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Robert C. Denicola
University of Nebraska College of Law

Harvey Perlman
University of Nebraska College of Law

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A FOREWORD TO THE SYMPOSIUM ON THE RESTATEMENT OF UNFAIR COMPETITION

*Robert C. Denicola and Harvey S. Perlman**

The *Restatement (Third) of Unfair Competition* (Restatement)¹ was published early in 1995, concluding a process begun ten years earlier with a request from the American Law Institute (ALI) for a project proposal addressing the law governing unfair trade practices.² The *Restatement of Torts*, promulgated by the ALI in 1938, included a comprehensive treatment of the law of unfair competition. Plans made in the 1950s for a *Restatement (Second) of Torts* envisioned the continued inclusion of unfair competition, and a tentative draft was prepared in 1963.³ Eventually, the Council of the Institute concluded that the subject had become too specialized, too far removed from general principles of tort law, and too heavily governed by legislation to warrant its inclusion in the Restatement (Second).⁴ When the ALI embarked on a third series of Restatements in the 1980s, an independent project on unfair competition was conceived.

“Restating” the law of unfair competition poses special challenges. The Restatements have traditionally sought to restate the common law, but in unfair competition, federal and state statutes play a significant, sometimes dominant role. In some instances the statutes preempt the common law; in other instances they do not. The statutes frequently rely without significant elaboration on concepts developed through common law adjudication. Much of the law of unfair competition is thus shaped by a complex interplay of statutory provisions and common law rules. The Restatement offers principles

* Robert C. Denicola is the Margaret Larson Professor of Intellectual Property and Harvey S. Perlman is the Dean at the University of Nebraska College of Law. The authors were the Reporters for the American Law Institute’s *Restatement (Third) of Unfair Competition*.

1. RESTATEMENT (THIRD) OF UNFAIR COMPETITION (1993) [hereinafter RESTATEMENT].

2. During the subsequent decade, the Reporters’ drafts were critically reviewed by a panel of appointed Advisers at a series of seven meetings. The drafts were also reviewed six times by a Consultative Group composed of interested members of the Institute, four times by the Council of the Institute, and four times by the membership of the Institute at its annual meetings. Every meeting yielded significant improvements in the drafts, whether we wanted them or not. The final product is the Institute’s and not our own. The process of creating a Restatement is described in The Honorable Shirley S. Abrahamson, *Refreshing Institutional Memories: Wisconsin and the American Law Institute: The Fairchild Lecture*, 1995 WIS. L. REV. 1 (1995).

3. RESTATEMENT (SECOND) TORTS (Tentative Draft No. 8, 1963).

4. See 4 RESTATEMENT (SECOND) OF TORTS, Introduction at vii (1977); *id.*, Introductory Note to Division Nine, at 1-2.

applicable both to actions at common law and to the interpretation of analogous statutory codifications. Operating in an area often perceived as a specialty, we tried to set issues in their broad context, ostensibly for the benefit of the non-specialist, but also to remind ourselves of the basic policies and interests that animate these areas of the law. In interpreting the nature of our charge as Reporters, we were guided by the advice of Herbert Wechsler, a former Director of the Institute, "to weigh all of the considerations relevant to development of the common law that our polity calls on the courts to weigh in their deliberations."⁵ When we proceeded beyond the recitation of precedent, we sought to rely on analysis and advocacy rather than fiat.⁶

Much of the Restatement's so-called "black letter" takes the form of broad standards and catalogs of relevant factors rather than crisp rules and bright line tests. Although not new to the Restatements,⁷ we think this approach is particularly appropriate in a field such as unfair competition where context is so often everything. We are also mindful of the admonition that even a non-binding synthesis can inhibit further development.⁸ The analysis in the Restatement is offered not as a replacement for case law and statutes, but as a point of departure to the richness of the common law and legislation that comprise the law of unfair competition.

The Restatement is now being cited by the courts.⁹ (We recognize that citations are one thing and influence quite another.) The Restatement has also stimulated academic debate, including the impressive collection of contributions in this Symposium. We count that as a major achievement of the Restatement. We take comfort in noting that some of the contributors complain

5. 43 AMERICAN LAW INSTITUTE, 43RD ANNUAL MEETING THE AMERICAN LAW INSTITUTE PROCEEDINGS, 27 (1966).

6. See Fred C. Zacharias, *The Restatement and Confidentiality*, 46 OKLA. L. REV. 73 (1993), (commenting on the style of the *Restatement (Third) of the Law Governing Lawyers*).

7. See E. Allan Farnsworth, *Some Prefatory Remarks: From Rules to Standards*, 67 CORNELL L. REV. 634 (1982); Richard E. Speidel, *Restatement Second: Omitted Terms and Contract Method*, 67 CORNELL L. REV. 785 (1982) (both commenting on the form adopted by the *Restatement (Second) of Contracts*). The rule-oriented approach of the earlier *Restatement of Contracts* was criticized in Charles E. Clark, *The Restatement of the Law of Contracts*, 42 YALE L.J. 643 (1933). Cf. Alan Schwartz & Robert E. Scott, *The Political Economy of Private Legislatures*, 143 U. PA. L. REV. 595 (1995) (attributing abstract Restatement rules to an Institute bias in favor of the status quo and reaching the unremarkable conclusion that Restatement rules are typically more vague than rules proposed for legislative enactment by the National Conference of Commissioners on Uniform State Laws).

8. See James Gordley, *European Codes and American Restatements: Some Difficulties*, 81 COLUM. L. REV. 140 (1981); Harold C. Havighurst, *The Restatement of the Law of Contracts*, 27 ILL. L. REV. 910 (1933).

9. See, e.g., *Qualitex Co. v. Jacobson Prods. Co.*, 115 S. Ct. 1300 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

that we strayed too far from existing precedent and others that we clung too tightly to old ways.

The editors have graciously given us this opportunity to comment on the articles that follow. (What the other contributors think about this, we couldn't say and probably don't want to know.) We'll be brief. We've already had our chance in the Restatement.

Miles Alexander and Michael Heilbronner of Kilpatrick & Cody focus on the doctrine of dilution, arguing for more protection than the black letter rule in section 25 supplies. They would extend the dilution rationale to limit trademark use in parodies, comparative advertising, and in the merchandizing applications that are instead strongly defended in the concluding contribution by Professor Paul Heald; they would also extend the right of publicity to trademarks, arguing that the "persona" of a brand name is entitled to no less protection than a personal identity. In our view, protection of this magnitude would provide trademark owners with a sphere of immunity from criticism, comment, and parody that is unwarranted in a society committed to free speech and free enterprise.¹⁰

Section 25 limits relief under the dilution doctrine to unauthorized uses that "associate" the trademark with the goods or services of another. Alexander and Heilbronner profess uncertainty as to the meaning of that limitation. They argue that the comments to section 25 somehow cannot mean what they seem to say. We compliment their ingenuity in devising interpretations of the "association" requirement that would provide the magnitude of protection for "brand equity" that they deem appropriate. However, as the comments repeatedly indicate, section 25 is significantly more restrictive than they would like to believe. As stated in comment a, the dilution doctrine applies "only when the actor uses the other's mark as a means of identification for the actor's own goods, services, or business."¹¹ Again, in comment c,

10. We are unaware of any empirical evidence supporting claims of actual damage to trademark owners from parodies or similar uses. There is nothing to indicate, for example, that the value of trademarks is higher in those states that have dilution statutes than in those that do not. We have our doubts that Mutual of Omaha actually lost any good will because of the "Mutant of Omaha" anti-nuclear T-shirts, or that Michelob loyalists fled to Miller Lite because of the parody advertisement for "Michelob Oily". See *Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769 (8th Cir. 1994), *cert. denied*, 115 S. Ct. 903 (1995); *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397 (8th Cir. 1987), *cert. denied*, 488 U.S. 933 (1988). We are likewise skeptical that consumers of lawn tractors will cease doing business with John Deere merely because of a competitor's humorous rendition of the John Deere logo in a comparative advertisement for Yardmaster. See *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39 (2d Cir. 1994). If, however, consumers are sufficiently amused to give Yardmaster a test drive, the outcome is completely unobjectionable in a competitive marketplace. We believe that a sense of humor is a more appropriate remedy than an injunction in many of the situations cited in support of increased trademark protection.

11. RESTATEMENT, *supra* note 1, § 25 cmt. a.

“[t]he rule stated in this [s]ection distinguishes between those cases in which the actor uses another’s designation to identify the actor’s own goods or services and those cases in which the actor uses the other’s designation in some other manner.”¹² Thus, liability for dilution under section 25 is limited to cases in which a defendant uses the mark like a trademark to identify its own goods or services.¹³ This straightforward interpretation of the “association” requirement is confirmed by the use of the same requirement in the definition of use as a trademark in section 18. Alexander and Heilbronner wish the rule had a broader, more malleable meaning. The argument was raised in one form or another at every level of the drafting process. The International Trademark Association argued for broader protection to the end.¹⁴ For the reasons described in the comments to section 25, we think a narrow rule is best.

Alexander and Heilbronner apparently believe that section 25 fails to cover the full universe of possible cases. They maintain that the black letter does not provide for “hybrid” cases in which the mark is used both as a trademark for the defendant’s own goods and also to ridicule or otherwise comment on the trademark owner or its products. We do not understand their uncertainty. The structure of section 25 is straightforward: if a defendant uses the mark like a trademark to identify its own goods or services, protection against dilution is available under subsection (1), whether or not the use is also a parody or commentary on the trademark owner. If the defendant does not use the mark to identify its own goods or services, the alternative rule in subsection (2) applies. We cannot find any omitted case.

Alexander and Heilbronner also express concern that subsection (2) creates an irrebuttable presumption that parodies and other expressive uses of trademarks are protected by the First Amendment. It does not. Instead, the Restatement takes the position that liability for such nontrademark uses should be determined, not under the dilution rationale, but under other causes of action that include doctrinal accommodations designed to weigh the speech interests at issue. We are also troubled by their casual equating of commercial motivation and the reduced constitutional protection afforded to “commercial speech.” We would point out that speech designed to make a profit is not synonymous with “commercial speech”—a proposition we feel certain would

12. *Id.* § 25 cmt. c; *see also id.* § 25 cmts. f, g, i.

13. We do not mean to imply that the defendant’s use must satisfy all of the technical requirements necessary for protection as a trademark. For that reason, we have tried to avoid the term “trademark use” to describe the nature of the required conduct. It is sufficient if the defendant uses the mark in a manner likely to be understood as a symbol that identifies the defendant or its products.

14. *See* Robert C. Denicola, *Some Thoughts on the Dynamics of Federal Trademark Legislation and the Trademark Dilution Act of 1995*, 59 *LAW & CONTEMP. PROBS.* ____ (forthcoming 1996).

be seconded by the New York Times, CBS, or Random House. We do, however, admit to our refusal to accede to their proposition that trademark rights should be “on par” with the First Amendment.

Professor Edmund Kitch explores some implications of the Restatement sections on trade secrets. The Restatement follows the lead of the Uniform Trade Secrets Act in expanding the scope of information eligible for protection as a trade secret.¹⁵ Professor Kitch speculates on the consequences of this expansion, particularly for former employees. He wonders also about its impact on the rights of the press.

Questions relating to the disclosure of trade secrets by the press (and more generally, to all non-commercial disclosures) are not necessarily new, but Professor Kitch is probably right in anticipating that the expanded subject matter of trade secret law will force a more systematic exploration of the issue. We have tried to call attention to the problem,¹⁶ but in light of the importance of context and the absence of any real law to “restate,” we offer only a general caution that in this area of trade secret law, the usual formulations may have to give way.

As Professor Kitch explains, the widening reach of trade secret protection may further complicate the already complex balance of interests between employers and their former employees.¹⁷ He emphasizes that the appropriate accommodation may best be reached by contractual bargaining. Courts must remain sensitive to the legitimate interests of both employers and their former employees in defining protectable subject matter¹⁸ and in enforcing contractual restraints on competition.¹⁹ We hope that the remedial provisions of the Restatement are sufficiently flexible to encourage courts to weigh both the nature of the trade secret and the risk and consequences of its appropriation in selecting appropriate relief, particularly with respect to injunctions.²⁰

Professor Gary Myers discusses the issue of misappropriation. Section 38 of the Restatement urges an end to the sporadic attempts at common law to create a generalized remedy against appropriations of intangible trade values. Recognition of broad and indeterminate rights against misappropriation threatens the public interest in competition and intrudes on the public domain. We believe that an independent misappropriation doctrine is obsolete, especially in light of the development of more specialized rules governing intangible assets.

15. See RESTATEMENT, *supra* note 1, § 39 cmt. d.

16. See *id.* § 40 cmt. c & reporters’ note to cmt. c.

17. The issue is one of degree, since prior law already protected confidential business information that fell beyond the old edges of trade secret law. See, e.g., RESTATEMENT (SECOND) OF AGENCY § 396 (1957); RESTATEMENT OF TORTS § 759 (1939).

18. See RESTATEMENT, *supra* note 1, § 42 cmt. d.

19. See *id.* § 42 cmt. g.

20. See *id.* § 44 cmt. c.

Professor Myers makes the case for abandoning the misappropriation tort. We admire his optimism in thinking that the Restatement may actually lead to the doctrine's demise. We hope he is right. However, a doctrine that has survived attack by *Louis Brandies*²¹, *Learned Hand*²², and (at least by implication) the Supreme Court²³ may not succumb so easily, even to the American Law Institute.

The right of publicity in all its manifestations provides the subject for Professor Oliver Goodenough. He offers an interesting historical perspective on the entangled development of privacy and publicity rights.

Professor Goodenough wishes that the Restatement's treatment of the right of publicity had started with a cleaner slate, particularly with respect to the continued use of the phrase "for purposes of trade" and the decision not to present an integrated treatment of both privacy and publicity rights. On the latter, we went as far toward integration as we believed appropriate in light of the limits of our jurisdictional mandate over unfair competition.²⁴ However, even if we had felt less constrained, we would not have departed significantly from the current distinction between privacy and publicity. We see substantial differences between the personal interests associated with privacy and the commercial interests associated with publicity. It is one thing to remedy injury caused by the dissemination of false or personal information, and another to authorize the exclusive exploitation of publicly available information and images.²⁵

As for "purposes of trade," given a clean slate, we too might have selected a different linguistic formulation to symbolize the boundaries of the publicity right. However, that phrase (or a variation such as "commercial purpose") appears regularly in the statutes on publicity rights,²⁶ and we believe that its use in the Restatement helps to orient the discussion within existing

21. See *International News Serv. v. Associated Press*, 248 U.S. 215, 248-67 (1918) (Brandeis, J., dissenting).

22. In a series of opinions for the Second Circuit, Hand simply refused to recognize the Supreme Court's adoption of the misappropriation doctrine in *International News Service v. Associated Press*, 248 U.S. 215 (1918). See, e.g., *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279, 280 (2d Cir. 1929) (limiting *International News Service v. Associated Press* to its facts), *cert. denied*, 281 U.S. 728 (1930); *RCA Mfg. Co. v. Whiteman*, 114 F.2d 86, 90 (2d Cir.) (finding that the Supreme Court's misappropriation doctrine cannot be used "to prevent competitors from ever appropriating the results of the industry, skill and expense of others"), *cert. denied*, 311 U.S. 712 (1940).

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

24. See RESTATEMENT, *supra* note 1, § 46 cmt. b.

25. Compare, for example, the rules protecting confidential information like trade secrets (Restatement § 40) with the reluctance to recognize a general tort of misappropriation (see Restatement § 38).

26. See RESTATEMENT, *supra* note 1, § 47 reporters' note to cmt. a.

statutory and case law. We also believe that it serves to underscore the limits imposed by the distinction in First Amendment jurisprudence between speech that proposes a commercial transaction and “non-commercial” speech, even if inspired by the prospect of profit. In any event, we hope that the engine will be the content and not the label.²⁷

Professor Goodenough proves the strength of his convictions by offering a restatement of his own. As an initial matter, we are inherently suspicious of any attempt to answer difficult policy questions by arguing about whether an interest qualifies as “property.”²⁸ In addition, his attempt to utilize the publicity tort as a vehicle for redressing false statements about public or private figures can only lead to mischief.²⁹ We doubt, for example, that the imposition of liability under the circumstances described in subsection (2) of his proposal would withstand scrutiny under the First Amendment. We also wonder about the utility of warning judges and lawyers that in some contexts relief should be granted “grudgingly,” while in others the right should “extend broadly,” and that additional categories of wrongful use “shall not be added lightly.” Some aspects of his restatement sound like the ALI’s; other aspects clearly differ. In the end, we like ours better, but readers can judge for themselves.

Professor Paul Heald takes up a pair of issues—the use of trademarks on so-called “promotional goods” and the limits of a celebrity’s right to control the use of his or her persona in commercial advertising. The first issue concerns the use of famous marks to increase the attractiveness or desirability of merchandise such as T-shirts or coffee mugs. (Although Professor Heald is fond of examples involving the University of Georgia Bulldogs and the Atlanta Braves, we believe that merchandise bearing the word “Huskers” presents a more compelling illustration.)

The Restatement does not recognize a general right on the part of trademark owners to control every commercial exploitation of their marks. Instead, the scope of trademark rights is generally limited by the requirement that the owner prove a likelihood of confusion.³⁰ Professor Heald believes that in the context of promotional goods, the traditional rules, especially the possibility of infringement based on post-sale confusion, may cut too deeply into the public’s ability to utilize famous trademarks as vehicles for personal expression. In contrast to Alexander and Heilbronner, he applauds the Restatement’s decision to exclude from liability under the dilution doctrine

27. The meaning of the term is the subject of Restatement § 47.

28. We would also remind Professor Goodenough that even when a right indubitably sounds in property, its invasion is a tort, and hence under any account the cause of action described in the Restatement is properly labeled as tort.

29. See RESTATEMENT, *supra* note 1, § 47 cmt. c & reporters’ note to cmt. c.

30. See *id.* § 20 cmts. b & e.

trademark uses that do not indicate the source of the goods on which they are used.³¹

In its brief consideration of post-sale confusion, the Restatement notes that not all such confusion is actionable as infringement—the confusion must significantly threaten the trademark owner’s interest in avoiding a diversion of sales through deception or harm to its reputation or good will.³² Professor Heald’s analysis of the market for promotional goods may offer a valuable model for implementing that criteria. However, we believe that his appeal to the doctrine of functionality is misplaced. The copying of a trademark for its ornamental or expressive value can certainly be described as “functional” copying. The use of that label, however, does not bring the issue within the scope of trademark law’s functionality doctrine. As described in section 17 of the Restatement, the latter concept is intended to bar the recognition of trademark rights in product and packaging features that are important to effective competition by others. If a design is “functional,” it is ineligible for protection (or registration) as a trademark.³³ Hallmark cannot claim trademark rights in Christmas cards bearing the figure of Santa Claus, even if it invented the genre. The doctrine of functionality thus defines the permissible subject matter of trademark protection. In the promotional goods cases, however, there is no dispute that the copied symbol is a valid trademark. The issue is instead whether a particular use of a trademark falls within the scope of the rights granted to the owner of a mark. On that issue, the functionality doctrine in section 17 is irrelevant.³⁴

Professor Heald’s concern with public access to symbols of communication extends to the scope of protection afforded to celebrities by the right of publicity. Under section 47 of the Restatement, the unauthorized use of a celebrity’s name or likeness in an advertisement for goods or services is ordinarily actionable.³⁵ Drawing on analogies to trademark law, Professor Heald argues for a distinction between actionable advertising uses that exploit a connection between the personal qualities of a celebrity and the acquisitional preferences of consumers, and permissible advertising uses that instead exploit the “generic” attributes of a celebrity’s identity in order to communicate with prospective consumers. In our view, analogies to trademark law ignore the special interest in personal autonomy that is associated with the right of publicity. We are also skeptical about whether the proposed distinction would prove workable in practice, and we disagree that it is supported by existing case law.

31. *See id.* § 25 cmt. i.

32. *Id.* § 20 cmt. b.

33. *Id.* § 16 cmt. d.

34. *See* RESTATEMENT, *supra* note 1, § 17 cmt. b & reporters’ note to cmt. b.

35. *Id.* § 47 cmt. a.

Individually, the articles in this Symposium offer provocative analysis. Collectively, they illustrate the clash of interests and values that makes the formulation of unfair competition law challenging not only for restaters but for the courts. Alexander and Heilbronner urge greater protection of trade symbols in order to protect an owner's investment from those who might appropriate it; Goodenough would offer greater protection to the personal interests associated with a person's identity. Myers and Heald, on the other hand, both argue for a broader privilege to exploit what others have created in order to preserve and promote free expression and free enterprise; Kitch illustrates how these competing views emerge in conflicts between employers and employees over shared information. The law has sought to balance these conflicting perspectives in pursuit of the public interest. We have tried to reflect that balance in the Restatement.

