

Commercial Disparagement Under Section 43(a)(1)(B) of the Lanham Act

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The litigation scenario explored by this Comment involves what happens when a trademark holder sues a competitor for disparaging comments the competitor directs at the trademark holder's products, mark, company, or employees. This situation implicates not only trademark law and the Lanham Act, but also the First Amendment to the Constitution. There are several issues as yet unresolved by the United States Supreme Court that, once decided, would shed considerable light on such a scenario. This Comment will focus on how various circuits have approached the unanswered questions, paying particular attention to the United States Court of Appeals for the Fifth Circuit because its decisions have differed significantly from those of other courts.

Disparagement causes of action are brought under section 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B). Other causes of action under this section can be labeled as false or misleading advertising, false description, and misrepresentation.¹ However characterized, these causes of action have a lot in common, and courts

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1. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 32 (2003); *Hickson Corp. v. N. Crossarm Co.*, 357 F.3d 1256, 1260 (11th Cir. 2004); *Int'l Ass'n of Machinists & Aerospace Workers v. Winship Green Nursing Ctr.*, 103 F.3d 196, 208 (1st Cir. 1996).

have applied many of the same theories to resolve them. Unfair competition and defamation are common law causes of action that are frequently brought in conjunction with claims under section 43(a)(1)(B). Corporations have often turned to defamation and unfair competition causes of action to deal with situations similar to the one posed at the opening of this Comment. That is, a corporation might file suit against a party that is critical of the corporation with an eye towards chilling that party's speech and/or draining resources that might otherwise be used to disseminate a message that is contrary to the corporation's interests.² This strategy and those similar to it have been dubbed by some as SLAPPs or Strategic Litigation Against Public Participation.³ Movement into the arena of trademark protection provided yet another opportunity for corporations to achieve the same goal of chilling potentially damaging speech based on trademark causes of action rather than the tort of defamation.

One factor that makes disparagement causes of action attractive to trademark holders stems from the fact that much of the problematic speech comes in the form of commercial speech, and section 43(a)(1)(B) is tailored to deal with practices that are commercial in nature.

I. HOW TRADEMARK HOLDERS USE THE LANHAM ACT TO CHILL COMMERCIAL SPEECH

Suits designed to chill speech have certainly received substantial attention from the Supreme Court over the years; most notably, the Court in *New York Times Co. v. Sullivan* weighed the right to free speech against the interest of protecting one's reputation.⁴ The Court established the "actual malice" standard for cases involving public figures.⁵ In order to prevail in a lawsuit, public-figure plaintiffs must prove not only that the defendant's statements were false, but that the defendant knew its statements were false or were made with reckless disregard for the falsity of its statements.⁶ This case is a mainstay of tort and constitutional law,

2. See *Bose Corp. v. Consumers Union of United States, Inc.*, 466 U.S. 485 (1984) (affirming the decision of the court of appeals in an unfair competition suit brought by a speaker manufacturer against the publisher of an article in a consumer magazine that criticized a set of Bose speakers); see also *World Wrestling Fed'n Entm't, Inc. v. Bozell*, 142 F. Supp. 2d 514 (S.D.N.Y. 2001) (denying defendants' motions to dismiss where WWFE brought suit against community groups that criticized WWFE's programming).

3. LAWRENCE SOLEY, *CENSORSHIP INC.: THE CORPORATE THREAT TO FREE SPEECH IN THE UNITED STATES* 6 (2002).

4. 376 U.S. 254 (1964).

5. See *id.* at 279-80.

6. *Id.*

and it is not surprising that courts have looked to it in deciding the kinds of cases contemplated by this Comment. In *New York Times*, the question before the court was whether the New York Times had defamed the Montgomery, Alabama, Police Department when it ran an advertisement that falsely described police misconduct towards demonstrators during the civil rights movement.⁷ The speech considered in this Comment differs from the speech in *New York Times* because the disparagement cause of action is directed toward commercial speech. Section 43(a) provides in pertinent part:

(1) Any person who, on or in connection with any goods or services . . . uses in commerce any . . . false or misleading description of fact, or false or misleading representation of fact, which—

. . . .

(B) in *commercial advertising or promotion*, misrepresents the nature, characteristics, qualities or geographic origin of his or her or another person's goods, services or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.⁸

“Commercial advertising and promotion” is not defined in the Act, so it has been up to the courts to define exactly what kinds of speech are considered commercial speech. The Supreme Court extended First Amendment protection to some commercial speech in *Bigelow v. Virginia*.⁹ In subsequent cases, the Court decided that commercial speech is entitled to a lesser degree of constitutional protection than other protected forms of expression.¹⁰ At the time of these decisions, the Court's working definition of commercial speech was speech that “does no more than propose a commercial transaction.”¹¹ In *Bolger v. Youngs Drug Products Corp.*, the Court set additional guidelines to determine whether speech is classified as commercial speech or not.¹² In the *Bolger* case, the Court concluded that informational pamphlets containing both commercial as well as educational information about contraceptives are

7. *Id.* at 256-57.

8. Lanham Act § 43(a)(1)(B), 15 U.S.C. § 1125(a)(1)(B) (1999) (emphasis added).

9. 421 U.S. 809 (1975).

10. *E.g.*, *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n of N.Y.*, 447 U.S. 557, 562-63 (1980); *see Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 771-72, n.24 (1976); *see also Greater New Orleans Broad. Ass'n v. United States*, 527 U.S. 173, 183-88 (1999) (applying the test developed in *Central Hudson* to determine whether speech qualifies as commercial).

11. *Va. State Bd. of Pharmacy*, 425 U.S. at 762 (quoting *Pittsburgh Press Co. v. Human Relations Comm'n*, 413 U.S. 376, 385 (1973)).

12. 463 U.S. 60, 66-68 (1983).

classified as commercial speech.¹³ The fact that the pamphlets contained educational information about a subject of public concern was not enough to place them within the realm of full constitutional protection given to noncommercial speech.¹⁴ On the other hand, the mere facts that the pamphlets contained product information and that the pamphlet distributors had an economic motivation for distributing the pamphlets are not enough on their own to classify the speech as commercial speech that receives no First Amendment protection.¹⁵

The *Bolger* Court articulated a three-part test to identify commercial speech: (1) is the speech an advertisement, (2) does it refer to a specific product or service, and (3) does the speaker have an economic motive?¹⁶ The result is a standard for identifying commercial speech that requires “nuanced inquiry” by a court into the circumstances surrounding the speech.¹⁷ Under the rubric for defining commercial speech set out in *Bolger*, the Court stated that the “[g]overnment may regulate commercial speech to ensure that it is not false, deceptive, or misleading.”¹⁸

These decisions begin to address some of the issues courts must decide in suits under section 43(a)(1)(B) of the Lanham Act. Looking back to the relevant section of the Act, the cause of action is based on “commercial advertising or promotion.”¹⁹ Because that phrase is left undefined in the Act,²⁰ courts have attempted to determine its meaning. Some courts have suggested that the terms be read using their plain, ordinary meanings.²¹ In *Gordon & Breach Science Publishers S.A. v. American Institute of Physics*, the United States District Court for the Southern District of New York set out a four-part test to determine whether representations constitute commercial advertising or promotion.²² According to the court in *Gordon & Breach*, the

13. *Id.* at 67-68.

14. *Id.*

15. *Id.* at 66; *see also* ETW Corp. v. Jireh Publ'g, Inc., 332 F.3d 915, 924-25 (6th Cir. 2003) (reviewing the history of extending First Amendment protection to speech that is made for profit).

16. *Bolger*, 463 U.S. at 66-67.

17. *Gordon & Breach Sci. Publishers S.A. v. Am. Inst. of Physics*, 859 F. Supp. 1521, 1537 (S.D.N.Y. 1994).

18. *Cincinnati v. Discovery Network, Inc.*, 507 U.S. 410, 432 (1993) (Blackmun, J., concurring).

19. Lanham Act § 43(a)(1)(B), 15 U.S.C. § 1125(a)(1)(B) (1999).

20. *See id.*

21. *See* Seven-Up Co. v. Coca-Cola Co., 86 F.3d 1379, 1384 (5th Cir. 1996) (citing *Am. Needle & Novelty, Inc. v. Drew Pearson Mktg., Inc.*, 820 F. Supp. 1072, 1077 (N.D. Ill. 1993); *Alfred Dunhill, Ltd. v. Interstate Cigar Co.*, 499 F.2d 232, 236 (2d Cir. 1974) (quotation omitted)).

22. 859 F. Supp. 1521, 1535-36 (S.D.N.Y. 1994).

requirements of section 43(a)(1)(B) of the Lanham Act are met if the representation is: “(1) commercial speech; (2) by a defendant who is in commercial competition with plaintiff; (3) for the purpose of influencing consumers to buy defendant’s goods or services . . . [and] (4) must be disseminated sufficiently to the relevant purchasing public.”²³ This test has been adopted in whole or in part by several circuits,²⁴ including the Fifth Circuit.²⁵ With these important terms defined, the question for courts then becomes what standard to apply when deciding whether defendants have violated section 43(a)(1)(B) of the Lanham Act.

II. ACTUAL MALICE OR OBJECTIVE REASONABLENESS?

The Supreme Court has not decided whether the actual malice standard it announced in *New York Times* applies to commercial speech.²⁶ The Court had an opportunity to do so in 1983 in *Bose Corp. v. Consumers Union of United States, Inc.*, in which an audio equipment manufacturer sued a consumer publication alleging it published an unflattering and inaccurate review of a set of the plaintiff’s speakers.²⁷ The plaintiff alleged that the product reviewer responsible for conducting the test had a commercial interest in giving the Bose speakers a bad review because he owned a patent on a speaker he intended to market.²⁸ The Supreme Court did not address the question of whether the article was considered commercial speech, relegating all discussion of commercial speech to a footnote.²⁹ The Court hinted that it was aware that the question of commercial speech loomed in the background and could have been decided, but it expressly declined to do so.³⁰ The

23. *Id.* at 1536.

24. *See* *Gmurzynska v. Hutton*, 355 F.3d 206, 210 (2d Cir. 2004) (per curiam); *Fashion Boutique of Short Hills, Inc. v. Fendi USA, Inc.*, 314 F.3d 48, 58 (2d Cir. 2002) (adopting first, third, and fourth elements of the test and not commenting on the adoptability of the second factor); *Procter & Gamble Co. v. Havgen*, 222 F.3d 1262, 1273-74 (10th Cir. 2000); *Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co.*, 173 F.3d 725, 735 (9th Cir. 1999). *But see* *First Health Group Corp. v. BCE Emergis Corp.*, 269 F.3d 800, 803 (7th Cir. 2001) (expressing doubt that courts need to interpret this language since the Lanham Act itself does not place constitutional limits on commercial speech).

25. *Seven-Up*, 86 F.3d at 1384.

26. 376 U.S. 254 (1964).

27. 466 U.S. 485, 487-88 (1984).

28. *Id.* at 489 n.3.

29. *Id.* at 504 n.22. *But cf.* *Neurotron, Inc. v. Am. Ass’n of Electrodiagnostic Med.*, 189 F. Supp. 2d 271, 277 (D. Md. 2001) (deciding that a review of a medical device in an industry journal is not considered commercial speech).

30. *See Bose*, 466 U.S. at 513 (“The Court of Appeals entertained some doubt concerning the ruling that the *New York Times* [actual malice] rule should be applied to a claim of product disparagement We express no view on that ruling, but [have] accepted it for the purposes of deciding this case.”).

dissenting opinion offers some insight as to why the Court may have hesitated to decide the issue. The dissent characterized the subject matter of the dispute as “a candidate for inclusion in the ‘Adventures of Sherlock Holmes’;” and pointed out that “[i]t is ironic . . . that a constitutional principle which originated . . . because of the need for freedom to criticize the conduct of public officials is applied here to a magazine’s false statements about a commercial loudspeaker system.”³¹

The Supreme Court *has* decided a number of issues about the actual malice standard and commercial speech. In *Dun & Bradstreet, Inc. v. Greenmoss Builders, Inc.*, the Supreme Court decided that a showing of actual malice is required in order for a private plaintiff to recover in a libel suit involving “a matter of public concern.”³² In implementing a high level of constitutional protection, the Court reaffirmed its long-held view that the exchange of ideas concerning matters of public importance deserves significant protection because those are the issues that incite political and social debate.³³ Based in large part on this view, the Court determined that matters of purely *private* concern are judged by a standard somewhat less stringent than that of actual malice because there is less danger that interference with speech concerning private matters will chill meaningful exchange of ideas.³⁴ This lesser standard is known as the “objective reasonableness” standard.³⁵ The question still remains which standard (actual malice or objective reasonableness) applies to cases falling somewhere between matters of public concern and those of purely private concern. Commercial speech tends to fall somewhere in this nether region, often containing matters of both public and private concern.

The United States Court of Appeals for the Third Circuit was faced with just such a scenario in *U.S. Healthcare, Inc. v. Blue Cross of Greater Philadelphia*.³⁶ The case involved an advertising war between two insurers each alleging the other misrepresented its products and

31. *Id.* at 515 (Rehnquist, J., dissenting).

32. *Dun & Bradstreet, Inc. v. Greenmoss Builders, Inc.*, 472 U.S. 749, 751 (1985) (citing *Gertz v. Robert Welch, Inc.*, 418 U.S. 323 (1974)). Commercial disparagement causes of action are similar to actions for libel because both implicate the First Amendment rights of the speaker.

33. *See id.* at 759 (citing *Roth v. United States*, 354 U.S. 476, 484 (1957)); *N.Y. Times Co. v. Sullivan*, 376 U.S. 254, 269 (1964) (discussing the doctrine developed by the Court that extends special protection to speech concerning matters of public concern).

34. *Dun & Bradstreet*, 472 U.S. at 759-61.

35. *E.g.*, *NBA Props. v. Entertainment Records LLC*, No. 99 Civ. 2933(HB), at *14 (S.D.N.Y. May 25, 1999); *Dial One of the Mid-South, Inc., v. BellSouth Telecomms., Inc.*, 269 F.3d 523, 527 (5th Cir. 2001).

36. 898 F.2d 914 (3d Cir. 1990).

services.³⁷ The district court had rejected the argument that because the advertisements were commercial speech, they received less constitutional protection, and found instead that the actual malice standard applied.³⁸ In making its finding, the district court relied on the notion discussed above that since the advertisements addressed an issue of public concern, namely rising medical costs, they did not qualify as commercial speech.³⁹ On appeal, the Third Circuit outlined the black letter rules that have developed with respect to actual malice, stating that public-official or public-figure plaintiffs must prove actual malice in defamation suits.⁴⁰ The Third Circuit broke with tradition in its analytical approach in this case. The court elected to look at the nature of the speech (commercial vs. noncommercial) before focusing its attention on the status of the plaintiff (public figure vs. private individual).⁴¹

Using the Supreme Court's three-prong test from *Bolger*, the Third Circuit determined that the speech in question constituted commercial speech, and as such was not entitled to increased constitutional protection, and therefore that the actual malice standard did not apply.⁴² The court also made a determination about the status of the parties, finding that there were "strong indicia that they are limited purpose public figures."⁴³ However, the court ultimately decided that they were "not public figures for the limited purpose of commenting on health care," and that their public-figure status was not enough to trigger application of the actual malice standard.⁴⁴

We have seen three lines of reasoning that inform courts' decisions concerning applicability of the actual malice standard: (1) public vs. private concern of the subject matter, (2) public vs. private status of the plaintiff, and (3) commercial vs. noncommercial nature of the speech. Given the interrelation among these factors in suits brought under section 43(a)(1)(B) of the Lanham Act, it is not surprising that courts have

37. *Id.* at 917.

38. *Id.* at 927.

39. *U.S. Healthcare, Inc. v. Blue Cross of Greater Phila.*, Civ. A. No. 86-6452, 1988 WL 21830, at *3 (E.D. Pa. Mar. 4, 1988) (mem.), *rev'd*, 898 F.2d 914 (3d Cir. 1990).

40. *U.S. Healthcare Inc., v. Blue Cross of Greater Phila.*, 898 F.2d 914, 929 (3d Cir. 1990). The court stated that it makes no difference that defendants in this case are not media because it has not limited the constitutional protections of *New York Times Co. v. Sullivan* to media defendants. *Id.* at 930-31. The court also stated that its consideration of the applicability of the actual malice standard is not limited to defamation. *Id.* at 931.

41. *Id.* at 931.

42. *Id.* at 934.

43. *Id.* at 938.

44. *Id.* at 939.

arrived at different conclusions about what level of scrutiny to apply to the cases.⁴⁵

In *World Wrestling Federation Entertainment, Inc. v. Bozell*, the United States District Court for the Southern District of New York applied the actual malice standard in its decision about whether to dismiss claims brought under section 43(a)(1)(B) of the Lanham Act and various other causes of action.⁴⁶ That case involved a suit by the World Wrestling Federation (WWF) against various community groups for statements the groups made concerning WWF's involvement in the deaths of four children who were allegedly acting out wrestling moves they observed while watching a WWF television program.⁴⁷ At the outset of its opinion, the court labeled WWF as a public figure by virtue of its "fame and popularity."⁴⁸ In its analysis of the nature of the speech, the court concluded that the defendants' speech was not "pure commercial speech," because even though the advertisements had an economic motivation, they also commented on matters of public concern.⁴⁹ After concluding that a reasonable fact finder could find that the defendants' speech was commercial speech under the three-prong *Bolger* test, the court incorporated the actual malice standard into its analysis, and concluded that WWF had sufficiently alleged actual malice on the part of the defendants to prevent dismissal of its claims.⁵⁰ The court did not offer its reasoning for incorporating the actual malice standard into its analysis, but it mentioned that the United States Court of Appeals for the Second Circuit has not addressed the issue.⁵¹ Even though the court elected to include the actual malice standard in its analysis, it tipped its hat to the Fifth Circuit's decision in *Procter & Gamble Co. v. Amway Corp.*, in which the court of appeals expressly refused to apply the actual malice standard.⁵²

45. 15 U.S.C. § 1125(a) (1999).

46. 142 F. Supp. 2d 514, 524-26 (S.D.N.Y. 2001) (deciding a motion to dismiss by the defendants).

47. *Id.* at 521.

48. *Id.* at 523.

49. *Id.* at 525-27, 530. The court discussed the economic motivation of the community groups. The court explained that the community groups used the statements with an eye towards making money for their group and to promote the group's activities. *Id.* at 526.

50. *Id.* at 527-28. In a footnote, the court pointed out that even if it determined that the defendants' speech did not qualify as commercial speech, it would still find WWF's allegations of actual malice sufficient for the suit to continue under those circumstances. *Id.* at 526 n.5.

51. *See id.* at 524 n.3.

52. *See id.*; *Procter & Gamble Co. v. Amway Corp.*, 242 F.3d 539, 557 (5th Cir. 2001) (holding that the actual malice standard does not apply in light of Supreme Court precedent and "the Court's plain statements that false commercial speech receives no protection").

The *Amway* case was one in a long line of suits and countersuits between the two companies that apparently arose in response to a rumor that Procter and Gamble had a connection to the Church of Satan.⁵³ The Fifth Circuit laid out its procedure: first it would decide whether the rumor-spreading constituted commercial speech; if so, the court would decide “whether the fact that the false speech was made about a ‘limited-purpose public figure’ on an issue of public concern brings the actual malice standard into play.”⁵⁴ The Fifth Circuit noted that such a determination would override the enduring view that false commercial speech receives no constitutional protection.⁵⁵ This statement by the court is not particularly compelling because “commercial speech” remained somewhat undefined, and did not include speech that contained matters of public concern.⁵⁶ The court applied the *Bolger* test, and after a lengthy discussion concerning the economic-motivation factor, seemed to suggest that the speech should be categorized as commercial on remand.⁵⁷

Later that same year, the Fifth Circuit again refused to apply the actual malice standard to a commercial disparagement case in *Dial One of the Mid-South, Inc. v. BellSouth Telecommunications, Inc.*⁵⁸ In response to Dial One’s claim of commercial disparagement, BellSouth defended on the grounds that it was an “innocent infringer” under section 32 of the Lanham Act, 15 U.S.C. § 1114(2).⁵⁹ BellSouth argued that in order to determine that it was not an innocent infringer, the court would have to decide that it acted with actual malice.⁶⁰ Section 43(a) of the Lanham Act was amended in 1988-1989, mainly to incorporate

53. See *Amway Corp. v. Procter & Gamble Co.*, 346 F.3d 180, 181-82 (6th Cir. 2003) (characterizing the litigation history between the two companies as “hate filled” and “corporate warfare”).

54. *Amway*, 242 F.3d at 547.

55. *Id.* The Supreme Court has held that false, deceptive commercial speech receives no First Amendment Protection. *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 771-72 n.24 (1976).

56. *Amway*, 242 F.3d at 549 (citing *Ohralik v. Ohio State Bar Ass’n*, 436 U.S. 447, 455-56 (1978)).

57. See *id.* at 552-53. The court went on to analyze the public-figure status question as well as the actual malice question; courts do not frequently offer analysis of questions they are not forced to answer. *Id.* at 554-59. Furthermore, the court pointed to the Tenth Circuit’s decision that Amway’s speech was commercial speech. *Id.* at 557 (citing *Procter & Gamble Co. v. Haugen*, 222 F.3d 1262, 1275 (10th Cir. 2000), in which P&G brought basically the same cause of action in the Tenth Circuit).

58. 269 F.3d 523 (5th Cir. 2001).

59. *Id.* at 525.

60. *Id.*

electronic media into the category of innocent infringers.⁶¹ Congressman Robert Kastenmeier took the opportunity during congressional debate to express his opinion that the word “innocent” in section 32 incorporated use of the actual malice standard.⁶² Several courts have cited Kastenmeier’s comments as evidence that Congress intended the actual malice standard to apply to claims brought under section 43(a).⁶³ The Fifth Circuit in *Dial One* took issue with the fact that courts have given Kastenmeier’s comments such great weight in their decision making.⁶⁴ The court pointed out that the amendments did not intend to, nor did they make any substantive changes in the definition of the word “innocent.”⁶⁵ The court expressed concern about courts basing a decision on the word of one congressman in the Congressional Record.⁶⁶ Even some of the courts that incorporated the actual malice standard acknowledged that Kastenmeier’s testimony is not necessarily the final word on congressional intent of the amendments.⁶⁷

The Fifth Circuit also examined the speech at issue in the case in light of the goals announced in *New York Times*.⁶⁸ The speech in *Dial One* was a listing in a telephone directory that improperly identified a plumbing and heating company as a franchisee of Dial One, when in fact, the franchise relationship had been terminated before the directory was published.⁶⁹ The court explained that granting a heightened level of protection to an inaccurate listing in a telephone directory is not an appropriate way to protect the freedoms granted by the First Amendment.⁷⁰ Furthermore, the court noted that the public interest is probably better served by preventing inaccurate listing in telephone directories.⁷¹

61. *Gucci Am., Inc. v. Hall & Assocs.*, 135 F. Supp. 2d 409, 419 n.20 (S.D.N.Y. 2001); *NBA Props. v. Entertainment Records LLC*, No. 99 Civ. 2933(HB), 1999 WL 335147, at *13 (S.D.N.Y. May 26, 1999).

62. 134 CONG. REC. 31,851 (1988).

63. *Gucci Am.*, 135 F. Supp. 2d at 420; *World Wrestling Fed’n, Inc. v. Posters, Inc.*, 58 U.S.P.Q.2d 1783, 1785 (N.D. Ill. 2000); *NBA Props.*, 1999 WL 335147, at *13-*14.

64. *Dial One of the Mid-South, Inc. v. BellSouth Telecomms., Inc.*, 269 F.3d 523, 526 (5th Cir. 2001).

65. *Id.*

66. *Id.*

67. *World Wrestling Fed’n*, 58 U.S.P.Q.2d at 1785 (noting that Kastenmeier’s statements are not dispositive of congressional intent, but they do lend “substantial weight in interpreting the statute”); *NBA Props.*, 1999 WL 335147, at *13 (citing *Carlin Communications, Inc., v. FCC*, 749 F.2d 113, 116 n.7 (2d Cir. 1984), and other cases for the premise that if a congressman’s comments do not have “controlling weight,” they are given “considerable weight”).

68. 376 U.S. 254 (1964).

69. *Dial One*, 269 F.3d at 525.

70. *Id.* at 527.

71. *Id.*

III. IS IT APPROPRIATE THAT TRADEMARK HOLDERS ARE TAKING THIS PATH TO PROTECTION IN LIGHT OF THE GOALS OF SECTION 43(A) OF THE LANHAM ACT AND THE GOALS OF THE FIRST AMENDMENT?

Congress provided the judiciary with very little guidance in its interpretation of section 43(a).⁷² The primary goals of the Lanham Act when it was passed in 1946 were (1) consumer protection from marketplace confusion with respect to the source of goods and (2) granting the trademark holder protection of his investment.⁷³ Section 43(a) as initially drafted was not directed toward advertising and commercial speech,⁷⁴ and as such, this speech did not often serve as the source for litigation under the Lanham Act.⁷⁵ By the 1970s, courts and litigants realized that 43(a) was structured to allow claims for false advertising with respect to allegedly untrue claims trademark holders make in promoting their own products.⁷⁶ As courts allowed such cases, and developed the case law surrounding section 43(a), it became increasingly applied to speech made by trademark holders' competitors.⁷⁷ Congress's 1988 revision of section 43(a)(1)(B) not only added the "commercial advertising or promotion" requirement, but it also supposedly codified the judicially developed rule that lawsuits under 43(a) could apply not only to comments trademark holders make about their own products, but also to comments made by competitors.⁷⁸ While it may appear that Congress intended to allow for suits between competitors that now occupy application of section 43(a)(1)(B), there are those who think that Congress failed to accurately codify the findings of courts. The case law at the time was inconsistent and still developing,⁷⁹ so it is not surprising that Congress's interpretation was not an accurate portrayal of the status of the law. Further, Congress failed to adequately set out its purpose for the amendments. Because of its extension to actions against competitors, many plaintiffs in cases under 43(a)(1)(B) tend to be large corporations with the money and resources to bring

72. Jean Wegman Burns, *Confused Jurisprudence: False Advertising Under the Lanham Act*, 79 B.U.L. REV. 807, 834 (1999).

73. S. REP. NO. 79-1333, at 1 (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274, 1274.

74. *See* Burns *supra* note 72, at 814 (quoting Lanham Act § 43(a), 15 U.S.C. § 1125(a) (1982)).

75. *Id.* at 816.

76. *Id.* at 817.

77. *Id.*

78. *Id.* at 820-21.

79. *See id.* at 818-19 (citing various cases brought under section 43(a)(1)(B) of the Lanham Act with inconsistent results).

lawsuits that are not necessarily designed to remedy grievous wrongs.⁸⁰ Inherent in many of these cases is the fact that consumers do not benefit a tremendous amount from their resolution.⁸¹ As originally enacted, the purpose of section 43(a) was to prohibit competitors from misleading consumers by misrepresenting the origin of the goods or by giving false descriptions or representations of the goods.⁸² Is it therefore appropriate that 43(a)(1)(B) provides little, if any, protection for consumers? Courts no longer find the need to address this question because section 43(a)(1)(B) has overwhelmingly been interpreted to apply to suits between competitors.⁸³

The free speech provision of the First Amendment is implicated in suits under 43(a)(1)(B) because any message that goes out into the world qualifies as speech that may be entitled to constitutional protection. Looking back on the questions and cases examined above, one could conclude that courts have directed their attention to defining “commercial speech,” “advertising and promotion,” and to examining public vs. private concerns in an effort to balance the state interests in consumer protection against first amendment protection for speakers. Courts tried to rein in the doctrine of commercial speech by granting it limited constitutional protection,⁸⁴ but the complicated factual scenarios addressed by courts have made it very difficult to synthesize the body of law.

IV. POLICY ARGUMENTS FOR AND AGAINST APPLICATION OF THE ACTUAL MALICE STANDARD TO COMMERCIAL DISPARAGEMENT CAUSES OF ACTION

In *P&G v. Amway*, the Fifth Circuit clearly articulated its reasoning for not “importing the actual malice standard . . . into the law of false commercial speech.”⁸⁵ The court reasoned that importing the actual malice standard with little more than a statement by one member of Congress is inappropriate not only because the Supreme Court has failed

80. See *id.* at 843-45 (discussing the substance of some of the suits brought under section 43(a)(1)(B)).

81. *Id.* at 845.

82. Lanham Act, 60 Stat. 427, 441 (1946).

83. See Burns, *supra* note 72, at 874 (explaining that the judicial interpretation resulted because of: (1) mistaken placement of section 43(a)(1)(B) in the trademark statute rather than grouping the notion of false advertising with fraud statutes; and (2) Congress’s desire to codify an already confused body of case law).

84. See *supra* notes 9-13 and accompanying text.

85. Proctor & Gamble Co. v. Amway Corp., 242 F.3d 539, 557 (5th Cir. 2001); see also Dial One of the Mid-South, Inc. v. Bellsouth Telecomms., Inc., 269 F.3d 523, 526 (5th Cir. 2001).

to address the question, but also because commercial speech is durable enough to withstand attack by others.⁸⁶ The courts that have adopted the actual malice standard have done so in large part without addressing the durability of commercial speech.⁸⁷

Circuit courts are responsible for the majority of cases that have found application of the actual malice standard to commercial speech to be appropriate. One might assume that these courts have some special interest in protecting the free speech rights of commercial advertisers. If this were truly the case, it seems that their goal would better be served by authoring opinions that focus on the importance of free dissemination of information about commercial products and the importance of protecting speech in the form of advertising. I suspect that by importing a more stringent standard of review, the circuit courts intended to make litigants think twice about bringing these types of suits under the Lanham Act. Not only is it difficult for courts to quantify damages in cases of commercial disparagement, but as we saw with the dispute between Procter & Gamble and Amway, a disagreement about a small issue can balloon into years of expensive litigation. This provides little or no benefit to either party or to consumers who were allegedly influenced by a false advertisement. The Fifth Circuit expressed its consternation about Procter & Gamble's sordid litigation history with Amway, but it did not change the status of constitutional law in order to send a message to overly litigious companies.⁸⁸

The Supreme Court side-stepped the question in *Bose*,⁸⁹ and again declined to comment in 2003 in *Nike, Inc. v. Kasky*.⁹⁰ The majority did not issue an opinion in *Nike*, simply choosing to deny certiorari.⁹¹ In his concurrence, Justice Stevens noted the novelty of the First Amendment question the Court would have to decide if it granted certiorari.⁹² The fact scenario in *Nike* seemed quite suitable for Supreme Court review. In

86. See *Amway*, 242 F.3d at 550 (citing *U.S. Healthcare, Inc. v. Blue Cross of Greater Phila.*, 898 F.2d 914, 933-34 (3d Cir. 1990)); see also *Dun & Bradstreet, Inc. v. Greenmoss Builders, Inc.*, 472 U.S. 749, 758 n.5, 762 n.8 (1985) (noting that there is no constitutional requirement that commercial speech be subject to heightened actual malice scrutiny).

87. See generally *NBA Props. v. Entertainment Records LLC*, No. 99 Civ. 2933(HB), 1999 WL 335147, at *13 (S.D.N.Y. May 25, 1999) (relying on Congressman Kastanmeier's statements in the legislative history to justify importation of the actual malice standard); *World Wrestling Fed'n, Inc. v. Bozell*, 142 F. Supp. 2d 514 (S.D.N.Y. 2001) (relying on the economic motivation of defendant's speech to justify application of the actual malice standard).

88. *Amway*, 242 F.3d at 565-66.

89. 466 U.S. 485 (1984).

90. 539 U.S. 654 (2003) (per curiam).

91. *Id.* at 655.

92. *Id.* at 663-64 (Stevens, J., concurring).

response to allegations of human rights violations in its factories abroad, Nike composed an information packet that it distributed to many of its larger customers (including colleges and universities) that reported on the status of working conditions in its factories.⁹³ A private California resident brought suit against Nike for unfair and deceptive practices under California law.⁹⁴ The Lanham Act was not implicated in the suit, but any decision by the Supreme Court would lend guidance to federal courts.

Confusion on the part of Congress and the courts could have been avoided if false advertising causes of action were considered fraud causes of action. If the goal of claims under 43(a)(1)(B) is ultimately to protect consumers from being misled by false information, fraud is probably a more appropriate area of law to address that concern.

V. CONCLUSION

The Supreme Court has not articulated the reasons for its reluctance to address the question of whether to extend the protection of the actual malice standard to commercial speech. Perhaps the Court thinks that it is inappropriate to decide a question of First Amendment importance when the facts of the case revolve around a comparative advertising campaign, or worse yet, a petty feud between commercial competitors that is playing itself out in court. Still, these are the scenarios giving rise to suits under section 43(a)(1)(B). It is probably unfortunate that *New York Times* arose in response to a newspaper "advertisement," rather than some other form of expression that criticized the situation in Alabama.⁹⁵ That ruling by the Supreme Court may have unintentionally opened the door for application of a strict standard of review to advertising, when the Court only intended to prevent chilling of politically unpopular speech. The frustration may lie in the fact that advertising and promotion have changed so much since 1946, when the Lanham Act was originally passed. Given the infinite ways messages of societal import can be combined with concerns for money, it is no surprise that this area of the law has developed in an uneven and inconsistent manner throughout the court system.

93. *Id.* at 656.

94. *Id.*

95. 376 U.S. 254, 256-64 (1964).