THE PROPOSED FEDERAL UNFAIR COMMERCIAL ACTIVITIES ACT

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In the first session of the 86th Congress, Representative Lindsay of New York introduced a bill "To provide civil remedies to persons damaged by unfair commercial activities in or affecting commerce."1 The text of the bill was the result of almost three full years of study and drafting by the Committee on Trade Marks and Unfair Competition of the Association of the Bar of the City of New York. An identical bill was introduced by Mr. Lindsay in the first session of the 87th Congress,2 and Senator Javits introduced a companion bill in the Senate.3 Although no hearings were held on any of these bills, they have been under careful consideration by various bar and trade associations. The patient interchange of views among these groups led to several alterations in language, consisting largely of clarification rather than changes in substance, and a revised version of the bill now has been introduced in the second session of the 87th Congress by Representative Lindsay4 and Senator Javits.5 The full text of the new bill is set forth here as Appendix A.

This article will explain the reasons why federal legislation is needed in the field of unfair competition. It will then explore the Lindsay bill in sufficient detail to show what it is intended to accomplish.

THE NEED FOR A FEDERAL STATUTE

The desirability of uniform nationwide rules of fair play in business can scarcely be denied. The increasing speed of transportation and the ability to reach vast numbers of persons rapidly through mass media of communication have become commonplace facts of life. In an era of mass production and mass distribution, it is essential that the public be protected from the unscrupulous, the irresponsible, and the unscrupulously irresponsible.

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modern commercial life. There is a constant tendency for business
organizations to extend their geographical scope. Marketing regions
are not confined within state boundaries and even some metropolitan
areas are intersected by state lines. Even when the perpetrator of an
unfair trade practice is local in its operation, the company whose
rights are infringed most likely does business on a multi-state scale.
As a rule, therefore, practices coming under the general heading of
unfair competition tend to affect interstate commerce. Nevertheless,
the questions of whether or not they are actionable and what relief a
plaintiff may be entitled to receive are not federal questions; they
must be determined by the law of a particular state even when the
action is brought in a federal court. And the laws of the various states
unfortunately are far from uniform in their treatment of unfair com-
petition.

The resulting patch-work quilt of conflicting views constitutes a
problem of comparatively recent origin. Until 1938, unfair competi-
tion in the federal courts was treated as a branch of federal common
law. The concept grew slowly, but there was an unmistakable trend
in the direction of increasingly broader protection for commercial
interests against a constantly expanding list of unethical business
practices. Under the vigorous leadership of Judge Learned Hand,
the Second Circuit blazed new trails with notable decisions like Yale
Electric Corp. v. Robertson. The influence of earlier cases which
had expressed anachronistic views about the protectibility of commer-
cial values was on the wane as federal courts throughout the country
relied on one another's later decisions. It was thus possible to say
that, "By 1938, a progressive and well-reasoned body of federal com-

6 In 1946, the Senate Report on the bill which became the Lanham Act (the

7 "[P]roblems of unfair competition in trade ... almost invariably ... transcend state lines, ..." Maternally Yours, Inc. v. Your Maternity Shop, Inc., 234 F.2d 538, 545 (2d Cir. 1956) (per Clark, Ch. J., concurring).

8 See Diggins, "Federal and State Regulation of Trade-Marks," 14 Law & Contemp.
Prob. 200, 201 (1949); Note, "The Choice of Law in Multistate Unfair Competition:
A Legal-Industrial Enigma," 60 Harv. L. Rev. 1315 (1947); Note, "Misrepresentation
and the Lindsay Bill: A Stab at Uniformity in the Law of Unfair Competition," 70 Yale

9 26 F.2d 972 (2d Cir. 1928).

10 E.g., Mosler Safe Co. v. Ely-Norris Safe Co., 273 U.S. 132 (1927); Borden
Ice Cream Co. v. Borden's Condensed Milk Co., 201 Fed. 510 (7th Cir. 1912); American
Washboard Co. v. Saginaw Mfg. Co., 103 Fed. 281 (6th Cir. 1900); Armstrong Cork Co.
mon law had developed, the limits of the tort expanding in line with maturing commercial views of the ethics of competition.\(^\text{11}\)

The significance of the year 1938 is that it marks the date of *Erie R. Co. v. Tompkins*,\(^\text{12}\) in which the Supreme Court discarded a century of jurisprudence by denying the existence of any federal common law. The rule of *Erie* is that federal courts having jurisdiction because of the diversity of citizenship of the parties must apply the law of the state in which they sit. The Supreme Court subsequently confirmed what was at least implicit in *Erie*: that the federal court also is bound to apply the conflict of laws rules of the forum state.\(^\text{13}\) It also held specifically that the *Erie* rule includes unfair competition cases.\(^\text{14}\)

There is obvious logical justification for the *Erie* doctrine because it prevents the accidental availability of federal jurisdiction from affecting the law applicable to a given controversy. In the specific field of unfair competition, however, the effect of the *Erie* decision was drastic and it has been universally deplored. The word most commonly used to describe the post-*Erie* status of unfair competition law is "chaos"\(^\text{15}\) and its effect has been called "disastrous";\(^\text{16}\) other writers have referred more calmly to the introduction of "disharmony"\(^\text{17}\) and "confusion"\(^\text{18}\) into this important branch of the law. Even the titles of the articles on the subject reflect the uniform feeling of dissatisfaction with the application of the *Erie* doctrine to the law of unfair competition. Judge Clark used the phrase, "The Brooding Omnipresence of Erie v. Tompkins";\(^\text{19}\) Philip O'Brien has written of "The Travails of a Federal Law of Unfair Competition";\(^\text{20}\) and the Harvard Law Review described the situation as "A Legal-Industrial Enigma."\(^\text{21}\) The only ray of hope appears in the

\(^{\text{11}}\) 60 Harv. L. Rev. at 1316, *supra* note 8.

\(^{\text{12}}\) 304 U.S. 64 (1938).


\(^{\text{16}}\) *Supra* note 8, 60 Harv. L. Rev. at 1316 (1947).

\(^{\text{17}}\) *Supra* note 8, 70 Yale L.J. at 426 (1961).

\(^{\text{18}}\) 1 Moore, Federal Practice 3770 (2d ed. 1960).


\(^{\text{21}}\) *Supra* note 8, 60 Harv. L. Rev. 1315 (1947).
title of a recent paper by Louis Kunin urging support of the Lindsay bill, "Erieantompkinitis: The Malady and Its Cure."\(^{22}\)

It is not surprising that *Erie v. Tompkins* should have had such serious consequences in the field of unfair competition. The overwhelming majority of unfair competition cases, both before and since *Erie*, have been brought in the federal rather than the state courts.\(^{23}\) The multi-state nature of the affected business interests makes the diversity jurisdiction of the federal courts available in most unfair competition situations. In addition, an unfair competition count frequently is included in cases under the Trademark Act, where the federal courts have explicit statutory jurisdiction, and in copyright and patent cases, where the federal courts have exclusive jurisdiction.\(^{24}\) In the days before *Erie*, the confidence of the bar in the existence of a cohesive body of federal common law was itself a reason for instituting unfair competition actions in the federal courts on the basis of their diversity jurisdiction.\(^{25}\)

As a result, many of the states never had an opportunity to develop the law of unfair competition in their own courts and the small scattering of available precedents often turned out to be very old and very conservative.\(^{26}\) Yet, under the *Erie* rule, the federal courts were required to search for these archaic decisions and apply them to current commercial situations. In Illinois, for instance, despite a wealth of comparatively liberal decisions in the federal courts of the Seventh Circuit, the state rule allowed relief for unfair competition only in passing-off cases and the federal courts perforce applied this narrow view after *Erie*.\(^{27}\)

Great federal cases were deprived of any binding force as precedents. For example, it is generally considered that *International


\(^{23}\) See Diggins, *supra* note 8, at 202; 60 Harv. L. Rev. at 1316 (1947).


\(^{25}\) "It is not surprising that the governing law developed in the federal courts and much of its doctrine is connected with the names of great federal judges." Maternally Yours, Inc. v. Your Maternity Shop, Inc., 234 F.2d 538, 545 (2d Cir. 1956) (per Clark, Ch. J., concurring).


News Service v. Associated Press\[sup\]28 (despite a number of decisions limiting it to its facts) is the foundation-stone of the doctrine of misappropriation in the modern law of unfair competition. Nevertheless, a federal district court just a few months ago was able to write with complete accuracy:\[sup\]29

Although the International News case is undoubtedly a leading one in the field of unfair competition, it was an enunciation of so-called federal common law made prior to Erie Railroad Co. v. Tompkins, 1938, 304 U.S. 64, 58 S. Ct. 817, 82 L. Ed. 1188, which held that in diversity cases, decision must rest, not upon any federal common law, but upon applicable state law, both decisional and statutory.

International News Service therefore, is no longer controlling in diversity cases, and its relevance to the pending diversity cases depends upon the extent to which the Courts of Idaho, where the practices of defendants occur, have adopted or would adopt its doctrine.

It is worthy of note that, after \textit{Erie}, the prior federal decisions had no controlling effect on either the state or the federal courts.\[sup\]30 This enormous and highly valuable body of precedent had been wiped out except to the extent that some state might choose to follow it on the basis of reason, or some federal court might be able to find a basis in state law for looking to the federal decisions for guidance. From the standpoint of the litigant, unfair competition law had been confused and set back, whether relief was sought in the federal or the state courts.

One particularly glaring anomaly created by \textit{Erie} was the need to apply state law to an unfair competition claim even when it is pendent to a federal statutory claim of trademark infringement. It is extremely common for such claims to arise together and to be joined in a single federal court complaint; fundamentally, the law of trademarks is only a part of the broader law of unfair competition.\[sup\]31 So far as registered trademarks are concerned, the Trademark Act of 1946,\[sup\]32 a federal statute founded upon the commerce clause of the Constitution, at least provides a basis for uniform treatment

\[sup\]28 248 U.S. 215 (1918).
\[sup\]30 Rogers, \textit{supra} note 15, 35 Trademark Rep. at 130.
in all federal courts throughout the country.\textsuperscript{33} The related claim of unfair competition, however, must be considered separately even though it necessarily is based upon substantially the same facts in order to qualify for pendent jurisdiction.\textsuperscript{34} Although there have been some contrary statements,\textsuperscript{35} it now appears to be settled that a pendent unfair competition claim invokes the same rules of law that would be applicable if it had come before the federal court on the basis of diversity of citizenship.\textsuperscript{36} Accordingly, the court in such a case must perform the schizoid task of determining the trademark infringement claim under federal law and the related unfair competition claim under state law.

The difficulties created by the application of the \textit{Erie} decision to the field of unfair competition are compounded in multi-state situations by conflicts of laws rules. What has become the classic demonstration of this phase of the problem is to be found in \textit{Ettore v. Philco Television Broadcasting Corp.},\textsuperscript{37} a case instituted in a federal court sitting in Pennsylvania, where the Court of Appeals said:

We find therefore in substance that the states in which Ettore asserts his rights were injured are Pennsylvania, Delaware, New Jersey, and New York. We must now look to Pennsylvania law with regard to the alleged injuries in Pennsylvania and, under the Pennsylvania conflict of laws rule, to the laws of Delaware and New Jersey as to the Pennsylvania telecasts and to the law of New York as to the New York telecasts, to determine what damage, if any, Ettore suffered in each of these jurisdictions.

Such unnecessary and artificial complexities dramatize the need for uniformity. The need is compelling even when the defendant's activities are limited to a single state, because the plaintiff should be entitled to the same degree of protection for its multi-state business no matter where the tortious acts occur or where the action happens.


\textsuperscript{34} 28 U.S.C. § 1338(b).


\textsuperscript{36} Kemart Corp. v. Printing Art Research Laboratories, Inc., 269 F.2d 375, 389 (9th Cir. 1959), and cases cited; National Fruit Products Co. v. Dwinell-Wright Co., 47 F. Supp. 499, 504 (D. Mass. 1942), \textit{aff'd}, 140 F.2d 618 (1st Cir. 1944).

\textsuperscript{37} 229 F.2d 481, 485 (3d Cir.), \textit{cert. denied}, 351 U.S. 926 (1956); \textit{cf.}, Purcell v. Summers, 145 F.2d 979, 989 (4th Cir. 1944): "Unfair competition is a tort governed by the law of the state where it occurs. If it occurs in a number of states it must be dealt with in accordance with their laws; . . ."
to be brought. More fundamentally, it seems obvious that "a single, nationwide yardstick by which business conduct may be measured is the only suitable approach to the law of unfair competition in view of "the complexity of modern commercial relations, and the national scope of most large business operations."

The attempts which have been made to construct a federal law of unfair competition under existing legislation by various theories of interpretation are outside the scope of this article. Suffice it to say that these theories either have failed to win acceptance by the courts or have proved to be inadequate to correct the situation created by *Erie.* However, the fact that such determined and elaborate efforts have been made is itself evidence of the deep desire for uniform treatment of unfair trade practices on a nationwide basis.

There appears to be no dissent from the view that uniformity in unfair competition law is necessary. Judge Clark has written of the need for "a complete and uniform law"; Professor Moore has called for "uniformity," saying that "the law of one state, whether it be its domestic or conflicts rule, should not govern multi-state activities"; and Philip O'Brien speaks of "the need for a federal law of unfair competition" as "axiomatic." The Harvard Law Review says that, "Such uniformity is acutely necessary," the Yale Law Journal calls for "a uniform law of unfair competition" to replace "the fifty separate bodies of state law and the vestiges of federal common law presently occupying this field", and the Virginia Law Review states that there is "a clear need on the part of the businessman for uniform national protection."

Although there is no disagreement about the need for uniformity, differing views have been expressed from time to time about the

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38 60 Harv. L. Rev. *supra* note 8, at 1322 (1947).
40 See, e.g., discussion in Kunin, *supra* note 22, at 278-80. Diggins, *supra* note 8, at 218-19, expressed the view in 1949 that the Lanham Act made unfair competition a matter of federal law and eliminated most of the effects of the *Erie* decision in unfair competition cases; he wrote hopefully that, "after a relatively few years, it may be expected that the state law of trade-marks and unfair competition will be of little more than historical interest." Unfortunately, the prophecy proved untrue.
41 Maternally Yours, Inc. v. Your Maternity Shop, Inc. 234 F.2d 538, 547 (2d Cir. 1956) (concurring opinion).
42 Moore, *op. cit. supra* note 18, at 3773.
43 O'Brien, *supra* note 20, at 288; *id.* at n.39.
44 60 Harv. L. Rev. *supra* note 8, at 1322 (1947).
46 *Supra* note 15, 47 Va. L. Rev. at 600 (1961).
means for achieving the desired end. The trend appears to be strongly in the direction of a federal statute on the subject, but efforts to prepare a uniform state unfair competition statute also are going forward.47 There would not be any theoretical impediment in the way of adopting both federal and state statutes, but a single federal law would appear to represent a more efficient approach to the problem.

The late Edward S. Rogers, acknowledged dean of the trademark bar and the chief architect of the Lanham Trademark Act, suggested as long ago as 1945 that "there might be a statute making actionable those acts of unfair competition which are recognized to be such by enlightened world opinion."48 Mr. Rogers apparently was contemplating a uniform state statute at the time, but, following the passage of the Lanham Act, he rephrased his suggestion in terms of a "Federal Code of Unfair Competition."49 The basis for congressional power in the Rogers proposal was to have been derived from the adherence of the United States to various international conventions which include provisions against unfair competition in broad general terms.50 It was subsequently said that, "A more secure choice as the basis of congressional power would be the interstate commerce clause."51 This is the approach taken in the Lindsay bill, on the theory that, in the light of the multi-state nature of most modern business transactions, expanded concepts of the limit of federal power to legislate concerning acts affecting commerce would extend the reach of such a statute to all but an insignificant number of unfair competition situations.

**THE LINDSAY BILL**

1. **Intent and Scope**

The purpose of the Lindsay bill is stated clearly in section 9, the first part of which reads:

The intent of this Act is to regulate all commerce which may lawfully be regulated by Congress by making actionable solely in a Federal forum all unfair commercial activities set forth herein thereby to protect any person engaged in interstate commerce


50 *Id.* at 272-73.

51 60 Harv. L. Rev. *supra* note 8, at 1323 (1947).
against such unfair commercial activities whether used or com-
mitt ed locally or in interstate commerce.

This language obviously is designed to invoke the fullest possible
scope of congressional power under the interstate commerce clause
of the Constitution. It is somewhat reminiscent of the statement of
intent incorporated in the Lanham Act,\textsuperscript{52} but even more explicit
in its terms.

The reference in section 9 to exclusive federal jurisdiction is
carried into effect by section 8, which grants original and appellate
jurisdiction of all actions arising under the Act to the federal courts,
without regard to diversity of citizenship or jurisdictional amount.
The text of section 8 is essentially a combination of Sections 39 and 40
of the Lanham Act,\textsuperscript{53} with the important addition of the word “sole.”
As we have noted earlier, the state and federal courts have concur-
rent jurisdiction of trademark cases;\textsuperscript{54} the Lindsay bill, however,
specifically negatives concurrent state jurisdiction of actions brought
under its terms.

This does not mean that state law is discarded. Section 4 of
the Lindsay bill provides that the relief available under the Act “shall
be in addition to and not in exclusion of those rights and remedies
otherwise available under the common law or pursuant to the statutes
of any state or of the United States.” Section 4 goes on to state
explicitly that the Act shall not be construed in such a way as to
preempt the jurisdiction of any state to grant relief against unfair
commercial activities.

The net effect of these provisions is to create a new right of action
cognizable exclusively in the federal courts, but at the same time
to preserve existing state law in the same field. A plaintiff who wished
to invoke state law would be free to proceed in the state court.
Indeed, it is entirely possible that a plaintiff might bring an action
under the new Act in a federal district court and join with it a claim
for relief under applicable state law. If the hopes of the draftsmen
of the bill are realized, state unfair competition law will become
increasingly unimportant, but there was no wish to revoke it by a
federal occupation of the field. On the contrary, it is hoped that
some of our more liberal states will continue to hold their present
positions as leaders in the development of an expanding law of unfair
trade practices. The main purpose of the new statute nevertheless
is the creation of a uniform body of federal law.

\textsuperscript{52} 15 U.S.C. § 1127 (“Intent of Act”).
\textsuperscript{54} \textit{Supra} note 33.
2. The Substantive Offense

The heart of the Lindsay bill is section 2, which lists the "unfair commercial activities" that are made actionable. The expression "unfair commercial activities" was selected deliberately because it was felt that "unfair competition" might be construed as a limitation. Although "unfair competition" is used as a term of art in much of the literature, the unfortunate result of emphasis in numerous cases on the need for a showing of actual competition, in addition to a showing of unfairness, led the draftsmen of the bill to choose a new term. In order to provide additional assurance of a broad construction for the new statute, section 3 states flatly that "Absence of competition between the parties... shall not be a defense to an action brought under this Act." Section 3 also assures the widest possible access to the benefits of the Act by providing that no showing of actual damage shall be a prerequisite to relief and that absence of any public interest in the subject-matter of the action shall not constitute a defense.

Section 2 contains just four subsections. This list of actionable unfair commercial activities represents a carefully chosen compromise. On the one hand, it would be a practical impossibility to define in detail every type of conduct sought to be prohibited; an attempt to do so would have created an environment in which defendants constantly could have sought justification for their acts under the expressio unius rule. As the United States Supreme Court has said: 55

An enumeration, however comprehensive, of existing methods of unfair competition must necessarily prove incomplete, as with new conditions constantly arising, novel unfair methods would be devised and developed.

On the other hand, a simple statement that all unfair acts shall be deemed unlawful would not have been sufficiently precise to serve as a basis for the desired uniformity of decision throughout the federal judicial system.

Section 2(a) is framed in terms of the "commission" of an act or practice, or the "use" of a statement. This introductory language was drafted with the intention of embracing all forms of activity, including the unfair use of a statement prepared by a third party. There are three parts to subsection (a); the first two of these cover confusion as to the affiliation, connection, or association of the defendant, and confusion as to the origin, source, or sponsorship of the goods or services of the defendant. The concept of confusion

is the basis of trademark infringement under the Lanham Act;\textsuperscript{56} the Lindsay bill would extend this concept to confusion caused by means other than the use of colorable imitations of a trademark. In addition, section 2(a)(2) would codify the law of confusion of sponsorship, which has developed (under that designation) largely in cases involving questions of the registrability of trademarks,\textsuperscript{57} and make it available in non-trademark cases as well.

Section 2(a)(3) would be a federal anti-dilution statute, paralleling similar provisions adopted by several of the states in recent years.\textsuperscript{58} This liberal doctrine thus would become available in any trademark or trade name case where interstate commerce was affected.

Section 2(b) prohibits the use of false or misleading statements about the goods or services of either party. It is limited to statements "of fact" in order to avoid prohibiting anyone from stating his opinion. Since section 2(b) applies to statements about the goods or services of "either party," it covers not only false advertising of what the defendant is offering, but also trade libel or disparagement directed against the plaintiff's products or services. Doubts about the availability of injunctive relief against disparagement, caused by false analogies to libel and slander, thus would be removed.\textsuperscript{59} Section 2(b) specifically contemplates the possibility that a statement may be false or misleading by reason of the omission of a material fact as well as by an actual misstatement of fact. In this respect, it resembles the definition of a false advertisement in the Federal Trade Commission Act.\textsuperscript{60}

Section 2(c) is a deliberate catch-all. It is directed against "the commission for purposes of profit of any other act or practice which is likely to deceive or which violates reasonable standards of commercial ethics." This is reminiscent of the final subsection of the comparable provision in the "Federal Code of Unfair Competition" proposed by Edward S. Rogers in 1948, which read: "Any other act or deed contrary to good faith or honorable commercial

\textsuperscript{56} 15 U.S.C. § 1114(1).
\textsuperscript{59} E.g., in Eversharp, Inc. v. Pal Blade Co., 182 F.2d 779 (2d Cir. 1950), the court, applying New York law, felt compelled to deny injunctive relief.
Mr. Rogers, in turn, traced his language to Article 10, paragraph 2, of the International Convention for the Protection of Industrial Property, which provides: "Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition"; and to Article 20 of the Pan-American Trade-Mark Convention, which provides: "Every act or deed contrary to commercial good faith or to the normal and honorable development of industrial or business activities shall be considered as unfair competition and, therefore, unjust and prohibited."

The use of the expression "reasonable standards of commercial ethics" in section 2(c) is intended to provide federal judges with the opportunity to apply the liberal standards of such decisions as Dior v. Milton, where Mr. Justice Greenberg of the New York State Supreme Court wrote:

The modern view as to the law of unfair competition does not rest solely on the ground of direct competitive injury, but on the broader principle that property rights of commercial value are to be and will be protected from any form of unfair invasion or infringement and from any form of commercial immorality, and a court of equity will penetrate and restrain every guise resorted to by the wrongdoer.

Section 2(c) should make it clear that federal judges are free from the hampering effects of any archaic rulings in the states where they sit, or in their federal circuits. It was planned purposely to be a general provision of the type that "authorizes federal courts to fashion a body of federal law" in the field of unfair commercial activities. Section 2(c) already has been criticized for being too broad, on the theory that individual judges would not be given sufficient direction and thus that the goal of uniformity would not be realized. Rudolf

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61 Rogers, supra note 26, 38 Trademark Rep. at 271.
65 Cf., Textile Workers of America v. Lincoln Mills, 353 U.S. 448, 451 (1957), interpreting § 301(a) of the Labor Management Relations Act of 1947 (61 Stat. 156, 29 U.S.C. § 185), which provides: "Suits for violation of contracts between an employer and a labor organization representing employees in an industry affecting commerce as defined in this chapter, or between any such labor organizations, may be brought in any district court of the United States having jurisdiction of the parties, without respect to the amount in controversy or without regard to the citizenship of the parties."
Callmann anticipated this criticism; he states that, "The success of the European courts in developing a common law of unfair competition under such a broad clause refutes the argument that such a provision is meaningless or even dangerous."\(^{67}\)

Section 2 concludes with a provision against the institution in bad faith of an action under the new act itself. This was felt to be an obviously desirable protective feature.

In summary, section 2 has for its purpose the establishment of guideposts for the federal courts that are explicit enough to identify the principal types of unlawful activity and yet will allow the flexibility that is essential in a field where rapid technological advances in business and communications constantly create new opportunities for exploitation by the unscrupulous few.

Section 7 limits the substantive offense by providing that the act is not to be so construed as to "extend or enlarge the rights and remedies provided under the patent or copyright laws of the United States." The purpose of this provision is to guard against possible attempts that might otherwise be made to use the new statute as a device for increasing the scope or duration of a patent or copyright monopoly. This is not to say that a claim for unfair commercial activities cannot be joined with a claim for patent or copyright infringement; on the contrary, it is quite likely that many such related claims would be brought, just as common law unfair competition claims frequently are joined with patent and copyright infringement claims under present law.

Trademarks are not mentioned in section 7 because they stand on a different footing from copyrights and patents. The Lindsay bill does broaden the rights of trademark proprietors. And the possible criticism about extending the duration of the right that might have been made with respect to copyrights and patents is inapplicable to trademarks; they remain valid indefinitely so long as they continue to be used.\(^{68}\)

3. Relief

The scope of relief under the Act is set forth in section 1. The right of action is for an injunction; no damages may be recovered. There are two main reasons for the limitation to injunctive relief. It is believed that plaintiffs in most cases of this nature are interested primarily in bringing about the cessation of the unlawful acts rather than in collecting damages, which may be difficult to prove even in the best of circumstances. Furthermore, the absence of any provision

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\(^{67}\) 1 Callmann, \textit{op. cit. supra} note 62, at § 4.3, n.78.23 (Supp. 1961).

for damages should prevent the use of the new right of action as the basis for “strike” suits. At the same time, a party with a genuine claim should not be deterred from bringing an action because of its expense; accordingly, section 1 provides for reasonable attorneys’ fees in the discretion of the court, in addition to taxable costs and disbursements. Such a judgment is available not merely to a successful plaintiff, but to the “prevailing party,” so that a successful defendant also is entitled to make an application for counsel fees, as well as to recover statutory costs and disbursements.

Any person damaged or “likely to be damaged” is entitled to bring an action under section 1. The quoted expression is borrowed from Section 43(a) of the Lanham Act; however, the Lindsay bill purposely did not carry over from the Lanham Act the troublesome concept “believes that he is” damaged. The words “damaged or” were inserted to avoid any possible argument that the new statute applied only to a situation in which no damage had yet occurred. On the other hand, as already noted, section 3 makes it clear that actual damage is not a prerequisite to suit.

Innocent publishers and broadcasters are protected by section 5, which makes the absence of knowledge or intent a defense in an action against such a party in respect of the contents of “any news, literary, educational, advertising or entertainment medium.” Furthermore, in order to avoid unnecessarily severe economic consequences to publishers, broadcasters and motion picture producers, section 6 provides that relief under the statute shall not be available when the injunction would delay the dissemination of a particular issue of a periodical, broadcast of a radio or television program, or the showing of a motion picture, after the regularly scheduled time therefor. An adjudication that a single advertisement in a magazine was false, for example, would not hold up distribution of the entire issue even if the publisher did have knowledge; but the use of the same or similar advertisements in future issues could be enjoined. This protective feature is limited to a situation where the delay would be due to the method by which dissemination is customarily conducted in accordance with sound business practice, as distinguished from a device to evade the statute. These provisions are similar to those contained in Section 32(2) of the Lanham Act and also resemble Section 13(b) of the Federal Trade Commission Act.

61 Ibid.

The rest of the Lindsay bill consists of relatively minor provisions. Section 9, in addition to the statement of intent discussed previously, contains a number of definitions, most of which require no comment. The definition of "trademark" is a compendious one; it incorporates the Lanham Act definitions of "trademark," "service mark," "certification mark," and "collective mark." The definition of "trade name" is substantially identical with that contained in the Lanham Act.

Section 10 is the customary saving clause for partial invalidity. Section 12 provides a short title for the act. Section 11, although not at all unusual, is more significant; it provides that the new statute shall take effect immediately upon its enactment, but that it shall not affect any suit, proceeding or appeal then pending.

CONCLUSION

The Lindsay bill has been described as "a direct, workable means for alleviating the harm created by Erie v. Tompkins in the field of unfair competition." In writing about the bill shortly after it was first introduced in 1959, Professor Derenberg said:

It has repeatedly been suggested that the only satisfactory solution to the problem [of an effective federal law of unfair competition] would be the enactment of federal legislation under the Commerce Clause of the Constitution, which would specifically deal with all forms of unfair commercial activities.

He added, "Although the Lindsay bill may not remain in its present form, it may well serve as a stimulant for further study and perhaps eventual ultimate enactment of a federal unfair competition statute." Two years later, Professor Derenberg was able to say that the Lindsay bill "has almost unanimous support from all professional groups." In its current form, the bill has been revised to meet a number of objections and criticisms; it is possible that Congress will hold hearings on it this year.

Those who have worked to bring the Lindsay bill to its present stage are hopeful that it will make a genuine contribution to clarity

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74 Ibid.
75 Kunin, supra note 22, at 284.
77 Id. at 1088.
and uniformity in a branch of the law that directly affects commercial and consumer interests of enormous economic and moral significance in the life of the country. Additional support from the bar will help assure the passage of a measure the need for which has been widely proclaimed for almost twenty-five years.

APPENDIX A

A BILL

To provide civil remedies to persons damaged by unfair commercial activities in or affecting commerce

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That any person damaged or likely to be damaged by unfair commercial activities in or affecting commerce shall be entitled to an injunction in a civil action brought by that person against any person who has engaged in such activities. The prevailing party in any such action also shall be entitled to judgment for taxable costs and disbursements and, in the discretion of the court, reasonable attorneys' fees.

Sec. 2. Unfair commercial activities under this Act shall be—

(a) the commission of any act or practice or the use of any statement which is likely (1) to cause confusion as to the affiliation, connection, or association of the person charged therewith or (2) to cause confusion as to the origin, source, or sponsorship of the goods or services of such person or (3) to dilute the distinctive quality of a trademark or trade name of another;

(b) the use for purposes of profit of any statement of fact as to the goods or services of either party which is false or misleading by reason either of misstatement or omission of a material fact;

(c) the commission for purposes of profit of any other act or practice which is likely to deceive or which violates reasonable standards of commercial ethics; or

(d) the institution of an action under this Act in bad faith.

Sec. 3. Absence of competition between the parties, of actual damage to the person seeking protection, or of a public interest in such unfair commercial activities shall not be a defense to an action brought under this Act.

Sec. 4. The relief provided for by this Act shall be in addition to and not in exclusion of those rights and remedies otherwise available under the common law or pursuant to the statutes of any state or of the United States. Nothing in this Act shall be construed so as to preempt the jurisdiction of any state to grant relief in cases of unfair commercial activities.

Sec. 5. Absence of knowledge or intent shall be a defense to any action brought under this Act against a publisher or broadcaster in respect of any contents of any news, literary, educational, advertising, or entertainment medium.
Sec. 6. Relief shall not be available under this Act in respect of an issue of a newspaper, magazine, or other similar periodical, the broadcast of any radio or television program, or the showing of any motion picture when restraining the appearance or performance of any particular issue of such periodical, program, or picture would delay its dissemination after the regular time therefor, and such delay would be due to the method by which dissemination is customarily conducted in accordance with sound business practice and not to any method or device adopted for the evasion of this Act or to prevent or delay the issuance of an injunction or restraining order.

Sec. 7. This Act shall not be construed so as to extend or enlarge the rights and remedies provided under the patent or copyright laws of the United States.

Sec. 8. The district and Territorial courts of the United States shall have sole original jurisdiction and the circuit courts of appeal of the United States and the United States Court of Appeals for the District of Columbia shall have sole appellate jurisdiction, of all actions whatsoever under this Act without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties. Writs of certiorari may be granted by the Supreme Court of the United States for the review of cases arising under this Act.

Sec. 9. The intent of this Act is to regulate all commerce which may lawfully be regulated by Congress by making actionable solely in a Federal forum all unfair commercial activities set forth herein thereby to protect any person engaged in interstate commerce against such unfair commercial activities whether used or committed locally or in interstate commerce. In the construction of this Act, unless the contrary is plainly apparent from the context—

1. The term "person" includes any individual, partnership, corporation, association, union, or other organization capable of suing or being sued in a court of law.

2. The term "commerce" means all commerce which may lawfully be regulated by Congress.

3. Words used in the singular include the plural and vice versa.

4. The term "trademark" includes any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others, any mark used in the sale or advertising of services to identify the services of one person and distinguish them from the services of others, including without limitation the marks, names, symbols, titles, designations, slogans, character names, and distinctive features of radio or other advertising used in commerce, any mark used upon or in connection with the products or services of one or more persons other than the owner of the mark to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such goods or services or that the work or labor on the goods or services was performed by members of a union or other organization or any mark used by the
members of a cooperative, an association or other collective group or organization, including marks used to indicate membership in a union, an association, or other organization.

5. The term “trade name” includes individual names and surnames, firm names and trade names used by manufacturers, industrialists, merchants, agriculturists, and others to identify their businesses, vocations, or occupations or the names or titles lawfully adopted and used by persons, firms, associations, corporations, companies, unions, and any manufacturing, industrial, commercial, agricultural, or other organizations engaged in trade or commerce and capable of suing and being sued in a court of law.

Sec. 10. If any provision of this Act or the application of such provision to any person or circumstance is held invalid, the remainder of this Act shall not be affected thereby.

Sec. 11. This Act shall be in force and take effect immediately upon its enactment but shall not affect any suit, proceeding or appeal then pending.

Sec. 12. This Act may be cited as the “Unfair Commercial Activities Act.”