

Misuse of the Lanham Act to Silence Speech

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In several recent cases, corporate plaintiffs have sued under § 43(a) of the Lanham Act trying to squelch speech on issues of public concern, claiming harm to their commercial interests.¹ The plaintiffs in these cases—Procter & Gamble Co., the World Wrestling Federation Entertainment, and Neurotron, Inc.—were all limited-purpose public figures, and all sought reputational damages. Such expansive use of the Lanham Act seriously threatens to chill speech on issues of public concern and presents the critical question of whether constitutional “actual malice” applies to such claims.

Precisely because of this danger, Congress never intended the Lanham Act to encompass such claims. The Lanham Act should be applied only to speech that fits within the U.S. Supreme Court’s narrow definition of commercial speech, and it should be extended only to situations that involve advertising by competitors or promotion of competing products. Finally, for cases involving statements about public figures on issues of public concern, the First Amendment requires application of the heightened evidentiary standard of constitutional actual malice. Without such protection, the threat of Lanham Act suits will unduly constrict the “breathing space” necessary to protect free and open debate.

Procter & Gamble v. Amway Corp.

The *Procter & Gamble* case stemmed from recirculation of a rumor that has plagued Procter & Gamble (P&G) for years: that P&G’s president revealed on a national talk show that the company has links to Satanism, that a large por-

tion of P&G’s profits go to support a satanic church, and that the P&G symbol represents Satan. Amway sells products that compete with P&G’s products. In 1995, an Amway distributor heard the rumor and forwarded it to other Amway distributors through an Amway telephone messaging system. The message included a list of P&G’s products. There was no evidence that the Amway distributor knew the rumor was false; indeed he testified that he believed it to be true. After the message circulated, some Amway distributors circulated fliers with the rumor to consumers with a message stating that “[w]e offer you an alternative” and providing contact information for the Amway distributors.²

P&G subsequently brought suit in federal court in Texas against Amway and some of its distributors (collectively Amway), alleging defamation, violations of § 43(a) of the Lanham Act, and other claims.³ Section 43(a) of the Lanham Act provides in relevant part:

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

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

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.⁴

P&G argued that Amway’s repetition of the Satanism rumor misrepresented P&G’s goods and services and its commercial activities. At trial, after the close of P&G’s case, the district court granted judgment as a matter of law to Amway on the § 43(a) claim because P&G had failed to present any evidence of constitutional actual malice as required by *New York Times v. Sullivan*.⁵

The Fifth Circuit reversed this holding.⁶ In doing so, the court first conclud-

ed that the lesser protection afforded commercial speech for purposes of governmental regulation also should apply to private actions for damages. According to the Fifth Circuit, such private suits “are not much more likely than are government regulation to infringe” on First Amendment values.⁷ The court then considered whether the Amway speech at issue was commercial speech.

In that regard, the Fifth Circuit recognized that the U.S. Supreme Court has defined commercial speech as speech that “merely proposes a commercial transaction,” or that is “related solely to the economic interests of the speaker and its audience.”⁸ Moreover, the Fifth Circuit noted that the Satanism rumor “touched on the type of issues that are at the heart of First Amendment protections, namely: religious issues and issues of how corporations act and influence society.”⁹ Nevertheless, and despite the U.S. Supreme Court’s narrow definitions of commercial speech, the Fifth Circuit held that the Amway speech might be considered as such.

It did so by applying factors discussed by the Court in *Bolger v. Youngs Drug Products Corp.*,¹⁰ as if that case had outlined the definitive test for commercial speech. The Fifth Circuit read *Bolger* as setting out three factors “that help determine whether speech is commercial: (i) whether the communication is an advertisement, (ii) whether the communication refers to a specific product or service, and (iii) whether the speaker has an economic motivation for the speech.”¹¹ As to the first two factors, the court held the second was met because the message referred to specific products of P&G and that, in the circumstances of this case, the question whether the message was an advertisement collapsed into the third factor: whether the speech was motivated primarily by economic interest. Therefore, the Fifth Circuit held that in this case the third factor was determinative, and that the Amway speech was commercial if it could be proven on remand that the speakers acted primarily out of economic motivation.¹²

Having expanded the U.S. Supreme

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Court's definition of "commercial speech," the Fifth Circuit further undermined First Amendment values by refusing to apply actual malice to Lanham Act claims. In so doing, the court rejected the "well-reasoned opinion in *National Life Insurance Co. v. Phillips Publishing, Inc.*," which concluded that "denying constitutional protection to all false commercial speech ignores the rationale of *Gertz*: that the need to protect one from false or misleading speech varies, depending on whether he is a private or public figure."¹³ Despite the line of cases in *Gertz v. Welch*¹⁴ and *New York Times v. Sullivan*,¹⁵ the Fifth Circuit concluded that U.S. Supreme Court precedent involving government regulation of commercial speech "foreclose[d them] from importing the actual-malice standard from defamation into the law of false commercial speech."¹⁶ It also rejected application of even a negligence standard to such speech. Accordingly, the Fifth Circuit held that if P&G could prove on remand that the Amway speech was commercial, heightened protection would not apply.

World Wrestling Federation Entertainment, Inc. v. Bozell

In contrast, in *World Wrestling Federation Entertainment, Inc. (WWFE) v. Bozell*,¹⁷ a district court in the Southern District of New York, while noting the Fifth Circuit's holding on "actual malice," applied an actual malice analysis to Lanham Act claims. The defendants in that case included a nonprofit organization, the Parents Television Council, and others affiliated with it (collectively PTC), whose "purpose is to monitor television programming and to denounce what it considers inappropriate programs."¹⁸ In the summer of 1999, PTC began a campaign against the WWFE and its wrestling program *WWF Smackdown!* for what the PTC believed was inappropriate and excessively violent programming. According to the complaint, as part of that campaign, the PTC claimed that four children had been killed by other children copying wrestling moves seen on programs such as *WWF Smackdown!*, encouraged corporate sponsors to stop advertising on the show, and misrepresented the number of corporate sponsors that had withdrawn. The statements were allegedly made, at least at times, in conjunction with fundraising requests for PTC.

The district court denied PTC's mo-

tion to dismiss, concluding that WWFE's complaint sufficiently alleged that PTC's statements (1) were made with constitutional actual malice, (2) were commercial, and (3) constituted advertising and promotion within § 43(a) of the Lanham Act.¹⁹ In deciding to apply the actual malice standard, the district court quoted *Hustler Magazine v. Falwell*:

Hence, the "breathing space" that is required between "freedom of expression" and "false factual assertions" is provided by the constitutional rule that "a public figure may hold a speaker liable for the damage to reputation caused by publication of a defamatory falsehood . . . only if the statement was made 'with knowledge that it was false or with reckless disregard of whether it was false or not.'"²⁰

It therefore held that the complaint had to allege facts sufficient to show that PTC had "exceeded the 'breathing space' afforded them by the First Amendment."²¹ The court held that, for purposes of surviving a motion to dismiss, the complaint did so.

The district court also found that the complaint sufficiently alleged that the speech was commercial. The district court based this conclusion on the allegations that the statements were "part of what could fairly be characterized as advertisements," that they referred to specific products (those of WWFE), and that they were used by PTC to promote itself as well as to raise money.²² To reach this conclusion, the district court relied upon the Fifth Circuit's unduly expansive definition of commercial speech. The district court then compounded this error by relying upon its conclusion that the speech was commercial to find that the complaint alleged that the statements "constitute[d] commercial advertising or promotion" within the meaning of § 43(a) of the Lanham Act.²³ This analysis improperly collapsed the question of whether the speech was "commercial" with whether it fit within the scope of the Lanham Act. The district court failed to analyze whether PTC was even in competition with WWFE, much less whether PTC's speech promoted products in competition with WWFE's products.²⁴ Clearly, neither of these conditions were met. Nevertheless, the complaint survived a motion to dismiss, subjecting the nonprofit defendants to discovery—and inevitably chilling the speech of other nonprofit organizations that dare to criticize those with commercial interests on matters of public concern.

Neurotron, Inc. v. American Association of Electrodiagnostic Medicine

In a third recent Lanham Act case, *Neurotron, Inc. v. American Association of Electrodiagnostic Medicine (AAEM)*,²⁵ the federal district court in Baltimore granted summary judgment to a nonprofit defendant that published an article on issues of public concern. In that case, AAEM, a nonprofit medical professional association of neurologists and physical medicine and rehabilitation specialists, published a literature review in its scientific medical journal on a relatively new technology called the Neurometer. After reviewing the existing medical literature, the review concluded that "the information in these publications is insufficient to make conclusions about the usefulness of this form of sensory testing at the present time."²⁶ Neurotron, Inc., the manufacturer of the Neurometer, sued AAEM, alleging violations of § 43(a) and various state law torts.

After full discovery, the district court held that the Lanham Act did not apply to AAEM's speech. The district court first concluded that the article did not constitute commercial speech, as it neither proposed a commercial transaction²⁷ nor did it relate "solely to the economic interests of the speaker and its audience."²⁸ The article "neither suggested that the reader buy any product or service, nor that they refrain from buying any product or service."²⁹ Moreover, the court noted that the AAEM's scientific journal was published "for the edification of the association's members."³⁰ In short, the court found no evidence that warranted treating the speech as commercial. Finally, the court recognized the chilling effect that extending Lanham Act coverage to this situation would have not only on the AAEM, but on all professional associations: "muting their voice on important issues such as the effectiveness of treatments is too great a cost to support Plaintiff's contentions."³¹ The district court thus granted summary judgment to AAEM without having to consider whether actual malice applied to the Lanham Act claims.³²

Scope of the Lanham Act

As the legislative history of § 43(a) and the seminal case interpreting it, *Gordon & Breach Science Publishers S.A. v. American Institute of Physics*,³³ make

clear, § 43(a) was intended to apply only in limited circumstances and was worded so as not to infringe upon protected speech.

Before 1989, § 43(a) of the Lanham Act created a cause of action against any defendant that falsely designated, described, or represented its own goods or services in commerce. The provision was frequently invoked against defendants who tried to “pass off” their goods or services as the goods or services of others. Section 43(a) remained largely unchanged until 1989, when the Trademark Law Revision Act of 1988 revised it in two significant ways. First, it broadened the provision so that a defendant’s false assertions about a plaintiff’s goods or services, as opposed to merely its own goods, are also actionable. Second, Congress amended the section to apply only to false or misleading statements made in “commercial advertising or promotion.”

The revised Lanham Act, however, does not define the term “commercial advertising or promotion.” It has therefore fallen to courts to develop a definition of the term that is true to the statute’s purposes and consistent with First Amendment values.

Review of the legislative history makes clear that Congress added the phrase “commercial advertising or promotion” to limit the reach of § 43(a) so as not to infringe upon free speech rights. The use of the word “commercial” was meant “to describe advertising or promotion for business purposes.”³⁴ Furthermore, the House sponsor of the bill explained that the revised provision “has been carefully limited to commercial advertising and promotion. Therefore, consumer reporting, editorial comment, political advertising, and other constitutionally protected material is not covered by this provision.”³⁵

To avoid constitutional challenge, Congress “narrowly drafted” the revised § 43(a) so that its coverage would, at a maximum, be no broader than false and misleading speech included within the U.S. Supreme Court’s commercial speech doctrine.³⁶ Because commercial speech is entitled to a lesser degree of protection than noncommercial speech, the Court has defined “commercial speech” narrowly: it is speech “which does ‘no more than propose a commercial transaction.’”³⁷ The U.S. Supreme Court has also recognized a slightly broader category of

commercial speech, “expression related solely to the economic interests of the speaker and its audience.”³⁸

Mindful of congressional intent, courts have been “careful not to permit overextension of the Lanham Act to intrude on First Amendment values.”³⁹ Nonetheless, courts have found it difficult to identify the boundaries of § 43(a), and for several years after the statutory revisions struggled to develop a workable definition of the term “commercial advertising or promotion” for purposes of determining whether speech was subject to Lanham Act scrutiny.⁴⁰ Of course, in most cases, the absence of a statutory definition of “commercial advertising or promotion” posed no particular problem. The typical plaintiff satisfied its burden by showing that the alleged misrepresentations were made by a direct commercial competitor in a paid advertisement on television or radio or in a magazine or newspaper about competing products.⁴¹

The interpretive difficulties arose, however, in cases where it was less clear whether the publication in which the allegedly false representations were made was in fact “commercial advertising or promotion.” Eventually, in *Gordon & Breach*, the U.S. District Court for the Southern District of New York established a four-part test, under which representations are made in “commercial advertising or promotion” only if they are (1) commercial speech, (2) by a defendant in commercial competition with the plaintiff, (3) for the purpose of influencing consumers to buy the defendant’s goods or services, and (4) disseminated sufficiently to the purchasing public.⁴² This test appropriately reflects congressional intent that “the ‘commercial advertising or promotion’ language was intended to limit the reach of the amended Section 43(a) to advertising or promotion ‘for business purposes.’”⁴³ It ensures that commercial competitors are held liable for making false and misleading statements about their own or others’ products in advertisements or other promotional material. At the same time, it protects the First Amendment rights of noncompetitors who comment upon or criticize a company’s goods or services, as well as

competitors and noncompetitors who comment on matters of public concern.

The test has another advantage as well. Where once there was considerable confusion about the scope of § 43(a), the *Gordon & Breach* test establishes clear guidelines for litigants and courts to follow. It is therefore not surprising that the *Gordon & Breach* test has been widely adopted by district and appellate courts throughout the country.⁴⁴

Despite Congress’s plain intention to limit the reach of § 43(a) and the bright line boundaries set forth in *Gordon & Breach*, the plaintiffs in *Procter & Gamble*, *WWFE*, and *AAEM* tried to broaden the scope of the Lanham Act. In *AAEM*, the court recognized these concerns and correctly enforced a narrow view of “commercial advertising or promotion” under the Lanham Act. In *Procter & Gamble* and *WWFE*, by contrast, the courts disregarded congressional intent and well-settled precedent

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and adopted a far too expansive interpretation of § 43(a) liability that, if adopted, threatens to chill public debate on important issues of public concern. Moreover, the *Procter & Gamble* court refused to apply the actual malice standard to such speech, making that decision even more troubling.

Definition of “Commercial Speech”
To comply with Congress’s narrow intent, courts should apply the well-established *Gordon & Breach* test to determine whether speech falls within the Lanham Act’s ambit. In applying the first factor of that test, whether the speech is commercial, courts must be vigilant not to expand commercial speech beyond the U.S. Supreme Court’s narrow, core definition: speech that does no more than propose a commercial transaction or that is related solely to the economic interests of the speaker. That is where both the *Procter & Gamble* and *WWFE* courts went astray. Instead of adhering to the U.S.

Supreme Court's narrow definition, both courts appear to treat *Bolger* as the sine qua non of commercial speech and improperly substitute its analysis for the Court's core definition.⁴⁵ As a result, their interpretations of "commercial speech" are overly broad.

But the *Bolger* analysis is relevant only where the speech on its face is (or, as in that case, is conceded to be) an advertisement. In such a situation, consideration of the factors discussed in *Bolger* may result in an advertisement, speech that fits within the Court's core definition, as nonetheless being deemed

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noncommercial speech.⁴⁶ In *Bolger*, the corporate speaker made statements on public issues "in the context of commercial transactions."⁴⁷ The U.S. Supreme Court thus analyzed the surrounding circumstances of the speech because the "mere fact" that pamphlets were advertisements "clearly [did] not compel the conclusion that they are commercial speech."⁴⁸ Therefore, the factors in *Bolger* should be considered only to decide whether speech that plainly appears commercial is not so, not to decide in the first instance whether speech is commercial.

In analyzing the commercial speech question in *Procter & Gamble*, the Fifth Circuit erroneously collapsed the inquiry as to whether the speech was an advertisement into whether the speech was economically motivated. It did so even though it recognized the danger of sweeping too much speech into the definition of commercial speech. The court explained, as an example of this danger, that movie studios might legitimately discuss reports that other movie studios "conducted advertising campaigns and focus groups on children under the age of seventeen to make some of their R-rated movies more attractive to them."⁴⁹ As the court recognized, this issue might be of "true concern" to other movie studios, and their discussion of it should be afforded First Amendment

protection, notwithstanding that the discussion might implicate their competitors. Nevertheless, the test for determining whether speech is commercial that was applied by the Fifth Circuit is too expansive, and may well subject precisely this type of protected speech to strict Lanham Act liability.⁵⁰

Similarly, in denying the defendants' motion to dismiss in *WWFE*, the court focused on the fact that the Parents Television Council's speech was "part of a campaign to raise money and notoriety" for the organization and concluded that the speech was therefore com-

mercial and subject to Lanham Act scrutiny.⁵¹ This decision overlooks the purposes of § 43(a). In revising § 43(a), Congress sought to prevent competitors from running false advertisements or promotions about their own or their competitors' products. But Congress wanted to protect the rights of people and groups to speak about important public issues, such as violence in the media. Thus, the 1989 revisions of the Lanham Act were intended to exclude from liability the kinds of speech

which raise free speech concerns, such as a Consumer Report which reviews and may disparage the quality of stereo speakers or other products, misrepresentations made by interested groups which may arguably disparage a company and its products because of the company's failure to divest its South African holdings, and disparaging statements made by commentators concerning corporate product liability and injuries to the public.⁵²

The speech at issue in *WWFE* falls within this category. The principal purposes of the defendants' allegedly false statements were to criticize the WWFE and to draw attention to violence in the media and its alleged effects on children. The fact that the defendants at the same time sought to raise funds for their cause did not change this underlying goal or the fundamentally noncommercial nature of the speech. An economic motivation for speech does not necessarily transform statements concerning matters of public interest into commercial speech. As the U.S. Supreme Court has explained, the fact that a party has an economic motivation for distributing speech "would clearly be insufficient by itself to turn the ma-

terials into commercial speech."⁵³

In *AAEM*, the plaintiff corporation advanced a similarly expansive view of commercial speech based on the tenuous connection between AAEM's article about Neurotron's product and the alleged economic benefits that AAEM's physician members would derive from its publication. On the facts of the case, the court did not accept this argument. But the First Amendment implications of Neurotron's arguments are nevertheless troubling. If speech with vague and remote connections to commerce that falls outside the core definition of commercial speech could subject speakers to liability under the Lanham Act, a wide array of speech would be silenced. For example, when a newspaper or magazine publishes a review of a restaurant or product, it has an economic motivation for doing so, i.e., to make money by selling its publication. But the fact that a speaker may turn a profit by distributing speech cannot by itself transform the speech into commercial speech. If economic motivation by itself were enough to transform speech into actionable commercial speech under the Lanham Act, every newspaper and journal article, as well as every television investigative or consumer report and countless other types of familiar media, that mentioned a good or service would be potentially vulnerable to liability.

Commercial Competitors Marketing Competing Products

In addition to analyzing the commercial speech issue incorrectly in *WWFE*, the court also failed to consider the other elements of the *Gordon & Breach* test for determining whether the defendants' statements were "commercial advertising or promotion" for purposes of the Lanham Act. In particular, the court did not assess whether the parties were in commercial competition with each other. This element of the *Gordon & Breach* test ensures that parties with no competitive interest are able freely to express themselves and contribute to the public debate about commercial products without fear of subjecting themselves to strict liability. Indeed, it is for this reason that the Lanham Act "has never been applied to stifle criticism of the goods or services of another by one, such as a consumer advocate, who is not engaged in marketing or promoting a competitive product or service."⁵⁴

Faced with circumstances similar to those in *WWFE*, other courts have ruled that the Lanham Act does not apply. In *Huntingdon Life Sciences, Inc. v. Rokke*,⁵⁵ for example, the court held that allegedly false statements by People for the Ethical Treatment of Animals about the practices of the plaintiff's animal laboratory were not commercial and therefore not subject to the Lanham Act, even though the statements were part of a campaign to raise funds. Similarly, in *Wojnarowicz v. American Family Association*, the court concluded that § 43(a) did not apply to an artist's claims against a public interest group that had distributed a pamphlet featuring the artist's work in its campaign against the subsidization by the National Endowment for the Arts of allegedly "offensive" art. As the court explained, "where the defendants are not selling a product, and certainly not distributing a product in competition with plaintiff, and make no representations except as to the plaintiff's product or art works, Section 43(a) is not applicable."⁵⁶ The court in *AAEM* reached the same conclusion.

These decisions represent a better approach. Not only do they conform to congressional intent, but they foster the robust public debate that the First Amendment protects. By contrast, the *WWFE* court's interpretation of what constitutes "commercial advertising or promotion" for purposes of the Lanham Act threatens to subject to liability a wide array of reports by consumer advocates, nonprofit groups, and other participants that enter the arena of public debate whenever they criticize a particular product. If speech by public watchdogs criticizing companies' products cannot be published without fear of Lanham Act scrutiny, vital communications about goods and services will be chilled, and these ideas "might not enter the marketplace at all."⁵⁷

Public Figures Must Show Actual Malice

Procter & Gamble, *WWFE*, and *AAEM* also illustrate how some corporate litigants seeking to recover for reputational harm are manipulating § 43(a) of the Lanham Act to avoid First Amendment obstacles that would otherwise apply to commercial defamation cases. In all of these cases, the plaintiff was deemed a public figure with respect to the speech at issue. Without question, if any of these plaintiffs asserted claims for

defamation, they would have to prove actual malice by clear and convincing evidence under *New York Times v. Sullivan*⁵⁸ and its progeny. In contrast to these strict evidentiary hurdles, the Lanham Act imposes strict liability for violations of § 43(a) claims. Section 43(a) thus offers a tempting alternative to plaintiffs seeking to recover for perceived harm to their commercial reputations stemming from speech.

In other arenas, the courts have made clear that litigants seeking to recover damages for reputational harm due to allegedly false disparaging speech must meet heightened standards of proof and liability, regardless of the legal theory or cause of action. In *Hustler Magazine v. Falwell*, the U.S. Supreme Court held that Jerry Falwell had to meet the heightened standards of *New York Times v. Sullivan* even though he was proceeding on a claim of intentional infliction of emotional distress, not

defamation.⁵⁹ In *Bose Corp. v. Consumers Union of United States, Inc.*, the Court applied the *New York Times* standards to a claim for common law product disparagement.⁶⁰ More recently, the Fourth Circuit confirmed that litigants pursuing damages for reputational injury from publication cannot bypass the *New York Times* standards through the use of nonreputational tort claims.⁶¹ To the contrary, the court explained, plaintiffs seeking damages to reputation flowing from publication must prove actual malice by clear and convincing evidence.⁶² The same reasoning must apply to § 43(a) of the Lanham Act. Just as parties may not use various common law torts to circumvent the First Amendment protections applicable to speech of public concern, they should not be permitted to avoid those protections through a § 43(a) lawsuit.

Consistent with this position, courts have applied the *New York Times* requirement of actual malice to claims for reputational injury under § 43(a).⁶³ In *Procter & Gamble*, however, the Fifth Circuit denied Amway the First Amendment protections that would plainly apply to very similar common law claims (including commercial disparagement). Instead, it remanded the case to the district court to determine if Amway's dis-

semination of the Satanism rumor was commercial speech. For the Fifth Circuit, that question would turn on whether the primary motive for relaying the rumor was economic.⁶⁴ If the rumor was commercial speech subject to the Lanham Act, the court concluded, then actual malice would not apply.⁶⁵ Although acknowledging that *Amway* raised "legitimate points" about the problems of importing the commercial speech doctrine wholesale into the area of public figure suits for reputational damages, the Fifth Circuit determined that speech that falls within the ambit of the Lanham Act is not entitled to heightened First Amendment protections.

General acceptance of the Fifth Circuit's position would improperly extend the scope of the Lanham Act to cover speech that is fully protected under the First Amendment. The Fifth Circuit's approach defines commercial speech much too broadly and then refuses to

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apply heightened liability and evidentiary standards to claims for reputational injury. The three cases discussed by this article illustrate the danger posed by such a broad approach. The plaintiffs in these cases (with varying degrees of success) have promoted a view of commercial speech that extends well beyond the U.S. Supreme Court's "core" definition of commercial speech as speech that does "no more than propose a commercial transaction."⁶⁶ Nor can any of the statements attacked by these plaintiffs be described as "solely" related to the defendants' economic interests.⁶⁷ By extending Lanham Act strict liability to speech that reaches beyond the borders of "core" commercial speech to include otherwise protected speech, this approach provides a loophole for commercial plaintiffs to recover for reputational harm without facing the constitutional hurdles imposed on other reputational torts. As a result, speech that would be entitled to protection if the subject of common law claims such as commercial disparagement is now subject to strict

liability. As we have discussed above, this cannot, and should not, be the intent or effect of the Lanham Act.

The Fifth Circuit held, nonetheless, that it was compelled by the commercial speech doctrine to find that actual malice is inapplicable to § 43(a) claims under the Lanham Act. But the wholesale application of the commercial speech doctrine to the principles governing reputational torts impermissibly dilutes the law governing claims for reputational harm without serving the policies underlying the commercial speech doctrine. That is due in large part to the incompatibility of the two doctrines. Thus, under the Fifth Circuit's view, the commercial speech doctrine means that advertisers cannot be permitted to immunize their speech from Lanham Act liability merely by linking it to a public debate. And, according to the Fifth Circuit (at least on the facts of *Procter & Gamble*), whether speech is commercial turns on whether the speaker has a substantial economic motive for the speech.

By contrast, *New York Times* and its progeny have repeatedly emphasized that allegedly disparaging speech does not lose its constitutional protections simply because it may have been economically motivated, or merely because it appears in an advertisement.⁶⁸ Moreover, in holding that allegedly false commercial speech is entitled to no constitutional protection under the Lanham Act, the Fifth Circuit's approach gives short shrift to the *New York Times* requirement that some false speech will be tolerated to create "breathing space" for protected speech. Under this view, therefore, the reputations of corporate litigants will always be elevated over the value of protecting truthful commercial speech.⁶⁹ And as the facts in *Procter & Gamble*, *WWFE*, and *AAEM* show, the refusal to apply actual malice to commercial speech under § 43(a), coupled with application of an expansive definition of commercial speech, will elevate the reputation interests of public figures over truthful noncommercial speech.

Therefore, to ensure that § 43(a) of the Lanham Act is used only for its intended purposes, and not to stifle protected speech, courts must interpret the term "commercial advertising and promotion" narrowly and must apply actual malice to public figure suits for reputational damages. Refusing to do so, in

the name of enforcing the commercial speech doctrine, underestimates the dangerous chilling effect of § 43(a) litigation. Even if ultimately successful, defending against these claims can be prohibitively expensive. In addition to the availability of preliminary injunctive relief, many of these claims are decided only after extensive discovery and summary judgment or trial proceedings, as all the cases discussed by this article illustrate. Especially for small nonprofit defendants like those in *AAEM* and *WWFE*, the legal costs can be devastating. As a result, these speakers may limit their speech in the future to avoid any risk of litigation. The availability of § 43(a) actions as an alternative to common law reputational torts thus poses an even greater risk for chilling speech than the government regulations at issue in the U.S. Supreme Court's commercial speech cases.

Applying actual malice to § 43(a) claims by public figures for reputational harm strikes the right balance between the interests at issue. Thus, the *WWFE* court was correct to apply the actual malice test in assessing the plaintiffs' Lanham Act claim. Providing "breathing space" to commercial speech in this context is consistent with the "growing recognition by the U.S. Supreme Court of the constitutional value of truthful and nonmisleading commercial speech."⁷⁰ Moreover, in contrast to the significant interest in providing sufficient room for the free flow of ideas (in both the commercial and noncommercial realms), the state's interest in compensating plaintiffs in this context is substantially lower. The U.S. Supreme Court has held that the government's interest in compensating public figures is lower than that for private figures; that is why the former must meet the heightened First Amendment standards.⁷¹ Likewise, the interest in compensating public figure corporate plaintiffs for economic injury should be less than noncommercial reputational injury.⁷² Thus, public figure plaintiffs asserting § 43(a) claims for reputational damages must meet the heightened standards of *New York Times v. Sullivan*. 

Endnotes

1. 15 U.S.C. § 1125(a).
2. The Amway distributor subsequently sent two telephone messages retracting the rumor after he learned it to be false. *Procter*

& Gamble Co. v. Amway Corp., 242 F.3d 539, 543–44 (5th Cir. 2001), *cert. denied*, 70 U.S.L.W. 3245 (Oct. 1, 2001).

3. P&G also sued in federal court in Utah, alleging similar claims. That case was eventually decided by the Tenth Circuit. *See Procter & Gamble Co. v. Haugen*, 222 F.3d 1262 (10th Cir. 2000).

4. 15 U.S.C. § 1125(a)(1).

5. 376 U.S. 254 (1964). The Texas district court granted judgment on part of the Lanham Act claims as to some of the defendants based on the res judicata effect of the Utah judgment on their behalf. *P&G*, 242 F.3d at 545.

6. The Fifth Circuit rejected any res judicata effect of the Utah judgment because, at the time the Fifth Circuit ruled, the Tenth Circuit had reversed the district court judgment. *Id.* at 546. The Fifth Circuit's holdings on other issues are beyond the scope of this article and thus are not discussed.

7. *Id.* at 548.

8. *Id.* at 549 (quoting *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of New York*, 447 U.S. 557, 561 (1980)).

9. *Id.* at 550.

10. 463 U.S. 60 (1983).

11. *Procter & Gamble Co. v. Amway Corp.*, 242 F.3d 539, 552 (5th Cir. 2001), *cert. denied*, 70 U.S.L.W. 3245 (Oct. 1, 2001).

12. *Id.* at 552–53. The Fifth Circuit did emphasize, however, that not all speech primarily motivated by economic interest was commercial speech.

13. *Id.* at 555 (citing *Nat'l Life Ins. Co. v. Phillips Publ'g, Inc.*, 793 F. Supp. 627, 647 (D. Md. 1992)).

14. 418 U.S. 323 (1974).

15. 376 U.S. 254, 279–80 (1964).

16. *P&G*, 242 F.3d at 557.

17. 142 F. Supp. 2d 514, 523–24 & n.3 (S.D.N.Y. 2001).

18. *WWFE*, 142 F. Supp. at 520.

19. The district court's ruling on other claims is not covered here.

20. *Id.* at 523 (quoting *Hustler Magazine v. Falwell*, 485 U.S. 46, 52 (1988) (which, in turn, quoted *New York Times Co. v. Sullivan*, 376 U.S. 254, 279–80 (1964))).

21. *Id.* at 523.

22. *Id.* at 525–26.

23. *Id.* at 530.

24. *See Gordon & Breach Sci. Publishers S.A. v. Am. Inst. of Physics*, 859 F. Supp. 1521, 1535–36 (S.D.N.Y. 1994).

25. Slip op., Civ. Action No. WMN-00-514 (D. Md. Aug. 13, 2001).

26. *Id.* at 2.

27. *Id.* at 7 (citing *United States v. Edge Broadcasting Co.*, 509 U.S. 418, 426 (1993)).

28. *Id.* at 7–8 (quoting *City of Cincinnati v. Discovery Network, Inc.*, 507 U.S. 410, 422 (1993) (quoting *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of New York*, 447 U.S. 557, 561 (1980))).

29. *Id.* at 8.

30. *Id.* at 9.
31. *Id.* at 11.
32. In granting the AAEM summary judgment with respect to plaintiff's state law claims, the district court did hold that "[p]laintiff has not shown any evidence, let alone clear and convincing evidence, tending to prove actual malice." *Id.* at 12.
33. 859 F. Supp. 1521 (S.D.N.Y. 1994).
34. See 135 CONG. REC. H1207, H1216 (Apr. 13, 1989).
35. See *id.* at H1215. During deliberations, Senator DeConcini argued that only political speech should be exempted from the reach of § 43(a), and that "any time there is a misrepresentation relating to goods or services," § 43(a) should apply. See 134 CONG. REC. S16973 (daily ed. Oct. 20, 1988). His view has been roundly rejected by courts and commentators alike. See, e.g., Nat'l Artists Mgmt. Co. v. Weaving, 769 F. Supp. 1224, 1232–33 (S.D.N.Y. 1991); Alren W. Langvardt, *Section 43(a), Commercial Falsehood, and the First Amendment: A Proposed Framework*, 78 MINN. L. REV. 309, 328–29 n.79 (1993).
36. See 135 CONG. REC. at H1216–17.
37. Posadas de Puerto Rico Assocs. v. Tourism Co. of Puerto Rico, 478 U.S. 328, 340 (1986) (internal quotation and citation omitted).
38. City of Cincinnati v. Discovery Network, Inc., 507 U.S. 410, 422 (1993) (emphasis added) (internal quotation and citation omitted).
39. Groden v. Random House, Inc., 61 F.3d 1045, 1052 (2d Cir. 1995).
40. See, e.g., Gordon & Breach Sci. Publishers S.A. v. Am. Inst. of Physics, 859 F. Supp. 1521, 1532–35 (S.D.N.Y. 1994) (analyzing cases).
41. See, e.g., Kansas Bankers Sur. Co. v. Bahr Consultants, Inc., 69 F. Supp. 2d 1004, 1012 (E.D. Tenn. 1999); *Gordon & Breach*, 859 F. Supp. at 1532.
42. See *Gordon & Breach*, 859 F. Supp. at 1535–36.
43. Nat'l Artists Mgmt. Co. v. Weaving, 769 F. Supp. 1224, 1231–32 (S.D.N.Y. 1991) (quoting 134 CONG. REC. H 10420 (Oct. 19, 1988)).
44. The four-part *Gordon* test has been widely adopted. See *Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co.*, 173 F.3d 725, 734–35 (9th Cir. 1999); *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1384 (5th Cir. 1996); *San Juan Star v. Casiano Communications, Inc.*, No. Civ. 98–1372, 2000 WL 224893, at *2 (D.P.R. Jan. 7, 2000); *Kansas Bankers Sur. Co.*, 69 F. Supp. 2d at 1012–13; *Republic Tobacco, L.P. v. North Atl. Trading Co.*, No. 98 C 4011, 1999 WL 261712, at *7 (N.D. Ill. Apr. 9, 1999); *Sodexo USA, Inc. v. Hotel & Restaurant Employees & Bartenders Union*, 989 F. Supp. 169, 171–72 (D. Conn. 1997); *In re Warfarin Sodium Antitrust Litig.*, No. MDL 98–1232-SLR, 1998 WL 883469, at *13 (D. Del. Dec. 7, 1998), *rev'd on other grounds*, 214 F.3d 395 (3d Cir. 2000); *Gillette Co. v. Norelco Consumer Prods. Co.*, 946 F. Supp. 115, 133 (D. Mass. 1996).
45. This could be due in part to the apparent conclusions in these cases that the speech at issue was an "advertisement."
46. See *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 66–68 (1983).
47. *Id.* at 68.
48. *Id.* at 66 (citation omitted).
49. *Procter & Gamble Co. v. Amway Corp.*, 242 F.3d 539, 551 n.24 (5th Cir. 2001), *cert. denied*, 70 U.S.L.W. 3245 (Oct. 1, 2001).
50. Indeed, the potential for chilling created by the Fifth Circuit's test is particularly acute given that defendants could be subjected to the often prohibitive costs and intrusive effects of discovery into their finances even before a finding of liability.
51. 142 F. Supp. 2d 514, 524–26 (S.D.N.Y. 2001).
52. 135 CONG. REC. H1207 at H1216 (quoting Jerome Gilson).
53. *Bolger*, 463 U.S. at 67.
54. *Wojnarowicz v. Am. Family Ass'n*, 745 F. Supp. 130, 141 (S.D.N.Y. 1990).
55. See 978 F. Supp. 662, 666 (E.D. Va. 1997).
56. See *Wojnarowicz*, 745 F. Supp. at 141. See also *Sodexo USA, Inc. v. Hotel & Restaurant Employees & Bartenders Union*, 989 F. Supp. 169, 171–72 (D. Conn. 1997) (observing that the "mere desire to exert economic pressure on a company . . . does not transform defendants' action into commercial speech" for purposes of the Lanham Act).
57. *Gordon & Breach*, 859 F. Supp. at 1541.
58. See *New York Times Co. v. Sullivan*, 376 U.S. 254, 266 (1964).
59. 485 U.S. 46, 55–57 (1988).
60. 466 U.S. 485, 488–89 (1984).
61. *Food Lion, Inc. v. Capital Cities/ABC, Inc.*, 194 F.3d 505, 522–24 (4th Cir. 1999).
62. *Id.* at 523.
63. See *Porous Media Corp. v. Pall Corp.*, 173 F.3d 1109 (8th Cir. 1999) (assuming that actual malice would apply to § 43(a) claim, but finding that plaintiff was not a public figure); *Eastwood v. Nat'l Enquirer, Inc.*, 123 F.3d 1249 (9th Cir. 1997) (applying actual malice standard to public figure's § 43(a) claim for reputational injury); *Nat'l Life Ins. Co. v. Phillips Publ'g, Inc.* 793 F. Supp. 627, 646 (D. Md. 1992) (same).
64. *Procter & Gamble*, 242 F.3d at 552.
65. *Id.* at 555–59.
66. *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 762 (1976) (internal quotation and citation omitted).
67. *City of Cincinnati v. Discovery Network, Inc.*, 507 U.S. 410, 422 (1993); *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of New York*, 447 U.S. 557, 561 (1980).
68. See *New York Times Co. v. Sullivan*, 376 U.S. 254, 266 (1964).
69. See *Nat'l Life Ins. Co. v. Phillips Publ'g, Inc.*, 793 F. Supp. 627, 646 (D. Md. 1992).
70. P. CAMERON DEVORE & ROBERT D. SACK, *ADVERTISING & COMMERCIAL SPEECH: A FIRST AMENDMENT GUIDE* § 7:2.1 at 7–7 (1999).
71. See *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 346 (1974).
72. See DEVORE & SACK, *supra* note 70, § 7:2.1 at 7–7; *Nat'l Life Ins. Co.*, 793 F. Supp. at 648 ("If commercial interests can so easily devalue the speech interest, why cannot those same commercial interests diminish reputation's value?").