ARTICLE

RECLASSIFYING REVERSE PASSING OFF AS FAILURE TO CONTRACT OR AS FALSE ADVERTISING

BY MALLA POLLACK

ABSTRACT

The tort of reverse passing off should be abolished. This conclusion stems from a combination of economic analysis, recognition of the disparate foundations of trade identity law versus creativity law (such as copyright and patent), realistic appraisal of product distribution, and an updated survey of existing case law. Trademark holders that desire a legally enforceable right for their marks to remain affixed to their goods downstream should be required to contract ex ante. Any likelihood of consumer deception caused by using another’s goods in an advertisement for one’s own goods should be addressed through false advertising claims. Reverse passing off should be eliminated as a distinct cause of action.

INTRODUCTION

The tort of reverse passing off should be abolished. Reverse passing off, or reversing palming off, occurs when merchant one sells trademarked goods to merchant two; merchant two resells the goods – but

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1 Co-author with Louis Altman, Callman on Unfair Competition, Trademarks & Monopolies (Thomson-Reuters 4th ed.). The author thanks Louis Altman and J.J. Del Granado for their helpful comments.
only after removing merchant one’s trademarks. Merchant one sues. Because merchant one has earned a profit from the goods, it has not been harmed in the same manner as it would have been by direct passing off. Direct passing off occurs when merchant two sells its own goods under merchant one’s mark, or something likely to be confused with merchant one’s mark. Direct passing off redirects sales from merchant one to merchant two. Furthermore, in direct passing off, because the goods are sold under merchant one’s mark, or a mark likely to be confused with merchant one’s mark, consumers may identify any defects in the goods or related services with merchant one. Direct passing off, therefore, has the ability to harm merchant one’s reputation. Reputational harm is absent in reverse passing off; by definition, in reverse passing off, merchant one’s marks are no longer attached to the goods as seen by the end user. At worst, merchant two may be earning reputation from merchant one’s goods.

Reverse passing off has had only two moments of fame: William M. [2]

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2 See 4 J. Thomas McCarthy, Trademarks and Unfair Competition §§ 25:6, 25:8 (4th ed. 2010). More properly, merchant two offers the goods for sale after removing merchant one’s mark. When merchant two commits non-marking or mismarking, the good as delivered to the buyer is merchant one’s good without merchant one’s mark. If merchant one’s good is only used during the offer, but is not delivered, the behavior is solicitation misbranding, discussed infra sections III.C and IV.B. See McCarthy, supra, § 25:7 (classifying such behavior as passing off, as opposed to reverse passing off).

3 See Boston Duck Tours, LP v. Super Duck Tours, L.L.C., 531 F.3d 1, 12 (1st Cir. 2008) (internal citations omitted):

The considerable reliance on trademarks by consumers also creates an incentive for other competing, and typically less successful businesses, “to pass off their inferior brand as the successful brand by adopting a confusingly similar trademark, in effect appropriating the goodwill created by the producer of the successful brand.” . . . Trademark law is designed, in part, to prevent these “passing-off” practices and the consumer confusion that results from it . . . . Trademark infringement law is specifically targeted to address this concern.


4 See, e.g., Beacon Mut. Ins. Co. v. OneBeacon Ins. Group, 376 F.3d 8, 15 (1st Cir. 2004) (where the parties are competitors, infringement will result in all of loss of sales, damage to goodwill, and loss of control over reputation); Victoria Cruises, Inc. v. Changjiang Cruise Overseas Travel Co., 630 F. Supp. 2d 255, 264-65 (E.D.N.Y. 2008) (awarding plaintiff’s lost profits as compensatory damages); see generally Callmann, supra note 3, §§ 22:3, 23:65, 23:68; 5 McCarthy, supra note 2, § 30:79.

5 See McCarthy, supra note 2, § 3:10.

6 See, e.g., Int’l Kennel Club of Chicago, Inc. v. Mighty Star, Inc., 846 F.2d 1079, 1091 (7th Cir. 1988) (internal citation omitted) (direct passing off results in loss of control over reputation, even where there is no loss of trade); see generally Callmann, supra note 3, §§ 22:3, 23:65, 23:68; 1 McCarthy, supra note 2, § 2:30.
Borchard’s well known law review article argued in favor of liability for both express reverse passing off and implied reverse passing off. In Borchard’s terminology, express reverse passing off occurs when merchant two purchases a physical product from merchant one, removes merchant one’s mark, and replaces it with another mark (most commonly that of merchant two). Implied reverse passing off occurs when merchant two removes merchant one’s mark, but sells the goods without attaching a different mark. Borchard viewed such sales as implicitly asserting that merchant two was the product’s originator. Borchard considered both express reverse passing off and implied reverse passing off to be improper uses of another’s goods to enhance one’s own reputation.

Most of Borchard’s cases involved the sale of physical objects manufactured
by merchant one. Nevertheless, he did not completely exclude cases where merchant two manufactured its own goods when those goods were copies of merchant one’s goods. For example, he relied on the hot-news misappropriation case International News Service v. Associated Press, where the reseller produced its own physical product, but used the originator’s communicative content to do so.\(^{15}\) However, Borchard did not focus on the copyrightable or patentable subject matter imbedded in the product manufactured by merchant two. He targeted copying cases where the second business solicited orders using a picture or a sample of the first business’s physical product with the trademark removed or replaced, but delivered goods it had manufactured itself.\(^{16}\)

Borchard’s main argument was that removal of the original trademark without express permission to do so denied the mark holder the “advertising value” of its mark.\(^{17}\) He recognized that in some cases, as with private label goods, the manufacturer had given such permission expressly or implicitly.\(^{18}\) However, as a general matter, Borchard wanted the burden to be on the purchaser/reseller to obtain express consent before removing (even more before removing and replacing) another’s trademark.\(^{19}\) While Borchard also mentioned that consumers were harmed by losing knowledge about the good,\(^{20}\) this was clearly a make-weight; else, why should a manufacturer be allowed to consent to removal of its mark?

Borchard argued for the existence of liability. He assumed, without any discussion, that any cause of action recognized would be a subpart of trade identity tort law, as opposed to some other doctrinal area.\(^{21}\)

**II. DASTAR\(^{22}\)**

Borchard’s theory was a success, but largely in cases involving creativity. The theory of such cases is that, by not identifying all persons whose authorship or inventorship is embodied in a product, one is providing false information about the “origin” of the product. This view is far from absurd;

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\(^{15}\) See id., at 6-7.

\(^{16}\) See id. at 8-9 (discussing the photograph cases and the sample cases).


\(^{18}\) See Borchard, *supra* note 7, at 18.

\(^{19}\) See id.

\(^{20}\) See id.

\(^{21}\) See id. at 24-25.

\(^{22}\) Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003).
the Supreme Court famously defined an “author” for copyright purposes as “he to whom anything owes its origin; originator; maker; one who completes a work of science or literature.”

However, trademark is not about creativity; it is about indicia of trade identity. Nevertheless, Borchard’s article was emphatically relied upon by the Ninth Circuit in Smith v. Montoro to recognize a possible cause of action by an actor who alleged both that his name had been removed from film credits and advertisements, and that another actor had been named in his stead. Smith v. Montoro is usually credited with starting a line of cases using reverse pass off to supplement copyright. To some degree, such cases used Lanham Act § 43(a) to supply moral rights missing from United States copyright law. Other cases, however, merely prevented competition in

24 *In re Trade-Mark Cases*, 100 U.S. 82, 93-94 (1879):

   Any attempt, however, to identify the essential characteristics of a trade-mark with inventions and discoveries in the arts and sciences, or with the writings of authors, will show that the effort is surrounded with insurmountable difficulties. . . . [A trademark does not] depend upon novelty, invention, discovery, or any work of the brain. It requires no fancy or imagination, no genius, no laborious thought. It is simply founded on priority of appropriation.

   “The Lanham Act . . . does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity.” *Dastar*, 539 U.S. at 34 (quoting *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 34 (2001)). “[Economic] analysis suggests that we do not need trademark protection just to be sure of having enough words, though we may need patent protection to be sure of having enough inventions, or copyright protection to be sure of having enough books, movies, and musical compositions.” William Landes & Richard Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267, 275 (1988).

The term “trademark” includes any word, name, symbol, or device, or any combination thereof—

   (1) used by a person, or
   (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

26 Smith v. Montoro, 648 F.2d 602, 605 (9th Cir. 1981) (reversing dismissal on the pleadings for failure to state a cause of action).

27 See, e.g., Teresa Laky, *Dastar Corp. v. Twentieth Century Fox Film Corp.: Widening the Gap Between United States Intellectual Property Law and Berne Convention Requirements*, 14 SETON HALL J. SPORTS & ENT. L. 441, 456 (2004) (“The seminal case of Smith v. Montoro was among the first to find a right of attribution for creators under § 43(a).”).

28 The court expressly invoked moral rights in Gilliam v. American Broadcasting
copyrightable subject matter when a copyright cause of action was unavailable.\textsuperscript{29}

The United States Supreme Court ended this particular use of trademark to supplement copyright in the 2003 Dastar opinion.\textsuperscript{30} The plaintiffs were attempting to stop distribution of a lower-priced, competing videotape series about World War II.

Plaintiffs sold a videotape set titled Crusade in Europe which was based on the book of the same name by General Dwight D. Eisenhower. Plaintiffs’ tapes were derivatives of a defunct television series of the same name. Recordings of the television series had fallen out of copyright when proper renewal papers were not filed. While someone using the television series recordings would also be making use of copyrightable matter from the underlying book, the continued existence of copyright protection in the book was still in dispute at the time the case reached the Supreme Court.\textsuperscript{31}

Defendant had purchased videotape of the public-domain television series. It had manufactured a tape copy of the purchased set. After substantial editing of the copy it had manufactured, but with very limited additions, defendant offered for sale a shorter, less expensive videotape set under a different title. Neither General Eisenhower, nor Fox, nor anyone else in the line of copyright title between the two was mentioned in defendant’s tapes or on the tapes’ packaging. A trial court held that this failure to give credit had violated Fox’s rights under Lanham Act § 43(a).\textsuperscript{32} The Ninth Circuit affirmed.\textsuperscript{33} The United States Supreme Court reversed, refusing to construe the Lanham Act as “creat[ing] a species of perpetual patent and copyright, which Congress may not do.”\textsuperscript{34} It held that “origin” of a product for purposes of Lanham Act § 43(a) did not include the entity that had generated the authorship embedded in that product.\textsuperscript{35}

The Court did write as if reverse passing off was a valid cause of action.
under the Lanham Act. It stated that Fox’s “claim would undoubtedly be sustained if Dastar had bought some of New Line's Crusade videotapes and merely repackaged them as its own,”36 and that Lanham Act § 43(a)(1) “forbids, for example, the Coca-Cola Company's passing off its product as Pepsi-Cola or reverse passing off Pepsi-Cola as its product.”37 These statements, however, are merely dicta.

Reviewing the reverse passing off case law in light of Dastar reveals that the courts largely had used Borchard’s trade identity theories to protect authors from harms unrecognized by United States copyright law.38 Dastar rejected this approach.39 The post-Dastar literature focuses on the status of these ousted interests: current United States protection for moral rights40 and the scope of what Dastar forbids.41 The post-Dastar discussion does not swirl around whether Fox would, or should, have a cause of action under the Lanham Act if Dastar had merely repackaged videotapes manufactured by Fox’s co-plaintiff. This article argues that it should not have such a cause of action.

Dastar’s pruning of the case law has cleared the landscape sufficiently for better legal cartography, allowing more focused discussion of whether reverse passing off should continue to exist as a trademark doctrine regarding products (as opposed to any authorship or inventorship imbedded in such products).

III. THREE TYPES OF REVERSE PASSING OFF

Law is about the facts. Doctrinal clarity is best served by separating scenarios whose factual differences might support legal distinctions. Furthermore, courts have not used terminology consistently.42 Therefore, I suggest three fact-based categories within reverse passing off: non-marking,

36 Id. at 31.
37 Id. at 32.
38 For examples of cases using reverse passing off (express and implied), including a segregated list of those arguably over-ruled by Dastar, see Callmann, supra note 3, § 22:30 – 22:31.
39 See Dastar, 539 U.S. at 37.
42 See, e.g., Universal Furniture Int'l, Inc. v. Collezione Europe USA, Inc., 2007 WL 2719296 (M.D.N.C. Sept. 14, 2007) (liability), and Universal Furniture Int’l, Inc. v. Collezione Europa, USA, Inc., 599 F. Supp. 2d 648 (M.D.N.C. 2009) (setting damages). A mark was removed, not replaced. Therefore Borchard would have classified Collezione Europa USA as involving implied reverse passing off - the court classified it as express reverse passing off. McCarthy, supra note 2, § 25:6 (remarking on misuse of term “reverse passing off”).
mismarking, and solicitation misbranding.43

A. Non-marking

Non-marking occurs when merchant one sells branded goods to merchant two. Merchant two then removes the marks from these goods before either using them or offering them for resale.44

Something interesting happens when the Dastar-overruled cases are removed from a collection of reverse passing off decisions; cases penalizing mere non-marking vanish almost completely.45 Cases even litigating such a scenario become rare. Furthermore, a once vigorous line of cases and statutes supports the acceptability of non-marking. In the era of state statutes enforcing resale price maintenance, many of the Fair Trade Acts provided an exemption from the mark-holder’s contractually-set price "when the trademark, brand or name is removed or wholly obliterated from the commodity and is not used or directly or indirectly referred to in the advertisement or sale thereof."46 The United States Supreme Court even construed the Illinois Fair Trade Act not to reach non-marked goods despite the statute’s silence.47

One seemingly contrary opinion was issued by an intermediate New York state court in 1932.48 The court recognized a cause of action against a retailer’s removing a manufacturer’s labels from swimsuits before offering them for sale.49 However, the court’s mind was clearly on direct passing off:

By advertising the sale of plaintiff's swimming suits and by removing therefrom the distinctive label before offering them for sale, defendant provided itself with an opportunity, if it were so disposed, of selling goods of another and perhaps inferior make under its representation that it was selling plaintiff's goods. It thus created the possibility not only of

43 See CALLMANN, supra note 3, §§ 22:30-22:31, which adopts these categories.
44 See id. § 22:31.
45 See, e.g., PIC Design Corp. v. Sterling Precision Corp., 231 F. Supp. 106, 115 (S.D.N.Y. 1964) (holding that buying an item from a competitor and reselling it with trademarks removed is not a violation of the Lanham Act).

There is nothing in the act to preclude the purchaser from removing the mark or brand from the commodity – thus separating the physical property, which he owns, from the good will, which is the property of another – and then selling the commodity at his own price, provided he can do so without utilizing the good will of the latter as an aid to that end.

49 See id. at 612.
unfair competition against the plaintiff but of the perpetration of a fraud on the buying public. The court provided no explanatory detail. The lower court opinion is unpublished.

In sum, legal sources are almost unanimously against characterizing mere non-marking as tortious.

B. Mismarking

Mismarking also starts with merchant one selling branded goods to merchant two who removes the original trademarks. However, mismarking involves an additional step; merchant two sells the goods under a different mark, its own or that of a third party. Even removing the Dastar-overruled cases from the collection, a number of courts have imposed liability for mismarking, or at least recognized a cause of action for mismarking. Other courts have rejected such claims based on specific case facts. These

50 Id.

51 The mismarking doctrine was held not to create liability in a case where merchant two added its own mark (in reference to its addition to the product) without removing merchant one’s marks. See Butcher Co., Inc. v. Bouthot, 124 F. Supp. 2d 750, 756-57 (D. Me. 2001), reconsideration denied, No. 00-139-P-H, 2001 WL 263313, at *1 (D. Me. Mar. 16, 2001) (summary judgment for defendant).


55 See, e.g., Syngenta Seeds, Inc. v. Delta Cotton Co-op., Inc., 457 F.3d 1269, 1278-79 (Fed. Cir. 2006) (affirming judgment for defendant under law of Eighth Circuit; product was resold for a different use); Bretford Mfg., Inc. v. Smith Sys. Mfg. Co., 419 F.3d 576, 581
rejections may, or may not, signal unease with the cause of action in general.  Three mismarking cases (none of which would state a cause of action post-Dastar) hold that secondary meaning is not required to prove reverse passing off. One of these cases also holds that "the functional/nonfunctional dichotomy is noticeably absent from the reverse passing off cases." No post-Dastar reverse passing off case addresses either of these elements of a cause of action for reverse passing off.

C. Solicitation Misbranding

Solicitation misbranding occurs when merchant two offers its own goods for sale by using a sample of merchant one’s branded goods or a pictorial representation of merchant one’s branded goods – without merchant one’s mark being visible. What separates solicitation misbranding cases from mismarking and non-marking cases is merchant two’s delivery of its own goods bearing its own marks to all buyers. The misbranding or non-branding exists only while merchant two is soliciting orders.

One could distinguish between solicitation misbranding cases where merchant two affixes its own mark from those where no mark of any kind is visible. However, the decisions do not divide along that fault line in the same way as the non-marking/mismarking cases do. Instead, as discussed below, the cases tend to focus on whether the delivered product is materially different from the advertised product – an element from false advertising (as opposed to likelihood of confusion) theory.

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57 See Blank, 916 F. Supp. at 171.

58 But see CALLMANN, supra note 3, § 22:31 (comment by author Pollack strongly suggesting that these approaches do not survive Dastar).

59 See CALLMANN, supra note 3, § 22:30.

Many cases find liability under false advertising doctrine in situations I classify as solicitation misbranding.\footnote{See, e.g., Nike, Inc. v. Rubber Mfrs. Ass’n, 509 F. Supp. 919, 924 (S.D.N.Y. 1981) (finding irreparable injury for preliminary injunction purposes when professional athletes who were advertised to use Nike shoes played in non-Nike shoes which they had doctored by adding the Nike “swoosh” trademark); see also Callmann, supra note 3, § 22:30; McCarthy, supra note 2, § 25:7.} I have no issue with such cases. They turn on the existence of a material difference between what was offered in the advertisement and what was delivered.\footnote{Presumably this would cover a case where Pepsi gave potential buyers sips of unmarked or mismarked Coca-Cola when buyers asked for Pepsi. See Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 32 (2003) (dictum quoted text accompanying note 37 supra).} Such behavior is harmful to the consumer. Furthermore, it allows merchant two to make a sale which, absent the materially misleading advertisement, might have been made by merchant one. Additionally, in an unknown number of occurrences the purchaser may keep the originally undesired product, rather than replace it with merchant one’s item. Though material at the shopping stage, the difference between merchant two’s display sample (or catalog picture) and the delivered good post-purchase may not seem worth the effort needed to replace the good. The consumer may complain to merchant two, be rebuffed, and take the issue no further. The consumer may not realize the delivered good’s deviance from the sample at all or in time to act. Of course, merchant two is taking the risk that its false advertisement will lead to customer dissatisfaction and, therefore, reputational harm. Thus, the market creates a disincentive for solicitation misbranding when the goods are strikingly different, but not if the goods are visually indistinguishable. Tort liability would create such a disincentive.

False advertising law requires the advertisement to transmit an incorrect statement of fact about the product; furthermore, the incorrect statement must be material to the advertisement’s audience.\footnote{See, e.g., Nat’l Presto Indus., Inc. v. Hamilton Beach, Inc., No. 88-C-10567, 1990 WL 208594, at *7 (N.D. Ill. Dec. 12, 1990).} However, if a court bypasses full analysis of the standard elements for false advertising by using reverse passing off doctrine as an analytical shortcut, the plaintiff may not be required to prove the existence of a false representation regarding a material difference. The court may, even without discussion, assume that merchant two’s current ability to produce an item (which merchant two will produce before delivery) is both implicitly stated in the advertisement and material to the advertisement’s audience.\footnote{See, e.g., Nat’l Products, Inc. v. Gamber-Johnson LLC, 699 F. Supp. 2d 1232, 1237 (W.D. Wash. 2010) (citing Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, 1139 (9th Cir. 1997)); see generally McCarthy, supra note 2, § 27:35; Callmann, supra note 3, ch. 5.} Similarly, a court might protect a product
configuration as if it deserved trade dress protection without requiring proof of secondary meaning.65

In sum, the court might protect the advertising value of merchant one’s product without considering whether either the public or merchant one had been harmed in a way relevant to trade identity law.

IV. PROPOSAL

My proposal is the elimination of any separate cause of action for reverse passing off, including all of express reverse passing off, implied reverse passing off, non-marking, mismarking, and solicitation misbranding. If a seller chooses, it may contract for post-alienation retention of a mark on goods. Failure to do so results in no right to such retention. Violation of such a contract provision should be cognizable only in breach of contract. False advertising, pursuant to Lanham Act § 43(a)(1)(B),66 is more than sufficiently powerful to prevent harm in those solicitation misbranding scenarios where a remedy is equitable. In fact, such a cause of action may be too powerful unless the courts require proof of meaning and materiality, as opposed to indulging in presumptions.

This article now turns to the reasons for this proposal.

A. Mismarking and Non-marking

First, consider whether mismarking and non-marking should be handled by any tort doctrine, or whether they belong within contract. Tort law provides generalized rules to cope with unforeseen harms.67 Contract law allows

[The parties’ products were] indistinguishable with the exception of the smallest and most minor of differences. This is clearly not a case where the value of the product actually purveyed is less than that depicted. . . . [W]hat the consumers saw is essentially what the consumers got: . . . the cone that was depicted is the cone that arrived in the package. However, . . . [defendant] certainly derived the advantage of time by “borrowing” the cone for inclusion in its ad layout. It was thereby enabled to get into the market without the bother of first constructing its own component. In gaining early access to the same market . . . , [plaintiff’s] sales of the . . . [product] may have been adversely affected.


Secondly, complainant asserts that secondary meaning is not required when a photograph of another’s product is used to advertise an inferior product. . . . However, respondents utilize only an artist’s drawing which emphasizes the inner-workings of the subject gun, not an exact photograph which clearly portrays the product as that of complainant. Moreover, the record does not contain conclusive evidence that respondents’ guns are inferior.


individuals to tailor solutions to their specific preferences, 68 providing gap-fillers for use when the parties disagree later regarding an issue not covered by the contract’s language. 69 In general, therefore, a recurring problem is better handled by contract when two conditions are met: the person likely to assert a grievance ex post is well situated ex ante to contract for its non-occurrence, and externalities are unlikely. 70 Mismarking and non-marking meet these two

Traditional tort law focused on accidents by strangers — people who had no opportunity for a prior contract relationship or people who had no legal relationship with each other before the accident. A car strikes a pedestrian. Two cars collide. A passenger in the public domain is struck by a baseball flying from a stadium. A drunk punches out someone in a bar. All of these are classic tort situations and all are cases where there is no prior relationship between the parties. In all such cases there is an externality and this externality at least forms the basis for some governmental intervention either through regulation or the tort system that may be proper.

68 See E. ALLAN FARNSWORTH, FARNSWORTH ON CONTRACTS § 1:3 (3d ed. 2004) (“From the perspective of the parties [to the contract] themselves, the function . . . [of a contract is] aiding them in planning for the future by protecting their expectations.”); see also Michael I. Meyerson, The Efficient Consumer Form Contract: Law and Economics Meets the Real World, 24 GA. L. REV. 583, 585-86, 596 (1990) (explaining that the law and economics paradigm of contract assumes that individuals will act to maximize their total benefits minus costs, thus helping resources to gravitate toward their most valuable use; this paradigm counterfactually assumes that the parties will have perfect information); see generally Roy Kreitner, Fault at the Contract-Tort Interface, 107 MICH. L. REV. 1533 (2009) (explaining the classic view of contract law as encouraging private ordering and of tort law as providing public regulation to handle situations which had not been organized by contract; stating, however, that this view is an over simplification).

69 See, e.g., FARNSWORTH, supra note 68, §§ 7:15-7:17.

70 The line between tort and contract does not necessarily reflect the line between liability and property rules, or the line between contract and property, perhaps because of the analytical complexity of tort. See generally Dale A. Nance, Guidance Rules and Enforcement Rules: A Better View of the Cathedral, 83 VA. L. REV. 837 (1997) (discussing ambiguities in law and economics approaches to tort law). However, some of the law and economics literature supports placing non-marking and mismarking inside contract if it involves knowledgeable parties and minimal externalities. Contract damages (price) are preferable to tort damages (sanction) when externalities are low. See Robert Cooter, Prices and Sanctions, 84 COLUM. L. REV. 1523, 1523, 1524, 1537, 1545 (1984). Contract (as opposed to property) law generally governs where “[t]he contracting parties are in the best position to evaluate the costs and benefits of adopting novel legal terms to govern their relationship, and in the typical bilateral contract there are no significant third-party effects associated with the adoption of idiosyncratic terms.” Thomas W. Merrill & Henry E. Smith, The Property/Contract Interface, 101 COLUM. L. REV. 773, 777 (2001). An immutable rule, one the parties cannot contract around, “is justified only if unregulated contracting would be socially deleterious because parties internal or external to the contract cannot adequately protect themselves.” Ian Ayres & Robert Gertner, Filling Gaps in Incomplete Contracts: An Economic Theory of Default Rules, 99 YALE L.J. 87, 88 (1989). As Nance points out, tort rules are similar in some respects to inalienability. See Nance, supra, at 847-50.
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conditions and, therefore, should be handled by contract doctrine.

Unlike direct passing off cases, contract is a practical way to deal with the odd situation where non-marking or mismarking reverse passing off is likely to cause (or to be perceived to cause, or to be feared to cause) significant harm to the upstream mark-holder. Non-marking and mismarking reverse passing off start with the mark-holder selling its branded product to the potential-defendant reseller. The mark-holder/potential-plaintiff is, therefore, the entity with the knowledge and ability to tailor protection from mismarking and non-marking to each situation involved. Furthermore, non-parties to the contract, which are down-stream buyers, are not being harmed. Law has no need to step in with second-best, tort solutions.

Other supports for the use of contract as opposed to tort are also relevant to the next decision – which entity should have the original entitlement? For a number of reasons, it should not be vested in merchant one, the up-stream mark holder. Trademark doctrine should mesh with both the policy reasons for trademark protection and the way the market works in the real world. Assuming a down-stream legal right that one’s goods retain one’s mark post-alienation is incongruent with both.

United States law already incorporates two doctrines in tension with such a down-stream right. When any good is transferred by contract, the default position is that the seller has no post-alienation right over how the buyer will use the item. Alternatively, this location of the tort/contract interface merely recognizes that lack of information about future risks is a major transaction cost. I am positing that the parties know the risks. One of the basic teachings of law and economics is that “[in settings with low transaction costs] the law should require the parties to transact in the market.” RICHARD A. POSNER, ECONOMIC ANALYSIS OF LAW 57 (4th ed. 1992). The line between tort and contract is also different from the boundary between negligence torts and strict liability torts, which has often been tied to information asymmetries (as opposed to transaction costs), see for example RICHARD EPSTEIN, TORTS 85-104 (1999), or the boundary between tort litigation and government regulation of potentially dangerous products, see for example Wendy Wagner, When All Else Fails: Regulating Risky Products Through Tort Litigation, 95 GEO. L.J. 693 (2007) (using information asymmetry to assess proper boundary between tort litigation and government regulation of product safety). Information asymmetries, however, may be relevant to the choice of gap filler in contract law. See infra text accompanying notes 85-88.

71 Cf. MCCARTHY, supra note 2, § 25:6 (“Who is being confused or deceived and about what?”; discussing mismarking).

72 “[A]ny ambiguity or uncertainty in the meaning of a [contract] term with respect to alienation of property must be resolved most favorably to free alienation.” 63C AM. JUR. 2d Property § 35 (2010). Therefore, contract law limits the ability to expressly limit a new owner’s power to use a good. See, e.g., RESTATEMENT (SECOND) OF CONTRACTS §§ 186-88, 207 (1993); cf. CALLMANN, supra note 3, § 16:45 (discussing when such express contract provisions are enforced in regard to chattels).
doctrine, the default position remains the seller’s loss of all post-alienation control.\footnote{See, e.g., Major League Baseball Players Ass’n v. Dad’s Kid Corp., 806 F. Supp. 458, 459 (S.D.N.Y. 1992) (“[Defendants] paid the price [plaintiff] asked and [plaintiff] profited from the sale. [Plaintiff] cannot now be heard to complain that defendants’ use of the trademarked parts constitutes infringement.”); see generally, CALLMANN, supra note 3, §§ 22:45, 22:69; McCARTHY, supra note 2, §§ 25:41, 25:44.} The recognized exceptions protect the mark.\footnote{See, e.g., Adolph Coors Co. v. A. Genderson & Sons, Inc., 486 F. Supp. 131 (D. Colo. 1980) (finding resale of genuine Coors brand beer in the original, trademark-affixed containers, even though the beer has been allowed to deteriorate through failure to observe expiration dates and refrigeration recommendations, constitutes both trademark infringement and common-law unfair competition); see generally CALLMANN, supra note 3, §§ 22:46-22:53.} However, merchant one’s mark is not at risk from non-marking or mismarking; merchant one’s mark is no longer affixed to the good.

Second, the legal origin of a product is variable. Marks may have begun as indications of the manufacturing source of a good, but under current practice, a mark may indicate a manufacturer,\footnote{See, e.g., Qualitex Co. v. Jacobson Products Co., 514 U.S. 159, 161 (1995) (“The case before us grows out of petitioner Qualitex Company’s use (since the 1950’s) of a special shade of green-gold color on the pads that it makes and sells . . . .”).} a wholesaler,\footnote{See, e.g., U.S. Printing & Lithograph Co. v. Griggs, Cooper & Co., 279 U.S. 156, 157 (1929) (“[P]laintiff has a trade-mark ‘Home Brand,’ registered in the Patent Office for various grocers’ goods which it sells at wholesale in certain named States of the Northwest . . . .”).} a retailer,\footnote{See, e.g., Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 588 F.3d 97, 101 (2d Cir. 2009) (“Starbucks, a company primarily engaged in the sale of coffee products, was founded in Seattle, Washington in 1971. Since its founding, Starbucks has grown to over 8,700 retail locations in the United States, Canada, and 34 foreign countries and territories.”).} or merely an entity with name recognition that charges other businesses for the privilege of invoking its name for their own profit.\footnote{See, e.g., Gabbanelli Accordions & Imports, L.L.C. v. Gabbanelli, 575 F.3d 693, 694 (7th Cir. 2009) (“American Gabbanelli began life in the mid-1960s as the U.S. distributor for the predecessor of Italian Gabbanelli, a manufacturer of accordions in Italy. In 1996 and 1997 American Gabbanelli obtained registered U.S. trademarks on the name ‘Gabbanelli’ for use on accordions and began importing accordions designed to its specifications and manufactured by Italian Gabbanelli and other companies.”).} Therefore, courts should not indulge in unrealistic assumptions that a good should bear the mark of any
specific entity in the production or distribution chain.\textsuperscript{80}

The law already rejects any presumption that consumer protection requires this type of legally-enforceable (as opposed to market-supported\textsuperscript{81}) mark-fidelity. In general, except in extreme situations,\textsuperscript{82} the law does not protect customers from a mark holder’s decision to change quality, to outsource production, or to change the entity involved for any production task without changing the mark.\textsuperscript{83} Therefore, any court perception that harm will result

\textsuperscript{80} In mismarking cases, “[t]he maker of the AX branded goods [merchant one] is deprived of the good (or bad) publicity its trademark on the goods may engender, but this deprivation is per se neither an illegal effect nor a recognized form of unfair competition. Who is being confused or deceived and about what?” MCCARTHY, supra note 2, § 25:6. In non-marking cases, McCarthy sees “only a subtle injury” to merchant one, explaining that “[t]he conceptual problem with a generalized rule against ‘implied reverse passing off’ is that it rests primarily on a pure ‘property right’ concept more akin to ‘misappropriation’ than to the traditional concept of a likelihood of confusion of customers.” Id. § 25:8.

\textsuperscript{81} The economics of trademarks encourages consistent quality. See Landes & Posner, supra note 24, at 271 (“[T]rademarks have a self-enforcing feature. They are valuable because they denote consistent quality, and a firm has an incentive to develop a trademark only if it is able to maintain consistent quality.”).

\textsuperscript{82} A mark holder loses rights in its mark (the mark is deemed “abandoned”) when the goods on which the mark is used drastically change. See, e.g., Societe de Devs. et D’Innovations des Marches Agricoles et Alimentaires-SODIMA-Union de Coops. Agricoles v. Int’l Yogurt Co., 662 F. Supp. 839, 852 (D. Or. 1987) (change to refrigerated high-fat yogurt, from chocolate mousse, custard-style yogurt, frozen yogurt, and soft cheese, is abandonment); see generally, CALLMANN, supra note 3, § 20:47; MCCARTHY, supra note 2, §§ 17:23, 17:24. Additionally, to retain rights in a licensed mark, the licensor must exert some type of quality control over the licensee. However, the extent of control is not great. See, e.g., Edwin K. Williams & Co. v. Edwin K. Williams & Co.-East, 542 F.2d 1053, 1059 (9th Cir. 1976) (finding sufficient control in license for accounting services when the trademark license had no provision for quality control, but where licensor knew from experience that licensee was a competent accountant, well-acquainted with bookkeeping, and would present no danger to the public if uncontrolled); see generally, CALLMANN, supra note 3, § 20:56; MCCARTHY, supra note 2, §§ 18:42, 18:48.

\textsuperscript{83} A mark holder does not lose rights in its mark (i.e. the mark is not deemed “abandoned”) when the goods are changed in quality, but not in type. See, e.g., Marlyn Nutraceuticals, Inc. v. Mucos Pharma GmbH & Co., 571 F.3d 873, 878 (9th Cir. 2009) (change in formulation of nutritional product was not abandonment); On-Line Careline, Inc. v. America Online, Inc., 229 F.3d 1080, 1087-88 (Fed. Cir. 2000) (change from providing computer-related news online, to enabling users to obtain such information by selecting a particular menu item online, is not abandonment); Midlothian Labs., L.L.C. v. Pamlab, L.L.C., 509 F. Supp. 2d 1065, modified on reh’g, 509 F. Supp. 2d 1095 (M.D. Ala. 2007) (doubling quantity of one active ingredient in a medical food is not a sufficient product change to constitute abandonment). Cf. Westowne Shoes, Inc. v. Brown Group, Inc., 104 F.3d 994, 997 (7th Cir. 1997) (affirming summary judgment for defendant shoe manufacturer/licensor of trademark “Naturalizer” against plaintiff retail shoe store/licensee
unless a mark is retained on goods as they move through the distribution chain must be based on the courts' perception of the needs of one of the involved businesses. 

However, the businesses involved are in the best position to know both which entity’s marks will most enhance the product’s market value, and when countervailing benefits exist. Therefore, the businesses involved in distribution, not the court, should decide which mark (if any) should be associated with a product at the time it is offered for sale to consumers. Detailed contracts are costly. Businesses contract about issues only if the value of the right solution, in conjunction with the likelihood of an undesirable outcome, is worth the transaction cost of a contract clause. If the businesses involved choose not to contract regarding this issue, their non-action is best interpreted as a signal either that the choice of mark is not commercially important in the transaction, or that the businesses see no need for legal control of this issue since commercial pressures will suffice. As with other unusual

of trademark; retailer had no cause of action against manufacturer for lowering quality of goods sold under licensed mark; “The owner [of a trademark] can if he wants, unless contractually committed otherwise, abandon the trademark, dilute it, attach it to goods of inferior quality, attach it to completely different goods-can, in short, take whatever steps he wants to jeopardize or even completely destroy the trademark.”). 


Where parties have failed to agree on a contract’s duration, the contract is construed as terminable at the will of either party because they have not agreed otherwise and it would be inappropriate for a court to step in and substitute its own judgment for the wisdom of the parties. Advances in technology, changes in consumer taste and competition mean that once-profitable businesses perish regularly. Today’s fashion will tomorrow or the next day inevitably fall the way of the buggy whip, the eight-track tape and the leisure suit. Men and women of commerce know this intuitively and achieve the flexibility needed to respond to market demands by entering into agreements terminable at-will. 

85 See Richard A. Posner, The Law and Economics of Contract Interpretation, 83 TEX. L. REV. 1582, 1582-83 (2005): [P]erfect foresight is infinitely costly, so that, as the economic literature on contract interpretation emphasizes, the costs of foreseeing and providing for every possible contingency that may affect the costs of performance to either party over the life of the contract are prohibitive. Parties may rationally decide not to provide for a contingency, preferring to economize on negotiation costs by delegating completion of the contract to the courts should the contingency materialize. This is especially likely if they think there is only a slight probability that the contingency will materialize.

86 See Witco Chem. Corp. v. U.S., 742 F.2d 615, 616, 623 (Fed. Cir. 1984) (holding that statute referring to goods on which the seller was “obligated under an agreement or contract . . . to use a trademark” did not include goods sold under a mark where no contract provision required use of the mark): 

As a practical matter, the distributors who purchased, e.g., “Kendall” brand motor oil, a
terms, silence should be legally equivalent to no contract duty unless other
standard gap fillers (such as course of performance, course of dealing, and
usage of trade\textsuperscript{87}) speak to the contrary.\textsuperscript{88}

This approach to gap fillers follows the majority view that gap fillers should
reflect what the parties are most likely to have agreed if they had written a
complete contract.\textsuperscript{89} However, especially if one views mark-rights as a
“property” or “moral” entitlement pursuant to which the senior competitor
deserves to hold the full original market benefit of its marks (and products)
against all junior competitors, one might reject this gap filler. Ayers has
argued that default rules should be set as opposite to what the parties would
have contracted in those situations where the failure to contract was probably
caused by the strategic behavior of one party.\textsuperscript{90} For example, merchant one
may have failed to negotiate a mark-removal clause because it reasonably
assumed (based on its high reputation) that its mark would not be removed.
However, merchant two did not discuss a mark-removal clause because it
wanted to remove the mark to improve its ability to become a dangerous
competitor for merchant one. Perhaps merchant two was buying merchant
one’s product only to use it in solicitation misbranding, thus narrowing
merchant one’s first mover advantage.\textsuperscript{91} Under this view of the facts, Ayer’s
theory supports use of non-removal-without-permission as the gap filler.
Merchant one is unlikely to know of merchant two’s nefarious intent.
Therefore, by setting the default rule in merchant one’s favor, the rule
incentivizes merchant two to share information about its intent, thus resulting
in a contract clause rather than the socially more expensive ex post lawsuit. I

\textsuperscript{87} See \textit{Restatement (Second) of Contracts} §§ 202-203, 219-223 (1981); see also

\textsuperscript{88} See \textit{Westowne Shoes, Inc. v. Brown Group, Inc.}, 104 F.3d 994, 997 (1997) (Posner,
C.J.) (“The office of implied contractual terms is to save contracting parties costs of
negotiations by interpolating terms that they are pretty sure to have agreed to had they
thought about the matter . . . .”).

\textsuperscript{89} See Ian Ayres & Robert Gertner, \textit{Filling Gaps in Incomplete Contracts: An Economic
Theory of Default Rules}, 99 \textit{Yale L.J.} 87, 89-90 (1989) (recognizing this “would have
wanted” view of gap fillers as the majority position and listing some of this view’s major
supporters).

\textsuperscript{90} See id. at 91.

\textsuperscript{91} See \textit{infra} notes 59-65 and accompanying text.
reject this argument because, as discussed below, trademark law is not the proper gatekeeper for first mover advantages regarding product development.

Third, the advertising value of marks, including product configuration trade dress, does not support general liability for non-marking or mismarking. Going back to basics, trademarks exist to smooth the commercial transfer of goods. Goods do not exist to smooth the communication of trademarks. In other words, the “advertising value” of marks is not the central core of product distribution. Product distribution focuses on consumers finding the goods with desired properties at the lowest available prices. Trademarks help by assisting consumers in identify the properties of goods.

Nevertheless, dilution statutes exist to protect the advertising value of marks. The “advertising value” Borchard championed was the same value prioritized by Schechter as the basis for protecting marks from dilution. Arguendo, one could interpret Congress’ enactment of dilution protection as some evidence that famous marks’ advertising value outweighs the ownership rights of persons downstream in the branded goods’ distribution chain. However, Congress has limited dilution protection to famous marks. Therefore, this interpretation of dilution’s enactment implies the absence of sufficient advertising value in marks that are not famous. For famous marks, but only famous marks, the advertising value of the mark might trump its other functions. For famous marks then, perhaps the law should insist on liability for mismarking and even, perhaps, non-marking.

However, legal liability for removing, or for removing and replacing, a famous mark is unnecessary. To a large extent, famous marks are products themselves – they enhance the value of the goods to which they are attached rather than signal the value of the goods. Because such marks add value to the goods to which they are attached, it is extremely unlikely that a merchant would purchase goods bearing famous marks and then remove or replace the

92 See infra notes 121-27 and accompanying text.
93 The core purpose of trademarks is to lower consumer search costs. See, e.g., Landes & Posner, supra note 24, at 277.
94 See, e.g., W.T. Rogers Co. v. Keane, 778 F.2d 334, 338 (7th Cir. 1985) (“The purpose [of trademark protection] is to reduce the cost of information to consumers by making it easy for them to identify the products or producers with which they have had either good experiences, so that they want to keep buying the product (or buying from the producer), or bad experiences, so that they want to avoid the product or the producer in the future.”).
95 See Schechter, supra note 17. Schechter is the father of dilution theory in the United States; he saw a mark as a property right, Id. at 334-42. See for example callmann, supra note 3, § 22:17 and McCarthy, supra note 2, § 24:67, for a discussion of dilution theory and the advertising value of trademarks.
96 Borchard, supra note 7, at 17 (internal citation omitted) (quoting Schechter for the importance of the advertising function of trademarks).
famous marks with their own lesser-known marks. The global problem with famous marks is counterfeiting\(^{98}\) – a subset of direct passing off – not reverse passing off.

In sum, causes of action for non-marking or mismarking are not needed to protect marks with protection-worthy advertising value. Therefore, causes of action for non-marking and mismarking are not responsive to the harm they allegedly aim to prevent. This argument has an additional problem – non-marking and mismarking do not protect merchant one’s \textit{mark} from competitors, they protect merchant one’s \textit{product} from competitors.

Fourth, as already mentioned, trademark law’s core purpose is to support commercial transactions by transmitting information. It does not exist to encourage creativity. Furthermore, trademarks are not emanations of natural persons’ personalities. They are attached to juridical persons (only some of which are natural persons). Therefore, moral rights\(^{99}\) are irrelevant to trademark. No belief in commercial morality should trump market participants’ presumptively efficient contractual choices regarding mark retention (or its unimportance).

The existing case law reflects some support for this analysis. As Freedman has pointed out, a number of court decisions reject trademark claims premised on non-marking and mismarking when the defendant and plaintiff are (or were) involved in a contractual relationship, handling the disputes under standard contract doctrines.\(^{100}\) I urge the further step of relocating all such claims to the


Many reverse passing off cases arise through soured business relationships. This is an expensive way to define a business relationship that ought to have been defined under contract law. It is the responsibility of businesses to address potential problems up front when a contract is negotiated and signed. If all parties understand product rights in the beginning, then nobody will have to resort to improper causes of action
contract arena.

B. Solicitation Misbranding

Why have a special trademark cause of action for using a picture or sample of another’s good in an advertisement for one’s own product when the two goods do not differ in any material way perceptible to the persons viewing the picture or considering a purchase based on the sample? The Supreme Court has made clear that, to prevent risk of severe harm to competition, trademark protection in a good’s appearance must be carefully limited to situations where the appearance has been demonstrated to function as a mark. Protecting any creativity in the good’s appearance is a job for copyright and design patent law, not trademark law. Furthermore, Congress has already decided that the ability to sell a good one owns is sufficient reason to allow use of its picture in an advertisement, trumping any copyright held by another in the good’s appearance.

The classic leading cases for solicitation misbranding are L’Aiglon, John Wright Inc., Matsushita Electric Corp., and Truck Equipment Service Co. However, these cases do not provide current support for protection against more than false advertising.

L’Aiglon, the earliest of these cases, does not support a claim for solicitation misbranding absent consumer perception that the challenged advertisement makes a material misrepresentation. The L’Aiglon plaintiff manufactured a dress that it alleged had a distinctive appearance. It publicized the dress under the Lanham Act in the future.

102 See 17 U.S.C. § 113(c) (2010):
In the case of a work lawfully reproduced in useful articles that have been offered for sale or other distribution to the public, copyright does not include any right to prevent the making, distribution, or display of pictures or photographs of such articles in connection with advertisements or commentaries related to the distribution or display of such articles, or in connection with news reports.
103 L’Aiglon Apparel v. Lana Lobell, Inc., 214 F.2d 649 (3d Cir. 1954), described as the leading case in for example, Borchard, supra note 7, at 8; CALLMANN, supra note 3, § 22:30.
106 Truck Equipment Serv. Co. v. Fruehauf Corp., 536 F.2d 1210 (8th Cir. 1976), cert. denied, 429 U.S. 861 (1976), described as a leading case by Freedman, supra note 100, at 309 -10.
through advertisements joining together photographs of the garment with the price of $17.95. Plaintiff alleged that the public thought of this design as being plaintiff’s $17.95 dress – in modern terms, the plaintiff alleged a trade dress with secondary meaning. Plaintiff did not allege that copyright or patent protected the design. Defendant had produced a “copy” of the dress, which it advertised for $6.95. Defendant’s advertisements, however, used pictures of plaintiff’s dress. Consequently, plaintiff alleged, the public regarded the pictures to be a misrepresentation that the defendant was selling for $6.95 a dress identical to plaintiff’s. The trial court dismissed the case for failure to state a cause of action and for lack of subject matter jurisdiction. The Third Circuit reversed.107

The Third Circuit saw a cause of action (and federal question jurisdiction) under then-recently enacted Lanham Act § 43(a). But it did not see a cause of action based merely on the use of a photograph of another’s good. Instead, it reversed and remanded to allow plaintiff the opportunity to prove that defendant had used pictures of plaintiff’s dress in its advertisements, but had shipped its own dress, which was “notably different in appearance.”108 This case, therefore, supports the existence of a federal cause of action for false advertising even absent direct passing off or misuse of a technical trademark. Perhaps if the case had been tried, a later opinion would have shown us that the Third Circuit was willing to find liability under § 43(a) merely because the defendant’s advertisement included a picture of plaintiff’s materially identical dress. But no such published opinion is available.

Of course, the appearance of a product is now protectable under trademark law if the appearance is non-functional and has acquired secondary meaning. The plaintiff in L’Aiglon seems to have alleged what modern attorneys refer to as a product configuration trade dress with secondary meaning.109 But under that theory, defendant would have no legal right to market confusingly close copies of plaintiff’s dress.110 Use of the photograph in the advertisement would be irrelevant. The L’Aiglon district court was emphatic that defendant had the legal right to copy plaintiff’s dress design. The Third Circuit did not

108 L’Aiglon, 214 F.2d at 650.
109 See CALLMANN, supra note 3, ch. 19.
110 See, e.g., General Motors Corp. v. Lanard Toys, Inc., No. 01-71103 (E.D. Mich. Apr. 12, 2005), aff’d, General Motors Corp. v. Lanard Toys, Inc., 468 F.3d 405 (6th Cir. 2006) (affirming final judgment for GM in trade dress case; permanently enjoining sale of toy cars whose designs were likely to be confused with that of GM’s Hummer automobiles). The standard remedy for marketing a product likely to cause confusion with the trade dress of a senior user’s good is a permanent injunction. See generally CALLMANN, supra note 3, § 23:55; MCCARTHY, supra note 2, § 30:1 (“An injunction is the usual and standard remedy” for trademark infringement).
contradict that statement.

The John Wright Inc. case involved rival manufacturers of cast-iron reproductions of antique penny banks. Plaintiff’s banks were copies of a collection of original antiques known as the Book of Knowledge collection. Each of plaintiff’s banks came with a Certificate of Authenticity from the owners of that collection. No copyright or patent protected any of plaintiff’s banks or certificates. Defendant sold lower quality reproductions of antique penny banks. Unlike plaintiff’s items, defendant’s banks were not first-generation copies of antiques, though some models were extremely similar to plaintiff’s. For example, both offered a Trick Pony bank. Defendant’s banks came with a document that could be mistaken at a distance for plaintiff’s Certificate of Authenticity, though it used neither plaintiff’s name nor the name of the Book of Knowledge collection. The defendant’s document allegedly gave the incorrect impression that the accompanying banks were produced directly from genuine antiques, that the banks were close in all details to the original antiques, that these facts were certified by an independent entity, and that the copies were produced inside the United States.

The trial court’s decision was complex. The only aspect relevant to this discussion is the holding that defendant had committed actionable “reverse palming off” by advertising its products (which the court held were reproductions of John Wright Inc.’s first-generation copies of antiques and could have legally been advertised as such) as “replicas of [defendant’s] own original antiques.” Such misstatements do seem to be both false and material, hence, prohibited by false advertising doctrine without resort to reverse passing off.

The Matsushita Electric case did base liability on using another’s product to solicit sales without proof either of a protectable trade dress or of a material misrepresentation of fact. Defendant bought several of plaintiff’s radios, scraped off plaintiff’s marks, and affixed its own marks. Both the changed sample radios and photographs of those sample radios were used to advertise defendant’s radios before defendant’s own radios were in existence. Defendant filled the resulting orders with defendant’s own products. The

112 See John Wright, Inc., at 316.
113 Id. at 316. The court also used the phrase “reverse palming off” while stating general principles of law. Id. at 325.
114 Id. at 327-28.
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Matsushita district court rejected the relevance of defendant’s assertion that its own products were not inferior to plaintiff’s.116 The court did not, however, explain any policy reason for its decision, relying instead on earlier cases, and on the statutory language barring use of a false designation of origin. Interestingly, the court found that a false designation of origin had been used in commerce on the sample item, as contrasted to the items defendant sold to others.117

Matsushita Electric was not reviewed by the Second Circuit. However, that court did express dissatisfaction with Matsushita Electric’s reasoning in a later opinion.118 The Second Circuit adopted the same approach now advocated by this Article to solicitation misbranding (without using this term):

On this appeal plaintiff argues that since the district court found that defendants used a photograph of plaintiff's belt in one of their ads [for their own belt] it must prevail on its § 43(a) claim, because "[i]t is by now hornbook law that Section 43(a) is violated when a party attempts to market a product by use of a photograph of the product of another." Although such conduct may give rise to liability, it is not automatic. One who uses a photograph of his competitor's unpatented and untrademarked product to advertise his own wares may be guilty of false representation if the product pictured is not identical to the one he is prepared to deliver. This was central to the Third Circuit's seminal decision in L'Aiglon Apparel, Inc. v. Lana Lobell, Inc., 214 F.2d 649 (3d Cir. 1954), where the defendant made use of a picture of the plaintiff's $17.95 dress to advertise its own inferior $6.95 dress. Second, he may be vulnerable to a charge of false designation of origin if the features pictured in the photograph are non-functional and have acquired the secondary meaning necessary to indicate origin to the typical consumer. See, e.g., Crossbow, Inc. v. Dan-Dee Imports, Inc., 266 F. Supp. 335 (S.D.N.Y. 1967), where the defendant carefully copied the plaintiff's popular signal light and, because of its distinctively novel design, its copies were widely believed to have

116 See id. at 67.
117 See id.
118 See Vibrant Sales, Inc. v. New Body Boutique, Inc., 652 F.2d 299, 305 (2d Cir. 1981), cert. denied, 455 U.S. 909 (1982). Vibrant's negative indirect history is caused by the Supreme Court’s rejection of the need for secondary meaning for all trade dress in Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763 (1992), which itself was overruled in relevant part (that is, as to product configuration trade dress) in Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205 (2000). Oddly, the Second Circuit salvaged the outcome, though not the analysis, of Matsushita Electric by describing the defendant’s product in that case as inferior to the plaintiff’s. The opinion does not state the basis of that conclusion. Vibrant, 652 F.2d at 305, discussing Matsushita Electric Corp. v. Solar Sound Sys., Inc., 381 F. Supp. 64 (S.D.N.Y. 1974).
been made by the same manufacturer as the heavily advertised original.119
The last of the leading solicitation misbranding cases, the Truck Equipment

\begin{itemize}
  \item \textit{Truck Equipment Serv., Co. v. Fruehauf Corp.}, 536 F.2d 1210, 1216-21 (8th Cir. 1976),

\begin{itemize}
  \item cert. denied, 429 U.S. 861 (1976).
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\end{itemize}

\begin{itemize}
  \item See, e.g., \textit{Arrow United Indus., Inc. v. Hugh Richards, Inc.}, 678 F.2d 410, 414-15 (2d Cir. 1982) (affirming preliminary injunction as modified; defendant had used plaintiff’s goods, slightly modified, as samples to obtain a contract):

\begin{itemize}
  \item \textit{... The district court found that the Arrow-Foil damper, on the market since 1964, was well known throughout the industry, and that no other United States company made a damper like it. Richards has argued that it has the know-how to make dampers of the Arrow-Foil type, and that to begin production it need only acquire certain tools and dies that are available to it. Assuming that this is so, what Richards would gain as a result of misbranding Arrow dampers as its own, is a foothold in the market for Arrow-Foil type dampers. To the extent, then, that Richards did eventually attain the capability to make an Arrow-Foil type damper of its own, its ability to compete with Arrow would have been unfairly enhanced both by the implicit representation that, for a longer time than would be true, Arrow was not the only manufacturer of the product, and by Richards’s own spurious track record as a manufacturer of the product. See also Freedman, supra note 100, at 321-23 (arguing that the first comer advantage should be protected in certain market situations, but not addressing why trademark doctrine, as opposed to patent, should be used for this purpose).}
\end{itemize}
\end{itemize}

\begin{itemize}
  \item \textit{But see Arrow United Indus., 678 F.2d at 414-15. The opinion is unclear. It may be describing a situation where the existence and materiality of such a claim has been proven or it may be relying on the presumption I am rejecting.}
\end{itemize}
purpose of patent law, not trademark law. The Supreme Court has repeatedly blocked use of state\textsuperscript{123} and federal\textsuperscript{124} trade identity law to perform this patent law function. Trademark should not be used as a substitute because it lacks the detailed limits on protectability required to obtain a patent.\textsuperscript{125} Trademark also lacks the narrowing elements that allow misappropriation doctrine,\textsuperscript{126} and trade secret doctrine\textsuperscript{127} to co-exist with competition policy.

For the reasons discussed earlier,\textsuperscript{128} the advertising value that Borchard argued should be protected by solicitation misbranding is not really at issue unless the product configuration is itself a famous trade dress. Solicitation misbranding is not needed in these circumstances to protect advertising values in famous trade dress because trade dress doctrine already protects all (not just famous) trade dress (which meet the basic standards to be trade indicia) from imitation.\textsuperscript{129}

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\textsuperscript{125} Therefore, Freedman, supra note 100, at 322, suggests reverse passing off protection be allowed in a situation which echoes patent theory: “Thus, protecting against reverse passing off is desirable when the incentives underlying the policy of protecting individuals who expend labor and effort outweighs the concern about impeding competition.” Cf. Graham v. John Deere Co., 383 U.S. 1, 9 (1966) (“Only inventions and discoveries which furthered human knowledge, and were new and useful, justified the special inducement of a limited private monopoly.”).

\textsuperscript{126} See Nat’l Basketball Ass’n v. Motorola, Inc., 105 F.3d 841, 845 (2d Cir. 1997):

We hold that the surviving “hot-news” INS-like claim [misappropriation claim which survives federal pre-emption] is limited to cases where: (i) a plaintiff generates or gathers information at a cost; (ii) the information is time-sensitive; (iii) a defendant’s use of the information constitutes free riding on the plaintiff’s efforts; (iv) the defendant is in direct competition with a product or service offered by the plaintiffs; and (v) the ability of other parties to free-ride on the efforts of the plaintiff or others would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened.

By “INS-like”, the opinion is referring to the classic misappropriation case, Int’l News Serv. v. Associated Press, 248 U.S. 215 (1918), which was relied on in Borchard, supra note 7, at 6-7.


\textsuperscript{128} See supra text accompanying notes 95-98.

\textsuperscript{129} See, e.g., Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 774 (1992) (holding that the Lanham Act protects trade dress in the same manner as it protects verbal trademarks).
C. Why Not Leave Well-Enough Alone?

Why bother reforming reverse passing off doctrine? Few cases exist. I have objected to the outcome in only a subset of those.

First, the threat of litigation (even meritless litigation) is a strong disincentive to competition. The plight of an entity producing a product composed of multiple-branded elements would be especially difficult. Like the actual defendant in Dastar, it would have to guess which of multiple entities to credit. Like the actual defendant in Dastar, it could be trapped by legal doctrine into a lose-lose situation. Failure to affix an upstream merchant’s marks to the final good might lead to liability for non-marking or mismarking. Affixing an upstream merchant’s mark might lead to liability for passing off, creating a likelihood of confusion regarding endorsement or association between the two entities, or false advertising.

Second, as long as the old cases are not expressly overruled, the over-expansive precedents remain available for revival and even further expansion. Cases allowing liability without actual proof of an advertisement’s public meaning or the materiality of any allegedly communicated claim have the

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130 Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 214, 215-16 (2000) (“Competition is deterred, however, not merely by successful suit but by the plausible threat of successful suit. . . .”; holding that policy reasons require extreme care in allowing mark-protection for product configurations alleged to function as indicia of origins).

131 Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 35-36 (2003) (“Reading ‘origin’ in § 43(a) to require attribution of uncopyrighted materials would pose serious practical problems. Without a copyrighted work as the basepoint, the word ‘origin’ has no discernable limits. . . . Fox[‘s] . . . involvement with the creation of the television series was limited at best. . . . We do not think the Lanham Act requires this search for the source of the Nile and all its tributaries.”).

132 Id. at 36 (“Another practical difficulty of adopting a special definition of “origin” for communicative products is that it places the manufacturers of those products in a difficult position. On the one hand, they would face Lanham Act liability for failing to credit the creator of a work on which their lawful copies are based; and on the other hand they could face Lanham Act liability for crediting the creator if that should be regarded as implying the creator’s ‘sponsorship or approval’ of the copy, 15 U.S.C. § 1125(a)(1)(A).”).

133 See, e.g., Ford Motor Co. v. Ultra Coachbuilders Inc., 57 U.S.P.Q.2d (BNA) 1356, 1363-65, (C.D. Cal. 2000), aff’d, 238 F.3d 428 (9th Cir. 2000) (finding vehicle converter liable for infringement and dilution of Ford’s Navigator trademark when it converted genuine Navigator vehicles without removing Ford’s marks and attached its own mark); Rolex Watch USA, Inc. v. Meece, 158 F.3d 816, 820 (5th Cir. 1998), cert. denied, 526 U.S. 1133 (1999) (affirming finding of infringement when defendant took “new, genuine Rolex watches” and “enhanced” them “by substituting non-genuine parts, such as diamond bezels and/or bracelets” or “removed the dials, drilled holes in them, added diamonds, refinished the dials, and then re-installed them on the watches” without removing Rolex trademarks and without adding own marks).

capacity to undermine the social value of competition for the sake of increasing the profits of competitors whose only virtue is their earlier existence.

Competition is also at risk from cases allowing protection of marks (especially product configuration trade dress)\textsuperscript{135} lacking both secondary meaning and inherent distinctiveness,\textsuperscript{136} and from cases allowing protection despite a purported mark’s functionality.\textsuperscript{137} These oddities seemingly crept into reverse passing off trademark law to enable its use to supplement the copyright protection of authors and the patent protection of inventors. But trademark law, as \textit{Dastar}\textsuperscript{138} reminded us, is not the proper vehicle for protecting authorship and inventorship. No trademark policy supports allowing these errors to burrow into trademark law itself. Something that is functional is not a protectable trademark because of strong policy reasons.\textsuperscript{139}

\textsuperscript{135} See \textit{Wal-Mart Stores, Inc.}, 529 U.S. at 214-15 (holding that over protection of product configurations under the rubric of trade dress poses sufficient dangers to competition to justify requiring proof of secondary meaning for each such claim, making no exceptions for inherently distinctive trade dress; furthermore, borderline cases should require proof of secondary meaning).

\textsuperscript{136} See \textit{Waldman Publ’g Corp. v. Landoll, Inc.}, 43 F.3d 775, 784 n.7 (2d Cir. 1994) (affirming reverse passing off liability based on misattribution of books’ authorship and design, without requiring proof of secondary meaning); \textit{Debs v. Meliopoulos}, 1993 WL 566011, at *13 n.7 (N.D. Ga. Dec. 18, 1991) (recognizing cause of action for reverse passing off based on misattribution of course materials’ authorship, without requiring proof of secondary meaning); \textit{Blank v. Pollack}, 916 F. Supp. 165, 170-71 (N.D.N.Y. 1996) (recognizing a cause of action for reverse passing off based on misattribution of design credit regarding a window crank, i.e. inventorship, without requiring proof of secondary meaning). \textit{See also Landes & Posner, supra} note 24, at 286-87 (explaining economic support for non-protection of non-distinctive marks).

\textsuperscript{137} See \textit{Blank}, 916 F. Supp. at 171 (recognizing cause of action for reverse passing off regarding design of window crank without need to prove lack of functionality); \textit{Landes & Posner, supra} note 24, at 295-97 (explaining economic support for non-protection of functional marks).

\textsuperscript{138} \textit{Dastar Corp. v. Twentieth Century Fox Film Corp.}, 539 U.S. 23, 35 (2003).

\textsuperscript{139} See, \textit{e.g.}, \textit{Qualitex Co. v. Jacobson Products Co.}, 514 U.S. 159, 164-65 (1995): If a product’s functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity). . . . Functionality doctrine therefore would require, to take an imaginary example, that even if customers have come to identify the special illumination-enhancing shape of a new patented light bulb with a particular manufacturer, the manufacturer may not use that shape as a trademark, for doing so, after the patent had expired, would impede competition—not by protecting the reputation of the original bulb maker, but by frustrating competitors’ legitimate efforts to produce an equivalent illumination-enhancing bulb.
Something that is neither inherently distinctive nor imbued with secondary meaning is not a protectable trademark because of strong policy reasons.\(^{140}\) Protecting first-users of such non-marks from competition merely decreases beneficial competition without providing the countervailing gain provided by true trademarks.

Third, a mark-holder’s downstream right to control use of a good, *which used to be affixed with its mark*, provides an unclearly bounded set of persons with a disturbing platform to extend their market control. The set of potential right holders is unclear because a mark-holder may now be any one of a numerous set of entities.\(^{141}\) The status of “mark-holder” does not necessarily correlate with *either* the entity that created in the sense of manufacturing, or the entity that created in the sense of designing. Therefore, no compelling moral entitlement (using either Lockian labor theory\(^{142}\) or Hegelian personality theory\(^{143}\)) meshes well with this claim of right.

While so far the cases involve disputes between merchants, the implication of the upstream merchant’s claim is a right to present its view of a product to the general public.\(^{144}\) If upstream merchants have such a right, its enforcement must limit the choices legally available to the consuming public – a seeming inversion of the concept of a free marketplace responding to consumer

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140 See *Wal-Mart Stores, Inc.*, 529 U.S. at 214.

141 See *supra* text accompanying notes 75-80.


144 See, e.g., *By-Rite Distrib., Inc. v. Coca-Cola Co.*, 577 F. Supp. 530, 541-42 (D. Utah 1983) (issuing a preliminary injunction against operation of the Carb-A-Drink system based in part on its allowing consumers to offer one mark-holder’s beverage in a bottle affixed with a different mark). The court described the system as follows:

The Carb-A-Drink system consists primarily of a large unit of fountain dispensing equipment, equipped with from 10 to 20 heads dispensing up to 40 flavors. The fountain heads bear the trademarks of the products dispensed, including the trademarks of the counter-claiming defendants. In addition, certain flavors are sold without trademarks. The equipment has been designed to facilitate the filling of bottles from the fountain dispensers.

The Carb-A-Drink system operates in the following manner. A customer obtains an empty two-liter PET plastic bottle bearing the trademark Carb-A-Drink and fills the bottle with fountain beverage at the Carb-A-Drink station. The customer is encouraged to return to the store and refill the two-liter PET bottle or other package of his own at the fountain. Therefore, customers may and do fill empty bottles that bear the trademarks of one defendant with products manufactured by another company. *Id.* at 534-35.
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demand. Furthermore, the logic of the upstream merchant’s claim leads to a right against end users to preserve the advertising value of both the good and the mark. If an upstream merchant has the right to public credit for a good in the hands of later owners of the good, a car manufacturer might be entitled to prevent a consumer (not just a dealer) car owner from removing a hood ornament. After all, the general public sees the family car; furthermore, the family might sell the car to another family or to a car dealer. A flight of fancy? Fancy can fly further: a car manufacturer’s right against a consumer car owner for modifying the car, or for failure to maintain the car (thus damaging the car manufacturer’s reputation). Flying even further, removing the manufacturer’s marks might not be a sufficient remedy for failure to maintain the car.

CONCLUSION

Now that Dastar\textsuperscript{145} has trimmed trademark back from its reverse passing off foray into pseudo-copyright and pseudo-patent, trademark attorneys, legislatures, and the courts should make sure that reverse passing off does not undermine the policy balances of trademark’s core. Reverse passing off should be rejected as a separate cause of action.

\textsuperscript{145} Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003).