack under state law, the Uniform Act anticipates this eventuality by excepting from its scope "conduct in compliance with the orders or rules of, or a statute administered by, a federal . . . agency."

The Supreme Court incontrovertibly declared in the *Sears-Compco* cases that the federal patent and copyright laws supersede certain state remedies for deceptive trade practices with respect to the copying of articles.⁷⁷ But while state law can no longer prohibit the copying of an article or grant damages because of mere copying, the Court made clear that state law can still require honest labeling and "other precautionary steps" in order to avoid consumer deception:

Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled. . . .⁷⁸

Congress, however, has recently narrowed the ambit in which state law can impose a labeling decree. The Fair Packaging and Labeling Act of 1966, effective July 1, 1967, sets labeling standards for packaged consumer commodities⁷⁹ and provides:

that it is the express intent of Congress to supersede any and all laws of the States or political subdivisions thereof insofar as they may now or hereafter provide for the labeling of the net quantity of contents of the package of any consumer commodity covered by this Act which are less stringent than or require information different from the requirements of section 4 of this Act or regulations promulgated pursuant thereto.⁸⁰

In the *Sears-Compco* cases the Supreme Court carefully confined the abridgment of state remedies by the federal patent and copyright laws to sanctions imposed for the copying of goods. Relief for the copying of labels, distinctive packaging, and trade symbols was expressly distinguished.⁸¹

The Court's exception of labels and trade symbols from the scope

77. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

78. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964).

79. "Consumer commodities" are defined to include most packaged goods sold to individuals at retail with the exception of meat, poultry, and tobacco products; insecticides, fungicides, and rodenticides; drugs; alcoholic beverages; and seeds. P.L. No. 89-755, 89th Cong., 2d Sess. § 10(a) (Nov. 3, 1966).

80. P.L. No. 89-755, 89th Cong., 2d Sess. § 12 (Nov. 3, 1966).

81. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964).

of the *Sears-Compco* cases can be taken more or less at face value, but the cognate reservation with respect to "distinctive dress in the packaging of goods" should be understood as primarily relating to the origin-identifying features of a form of packaging. The Supreme Court's evident distaste for anti-competitive applications of state deceptive trade practices law surely extends to attempts to assert exclusive rights in types of packaging, like the ubiquitous polyethylene bag.⁸² Indeed, the preemption rationale of the *Sears-Compco* cases is expressly applicable to containers, for containers are a subject of federal patent and statutory copyright protection.⁸³ On the other hand, the precise color scheme or other nonfunctional means by which a seller distinguishes the packages containing his own products from those of others should fall within the *Sears-Compco* exception and remain protectable by a full panoply of state remedies.⁸⁴

The Uniform Act comes to terms with the *Sears-Compco* decisions through recognition in § 3(a) that state remedies with respect to product simulation must be circumscribed. The Act provides that, "relief granted for the copying of an article shall be limited to the prevention of confusion or misunderstanding as to source." "Article" is defined in § 1(1) as "a product as distinguished from its trademark, label, or distinctive dress in packaging."

This language, which was obviously derived from the *Sears-Compco* decisions, should be interpreted in accordance with those decisions, and with the subsequent federal labeling legislation. Thus, likelihood of confusion arising from a similarity of products or types of packaging—both of which fall within the definition of "article" in § 1(1),⁸⁵ should only entitle a plaintiff to obtain a decree requiring labeling or "other precautionary steps" consonant with the federal right to copy derived by the Supreme Court from the federal patent and copyright laws, and with the limitations imposed by the Fair Packaging and Labeling Act of 1966.

Among the radiations from the *Sears-Compco* decisions has been the suggestion that the federal trademark laws, which require secondary

82. See *Don Alvarado Co. v. Porganan*, 203 Cal. App. 2d 377, 21 Cal. Repr. 495 (1962).

83. *In re Mogen David Wine Corp.*, 51 C.C.P.A. (Patents) 1260, 328 F.2d 925 (1964) (design patent); *Gray v. Eskimo Pie Corp.*, 244 F. Supp. 785 (D. Del. 1965) (statutory copyright).

84. See *Spangler Candy Co. v. Crystal Pure Candy Co.*, 235 F. Supp. 18 (N.D. Ill. 1964), *aff'd*, 352 F.2d 641 (7th Cir. 1965); Note, *Unfair Competition Protection After Sears and Compco*, 40 N.Y.U.L. Rev. 101, 124-31 (1965).

85. § 1(1) of the Uniform Act defines an article as a product as distinguished from its "distinctive dress in packaging." A generic method of packaging is thus *not* excluded from the definition of "article."

meaning in order to register descriptive trade symbols,⁸⁶ will now be considered to preempt state law allowing protection in the absence of secondary meaning.⁸⁷ This sally, however, disregards nineteen years of experience with the present federal trademark laws in which the principal intimations of preemption have been to the effect that federal registrants cannot obtain broader protection under state law than that available under the federal statute, not that nonregistrants as well as registrants are circumscribed by federal standards.⁸⁸ The prevailing view with respect to even these occasional rumblings is illustrated by a recent Second Circuit decision. In *Flexitized, Inc. v. National Flexitized Corp.*⁸⁹ the Second Circuit affirmed a trial judge's conclusion that a federal trademark registration was invalid for lack of secondary meaning but that plaintiff was nonetheless entitled to relief on the basis of state law. The court commented:

We do not read the recent U.S. Supreme Court decision in *Sears Roebuck & Co. v. Stiffel Co.* . . . as establishing any constitutional bar to the application of state law in the instant case.⁹⁰

However, if the penumbra of *Sears-Compco* does eventually extend to the federal trademark laws in the suggested fashion, the effect on the Uniform Act should be minimal. Secondary meaning would simply become indispensable to the establishment of likelihood of confusion or of misunderstanding, insofar as infringement of descriptive trade symbols used in interstate commerce is concerned. Should this occur, the probable result would be a reinterpretation of the likelihood of confusion test with respect to all descriptive trade symbols, however local their use.⁹¹

A latent possibility of preemption by the Federal Communication Act,⁹² not to mention the First Amendment issues raised by attempts to enjoin communications media, underlie § 4(a)(2) which declares that the Uniform Act does not apply to

86. § 2(e) & (f), 60 Stat. 429 (1946), 15 U.S.C. § 1052(e) & (f) (1964).

87. Comment, *The Supreme Court 1963 Term*, 78 HARV. L. REV. 177, 311-12 (1964).

88. See, e.g., *Jean Patou, Inc. v. Jacqueline Cochrane, Inc.*, 201 F. Supp. 861, 866-67 (S.D.N.Y. 1962) (dictum); *Sargent & Co. v. Welco Feed Mfg. Co.*, 195 F.2d 929, 935-36 (8th Cir. 1952); Comment, *Developments in the Law—Trade-Marks and Unfair Competition*, 68 HARV. L. REV. 814, 877-78 & n.478 (1955).

89. 335 F.2d 774 (2d Cir. 1964), cert. denied, 380 U.S. 913 (1965).

90. *Id.* at 781 n.4. See also *Dilution: Trademark Infringement or Will-O'-the-Wisp?* 54 TRADEMARK REP. 184, 189 & n.34 (1964).

91. Cf. *Spangler Candy Co. v. Crystal Pure Candy Co.*, 235 F. Supp. 18 (N.D. Ill. 1964), *aff'd*, 353 F.2d 641 (7th Cir. 1965).

92. See *Head v. New Mexico Bd. of Examiners*, 374 U.S. 424 (1963).

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publishers, broadcasters, printers, or other persons engaged in the dissemination of information or reproduction of printed or pictorial matter who publish, broadcast, or reproduce material without knowledge of its deceptive character

There is an analogous provision in the Lanham Trademark Act limiting injunctions against media dissemination of advertising containing infringing matter to issues of a periodical that come out after the media learn of the infringing character of the material.⁹³ The Lanham Act also contains an express provision that an injunction shall not be issued which will delay the normal distribution of a periodical regardless of a communication medium's knowledge that the particular issue contains infringing matter.⁹⁴ Despite the absence of a counterpart to this latter provision in the Uniform Act, the same result should follow through judicial obedience to § 3(a)'s command that injunctions under the Act must be in accordance with principles of equity and on terms that are reasonable.⁹⁵

The delicate problems involved in applying the Uniform Act to communications media suggest that the § 4(a)(2) exemption should be adhered to rigorously. A disseminator of information should have to be presented with virtually conclusive proof before he should be considered to have knowledge that material which he has agreed to publish is actionable under the Uniform Act. Mere notice that a deceptive trade practice is claimed to exist or even that a legal proceeding has been commenced should not be enough.⁹⁶ During the congressional hearings on the Lanham Bill, Professor Handler urged that a newspaper should not be held liable for trade symbol infringement unless its officers were aware that an advertiser had been judicially determined to be an infringer.⁹⁷ In view of the intensely factual nature of a determination that a deceptive trade practice exists, Handler's approach would be a reasonable interpretation of what is necessary under the Uniform Act to give communications media knowledge that particular data submitted to them for dissemination is actionably deceptive in nature. Moreover, wherever a medium of communication is

93. § 32(2)(b), 60 Stat. 438 (1946), as amended, 15 U.S.C. § 1114(2)(b) (1964).

94. § 32(2)(c), 60 Stat. 438 (1946), 15 U.S.C. § 1114(2)(c) (1964).

95. UNIFORM DECEPTIVE TRADE PRACTICES ACT § 3(a); see *Mayfair Farms, Inc. v. Socony Mobil Oil Co.*, 68 N.J. Super. 188, 194-95, 172 A.2d 26, 29 (1961). Compare *Durgom v. Columbia Broadcasting System, Inc.*, 29 Misc. 2d 394, 214 N.Y.S.2d 752 (Sup. Ct. N.Y. County 1961).

96. *Cf. State v. Beacon Pub. Co.*, 141 Kan. 734, 743, 42 P.2d 960, 966 (1935).

97. *Hearings on H.R. 102, H.R. 5461, & S. 895 Before a Subcommittee of the House Committee on Patents*, 77th Cong., 1st Sess. 121-22 (1941).

determined to have sufficient advance knowledge of the deceptive nature of material to be subject to the Uniform Act, any injunction forbidding publication of that material by the communications medium must scrupulously avoid impairment of the constitutional guarantees of freedom of speech and freedom of the press.

Conclusion

In view of the material role that deceptive trade practices can play in the misallocation of economic resources and in the infliction of economic injury on merchants and consumers, there is ample justification for broader recognition of a private right of action than currently exists in many states. Deceptive advertising, disparagement, and trade symbol infringement which causes likelihood of confusion as to sponsorship, approval, or certification should be potentially enjoined throughout the nation. The Uniform Act will not only enable interstate businesses to obtain an equivalent degree of protection in every state; it will also subject local and interstate businesses to the same degree of legal control in every state. In the third quarter of the twentieth century, especially in light of the extensive FTC experience in the regulation of deceptive advertising, disparagement, and misleading trade identification, there is no acceptable reason why merchants and consumers should not be given a freer hand in the suppression of injurious, deceptive conduct. The Deceptive Trade Practices Act is a vehicle through which this result can be accomplished.

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