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Lanham Act and Deceptive Trade Practice Claims Arising Under State Professional Licensure Laws

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Lanham Act and Deceptive Trade Practice Claims Arising Under State Professional Licensure Laws

John L. Reed*

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INTRODUCTION

State occupational licensing laws have generated an unexpected legal fallout. Although enacted to provide state control over professions,¹ the licensing laws have become the legal bases for a wide variety of claims that bear a striking resemblance to trademark infringement actions. The issues raised by such claims range from First Amendment concerns to questions regarding evidentiary standards.

The individual states regulate and license more than eight hun-

1. See 15 AM. JUR. 2D *Occupations, Trades, and Professions* § 2 (1989). Regulation of occupations falls within the states' traditional police powers:

Reasonable regulation of a business is within the state's police power when it is in the interest of protecting public health or safety. . . . Municipal corporations may . . . regulate any trade, occupation, calling, or business the unrestrained pursuit of which might affect injuriously the public health, morals, safety, comfort, or welfare, or might result in fraud or imposition on the public.

Id. (citations omitted).

dred occupations (“licensed practices”).² Those licensed practices range from familiar occupations, such as physician,³ pharmacist,⁴ real estate agent,⁵ and plumber,⁶ to obscure pursuits, such as horse-shoer,⁷ egg handler,⁸ and lightning-rod installer.⁹ The common licensed practices, such as medicine and engineering, are regulated in all fifty states. The need for professional regulation and state licensure arises from the potential for public harm presented by the incompetent practices of individuals within certain vocations.¹⁰

Many states regulate licensed practices by enacting statutes containing title laws, which prohibit unlicensed persons from using certain words and derivatives of those words, titles, and designations (“words, titles, and designations”) in a manner that may lead a reasonable person to believe that the user is entitled to engage in the licensed practice.¹¹ For example, title laws may prohibit per-

2. See BENJAMIN SHIMBERG, OCCUPATIONAL LICENSING: A PUBLIC PERSPECTIVE 15 (Educational Testing Serv. 1982) [hereinafter SHIMBERG, OCCUPATIONAL LICENSING].

3. See, e.g., CONN. GEN. STAT. § 20-9 (LEXIS through 1995-96 Sess.) (requiring a license to “diagnose, treat, operate for, or prescribe for any injury, deformity, ailment or disease, actual or imaginary, of another person” for “compensation, gain or reward”).

4. See, e.g., ARIZ. REV. STAT. § 32-1922 (Michie, LEXIS through 1997 1st Reg. & Spec. Sess.) (setting forth qualification and licensure requirements for pharmacists).

5. See, e.g., CAL. BUS. & PROF. CODE § 10130 (Deering, LEXIS through 1997 Sess.) (making it unlawful to act or advertise as a real estate broker or salesman unless licensed by the state).

6. See, e.g., ARK. CODE ANN. § 17-38-301 (West, WESTLAW through 1997 Reg. Sess.) (requiring a license to “engage in work as a master plumber, journeyman plumber, [or] apprentice plumber”).

7. See, e.g., MONT. ADMIN. R. 8.22.708 (1997) (governing occupational licenses for farriers, shoers, and blacksmiths).

8. See, e.g., GA. CODE ANN. § 26-2-263 (LEXIS through 1997 Sess.) (requiring a license to engage in business as an egg handler).

9. See, e.g., S.C. CODE ANN. § 40-41-60 (West, WESTLAW though 1997 Reg. Sess.) (prohibiting commercial installation of lightening rods without a license).

10. See 15 AM. JUR. 2D *Occupations, Trades, and Professions* § 2 (1989); see also Mitch Altschuler, *The Dental Health Care Professionals Nonresidence Licensing Act: Will it Effectuate the Final Decay of State Discrimination of Out-of-State Dentists?*, 26 RUT. L.J. 187, 194 (1994) (discussing potential for harm to the public by incompetent dental and medical persons). But see Elizabeth Harrison Hadley, *Nurses and Prescriptive Authority: A Legal and Economic Analysis*, 15 AM. J.L. MED. 245, 292-98 (1989) (arguing that current licensure laws provide little protection to the public because the laws fail to differentiate between the “unauthorized practice of a profession” and “incompetent practice”).

11. See SHIMBERG, OCCUPATIONAL LICENSING, *supra* note 2.

sons not licensed to practice medicine from using the title of “physician,” “medical doctor,” or the designation “M.D.”¹² Similarly, title laws may restrict the use of the designation “C.P.A.” to individuals who are certified public accountants,¹³ and may restrict the use of the title “professional engineer,” or the designation “P.E.,” or the word “engineer” and its derivatives, to those persons licensed to practice engineering.¹⁴

Developments in technology may pose, and in some cases have already created, significant economic threats to existing licensees. Those advancements have led to an increase in new professions and specialties and to the expansion of forums and vehicles for the dissemination of advertising. A licensee who believes that an unlicensed individual has infringed upon his vocation can choose among several courses of action. At the state level, the licensee can file a complaint with the local regulatory board or agency.¹⁵ Reliance on state regulatory action, however, may not be the most advantageous avenue of pursuit—particularly if the licensee has suffered or believes he will suffer an economic loss due to the violation. In a state agency action, the licensee’s recourse is usually limited to an injunction against the violator. Consequently, any monetary recovery from a civil or criminal penalty¹⁶ inures to the

12. *See, e.g.*, GA. CODE ANN. § 10-1-422 (1994) (requiring the designation of a degree in advertisements using the terms “Doctor” or “Dr.”).

13. *See, e.g.*, TEX. REV. CIV. STAT. ANN. art. 41a-1 (West 1997) (requiring minimum educational and experiential standards for licensure in accounting); *see also* Fulcher v. Texas State Bd. Of Pub. Accountancy, 571 S.W.2d 366 (Tex. Civ. App. 1978) (restricting the defendant from using the words “public accounting officers,” “accounting officer,” “accountant,” or any other similar abbreviation or derivation because the defendant’s use of these terms had mislead the public into believing that he was an accounting expert).

14. *See, e.g.*, N.Y. EDUC. LAW § 7202 (McKinney) (West, WESTLAW through 1997 Sess.) (“Only a person licensed or otherwise authorized under this article shall practice engineering or use the title ‘professional engineer.’”); *see also* Reid v. Ambach, 424 N.Y.S.2d 793 (App. Div. 1980) (holding that a land surveyor’s use of the designation “civil engineers” in his firm name constituted unprofessional conduct, as well as a misleading and deceptive advertising technique).

15. *See* FLA. STAT. ANN. § 455.225 (West 1991); MINN. STAT. ANN. § 214.10 (West 1992); NEB. REV. STAT. § 71-168.01 (1996).

16. *See* CAL. BUS. & PROF. CODE § 16240 (West 1997). Under the California title law:

Every person who practices, offers to practice, or advertises any business, trade, profession, occupation, or calling, or who uses any title, sign initials,

benefit of the state. Thus, the licensee may consider seeking redress for any actual or potential economic injury caused by a violator through claims for false advertising and false association under the Trademark Act of 1946 ("Lanham Act," the "Act").¹⁷ In addition, a licensee may pursue claims for deceptive trade practices under the applicable state statutes.¹⁸ Finally, a licensee may bring a private cause of action under a title law.¹⁹

This Article provides an overview of potential claims that licensees may pursue against individuals who violate the title laws. Part I focuses on the provisions for private rights of action in title laws and the accompanying constitutional commercial free-speech issues. Part II evaluates claims for false advertising and false association under the Lanham Act, including recovery for actual damages and various other remedies available to injured licensees. Part III considers claims under state deceptive trade practices acts. Part IV examines the strengths and weaknesses of potential defenses to title law claims, including trademark registration, preemption, and additional commercial free-speech issues. This Article concludes that licensed professionals must employ their private rights of action to protect the words, titles, and designations associated with their professions because state enforcement is inade-

card, or device to indicate that he or she is qualified to practice any business, trade, profession, occupation, or calling for which a license, registration, or certificate is required by any law of this state, without holding a current valid license, registration, or certificate as prescribed by law is guilty of a misdemeanor.

Id.; see also FLA. STAT. ANN. § 455.227 (West 1991) (imposing sanctions for aiding, employing, or advising any unlicensed person in the practice of a licensed profession).

17. Trademark Act of 1946 ("Lanham Act"), ch. 540, 60 Stat. 427 (codified as amended at 15 U.S.C.A. §§ 1051-1127 (West 1998 & Supp. 1998)). Section 43(a) of the Lanham Act protects against false designations of origin, false or misleading description of fact, and false or misleading misrepresentations of fact that are likely to cause confusion as to the source or nature of goods, services, or commercial activities. 15 U.S.C.A. § 1125(a) (West 1998).

18. See DEL. CODE ANN. tit. 6, § 2532 (1993); D.C. CODE ANN. § 28-3904 (1981); FLA. STAT. ANN. § 501.201 (West 1991); N.Y. GEN. BUS. LAW § 349 (McKinney 1988); PA. STAT. ANN. tit. 73, § 201-1 (West 1993).

19. See *infra* notes 28-29 and accompanying text.

This Article is limited to a discussion of claims arising out of the use of words, titles, and designations regulated by title laws and ignores claims, such as those for unfair competition, arising out of other advertising or business practices.

quate.

I. OCCUPATIONAL TITLE LAWS

Delaware, like most states, has a variety of title laws governing occupations.²⁰ For example, Delaware's engineering law requires engineering corporations and partnerships to obtain certificates of authorization to use the designations "engineer," "engineering," or any derivative of those words.²¹ Furthermore, non-authorized entities are forbidden from holding themselves out in a way that may lead the public to believe that the entity is permitted to engage in engineering activities.²²

Delaware's medical title law applies similar prohibitions to the practice of medicine, forbidding any unlicensed person from holding himself out as a licensed medical practitioner or engaging in the use of words or letters that imply that he is authorized to prac-

20. Because Delaware is the "preeminent state in corporation law," it has become a forum of choice for intellectual property litigation, hence it serves as an excellent model for discussion of title law actions. Leo Herzel & Laura D. Richman, *Foreword* to R. FRANKLIN BALOTTI & JESSE A. FINKELSTEIN, *THE DEL. LAW OF CORPS. & BUS. ORGS.* F-1 (2d ed. Supp. 1997) (noting that more than half of the Fortune 500 companies are incorporated in Delaware, and that, between 1981 and 1984 alone, more than 40 publicly owned corporations reincorporated in Delaware). In recent years, the United States District Court for the District of Delaware has become a primary forum for intellectual property litigation. See Victoria Slind-Flor, *Del. Judge on IP's Frontline*, NAT'L L.J., Sept. 15, 1997, at A1, A22 (noting that Delaware's United States District Court is "the premium patent court in the United States") (quoting Harold F. Wegner, professor, George Washington University School of Law).

21. DEL. CODE ANN. tit. 24, § 2825 (1997).

22. The Delaware title law for engineering states in part:

Persons or engineering corporations or partnerships not registered or holding a permit or certificate of authorization may not:

- (1) Practice engineering as defined in this chapter;
- (2) Use any name, title, description or designation, either orally or in writing, that will lead to the belief that such person is entitled to practice engineering as defined in this chapter, including without limitation the words "engineer" or "engineering" or any modification or derivative of those words;
- (3) Advertise or hold oneself or conduct oneself in any way or in any such manner as to lead to the belief that such person is entitled to practice engineering.

Id.

tice medicine.²³ Similar to Delaware's treatment of the medical practice, the state's accounting title law forbids the use of any phrase or abbreviation likely to be confused with the title certified public accountant or C.P.A.²⁴

A review of those selected title laws reveals that some regulate the use of specific words, titles, and designations,²⁵ whereas others prohibit the use of any words, titles, and designations where such use is misleading.²⁶ Some state laws contain elements of both types of restriction on words, titles, and designations.²⁷ Neverthe-

23. Delaware Medical Practices Act, DEL. CODE ANN. tit. 24, §§ 1701-1703 (1997). The Medical Practices Act provides in part:

(b) As used in this chapter, "practice of medicine" means to:

....

(4) Hold oneself out in any manner as engaged in the practice of medicine or to use in connection with his name, the words or letters "Dr.," "Doctor," "M.D.," "D.O.," "Healer" or any other title, word, letter or designation which may imply or designate one engaged in the practice of medicine.

(c) As used in this chapter, the "unauthorized practice of medicine" shall refer to the practice of medicine as defined in subsection (b) of this section by persons not permitted to perform any of the acts set forth in said subsection.

Id. § 1703

24. DEL. CODE ANN. tit. 24, § 121(a)-(b) (1997). Delaware's accounting title law provides, in pertinent part:

Any person who represents himself or herself to the public as the recipient of a certificate or permit, or holds himself or herself out as being authorized to practice certified public accountancy or public accountancy, or otherwise wrongfully uses such title or any similar title to practice certified public accountancy or public accountancy after revocation, suspension or expiration of a certificate or permit or otherwise misleads the public or violates this chapter or associated regulations shall be fined not less than \$500 nor more than \$1000. Restitution may also be imposed.

Id. § 121(a). Delaware's real estate brokers and salespersons title law is notable as well. *See id.* tit. 24, § 2906(a) (1997). So are Delaware's nursing home administrator title law, *id.* tit. 24, § 5209(4), and its architecture title law. *Id.* tit. 24, § 303(a).

25. *See id.* tit. 24, §§ 1703(b), 2825(2), 2906(a) (1990). Compare the Delaware statutes, *supra*, with CAL. BUS. & PROF. CODE § 5058 (West 1990), which also regulates by restricting the use of specific words, titles, and designations.

26. *See* DEL. CODE ANN. tit. 24 §§ 125(a)-(b), 303(a), 1703(c), 2825(3), 5209(4).

27. *See, e.g.*, CAL. BUS. & PROF. CODE § 5058. The statute provides in pertinent part:

No person or partnership shall assume or use the title or designation "chartered accountant," "certified accountant," "enrolled accountant," "registered accountant," or "licensed accountant," or any other title or designation likely to be confused with "certified public accountant" or "public accountant," or any

less, the differences between the individual title laws are not tremendously significant. Under each of the title laws, unlicensed parties are restricted from using words, titles, and designations that imply a legal entitlement to engage in the licensed practice. In other words, both types of title laws are enforceable if the use of the words, titles, and designations is found to be misleading.

A. *Enforcement of Occupational Title Laws*

Because title laws are generally enforced by state boards or agencies rather than by individual licensees,²⁸ it is unclear whether title laws provide a direct cause of action for a licensee, or whether this right of action is reserved for the state. Nevertheless, an action against an unlicensed individual may include a title law claim premised on the assertion that the law provides either a private right of action or an action as a taxpayer. The bases of such claims are identical whether brought by individuals or by the appropriate state boards or agencies. All are required to demonstrate that an unlicensed individual has misled the public in violation of the title law. Thus, a licensee as an indirect beneficiary of title protection, and as a taxpaying member of the public—the direct beneficiary of title protection—is entitled to injunctive relief for breaches of title regulations.²⁹

B. *First Amendment Issues*

When asserting a claim under a title law, or a claim under the Lanham Act hinged upon a title law, a licensee first may be required to establish that the law does not violate the First Amendment.³⁰ In most cases, a licensee's claim must survive scrutiny under commercial free-speech jurisprudence, rather than general

of the abbreviations "C.A.," "E.A.," "R.A.," or "L.A.," or similar abbreviations likely to be confused with "C.P.A." or "P.A."

Id.

28. See DEL. CODE ANN. tit. 24 §§ 105, 314, 315, 1710(a), 2604(6)-(12).

29. See *California Ass'n of Dispensing Opticians v. Pearle Vision Ctr., Inc.*, 191 Cal. Rptr. 762 (1983) (holding that plaintiff, an organization of licensed opticians, was entitled to injunctive relief against unlicensed retail optician outlets who advertised and provided eye care services); see also DEL. CODE ANN. title 24, § 118 (granting standing to an "aggrieved person").

30. U.S. CONST. amend. I.

free-speech jurisprudence.³¹ Laws restricting commercial speech, unlike laws suppressing political speech, must be “tailored in a reasonable manner to serve a substantial state interest in order to survive First Amendment scrutiny.”³² Consequently, such laws need survive intermediate level scrutiny rather than strict scrutiny.³³

It is now well-established that even a communication that does no more than propose a commercial transaction is entitled to at least some First Amendment protection.³⁴ The Supreme Court, however, has determined that each state’s interest in regulating commercial transactions provides each state with “a concomitant interest in the expression itself.”³⁵ In addition, the Court has found that commercial speech is “linked inextricably” with the commercial arrangement it proposes.³⁶

The Supreme Court has spoken several times regarding the First Amendment protections to be afforded to commercial speech. In *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*,³⁷ the Court held that misleading commercial speech does not fall within the purview of the First Amendment.³⁸

31. See *44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484 (1996), for a discussion of general and commercial free-speech jurisprudence.

32. *Edenfield v. Fane*, 507 U.S. 761, 767 (1993) (citing *Board of Trustees of the State Univ. of N.Y. v. Fox*, 492 U.S. 469, 480 (1989); *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm’n of N.Y.*, 447 U.S. 557, 564 (1980)).

33. *See id.*

34. *See id.* (citing *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 762 (1976)).

35. *Id.* (citing *Ohralik v. Ohio State Bar Ass’n*, 436 U.S. 447, 457 (1978)).

36. *Id.* (quoting *Friedman v. Rogers*, 440 U.S. 1, 10 n.9 (1979)).

37. 447 U.S. 557 (1980).

38. *See id.* at 563. *Central Hudson* set forth the following test for determining whether commercial speech shall be protected:

In commercial speech cases, then, a four-part analysis has developed. At the outset, we must determine whether the expression is protected by the First Amendment. For commercial speech to come within that provision, it at least must concern lawful activity and not be misleading. Next, we ask whether the asserted governmental interest is substantial. If both inquiries yield positive answers, we must determine whether the regulation directly advances the governmental interest asserted, and whether it is not more extensive than is necessary to serve that interest.

Id. at 566.

Consequently, in *In re R.M.J.*,³⁹ the Court held that “[m]isleading advertising may be prohibited entirely.”⁴⁰ Moreover, in *Edenfield v. Fane*,⁴¹ the Court acknowledged past decisions that recognized the states’ authority to “ban commercial expression that is fraudulent or deceptive without further justification.”⁴²

Title laws generally prohibit misleading speech by prohibiting unlicensed individuals from representing themselves in any manner that may lead to the belief that the individual is entitled to engage in the licensed practice.⁴³ Based on the Supreme Court’s analyses, title laws that prohibit only the “misleading” use of words, titles, and designations are constitutional on their face because misleading commercial speech does not fall within the purview of the First Amendment.⁴⁴

The Supreme Court has distinguished between the following three categories of commercial speech: (1) inherently misleading, (2) actually misleading, and (3) potentially misleading.⁴⁵ In *Joe Conte Toyota, Inc. v. Louisiana Motor Vehicle Commission*,⁴⁶ the Fifth Circuit best summarized the Supreme Court jurisprudence that has developed in this area, noting the distinction between advertising which is “inherently” misleading and that which is “potentially” misleading.⁴⁷ Two firm rules can be drawn from these

39. 455 U.S. 191 (1982).

40. *Id.* at 203.

41. 507 U.S. 761 (1993).

42. *See id.* at 768 (citing *Central Hudson*, 447 U.S. at 563-64; *In re R.M.J.*, 455 U.S. 191, 203 (1982); *Metromedia, Inc. v. San Diego*, 453 U.S. 490, 507 (1981) (plurality opinion)); *see also* *Ibanez v. Florida Dep’t of Bus. and Prof’l Regulation Bd. of Accountancy*, 512 U.S. 136, 142 (1994) (citing *R.M.J.*, 455 U.S. at 203); *44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484 (1996) (providing a comprehensive discussion of the development and status of commercial free-speech jurisprudence).

43. *See* DEL. CODE ANN. tit. 24, §§ 2825(2)-(3) (1996).

44. Determining whether particular words or statements are misleading, thereby falling outside the protection afforded by the First Amendment, is “a question of law over which [the Court will] exercise de novo review.” *Peel v. Attorney Disciplinary Comm’n*, 496 U.S. 91, 108 (1990).

45. *See id.* at 111 (citing *R.M.J.*, 455 U.S. at 203).

46. 24 F.3d 754 (5th Cir. 1994).

47. The Fifth Circuit stated that:

The Court in *R.M.J.* suggested that “inherently” misleading advertising may be banned outright, but “potentially” misleading advertising may not. In attempting to understand the distinction, we derive additional guidance from a

categories of commercial speech. First, “inherently misleading” speech can be prohibited without justification and without actual, as opposed to anecdotal, evidence of deception.⁴⁸ Second, “actually misleading” speech—where there is evidence that such speech has misled consumers—also can be prohibited in its entirety.⁴⁹ Nevertheless, the consequences of categorizing commercial speech as “potentially misleading” remain uncertain.

State title laws consistently have been upheld as constitutional under the commercial free-speech analysis, despite the inherent limitations that they impose upon free speech.⁵⁰ For example, in

later commercial speech case, *Peel v. Attorney Disciplinary Comm’n*, 496 U.S. 91 (1990).

Although there was no majority opinion in *Peel*, the opinions of several justices shed some light on the hierarchy of misleading commercial speech. Furthermore, the Court identified a third category of misleading commercial speech, “actually misleading.”

Justice Stevens, in an opinion joined by Justice Brennan, Justice Blackmun and Justice Kennedy, suggested that commercial speech is “actually” misleading when there is evidence of deception. Justice Marshall agreed that a statement is “actually” misleading when the record contains evidence that recipients of commercial speech “actually ha[ve] been misled by the statement.”

A statement is “inherently” misleading when, notwithstanding a lack of evidence of actual deception in the record, “the particular method by which the information is imparted to consumers is inherently conducive to deception and coercion.” Included is “commercial speech that is devoid of intrinsic meaning.” In her dissent, Justice O’Connor added that “inherently misleading” means “inherently likely to deceive the public.” Citing *R.M.J.*, Justice Marshall noted that states may prohibit actually or inherently misleading commercial speech entirely.

From all this we conclude that a statement is actually or inherently misleading when it deceives or is inherently likely to deceive.

Joe Conte Toyota, 24 F.3d at 756 (citations omitted). It should be noted that the concepts of “misleading,” “inherently misleading,” “potentially misleading,” and “deceptive” are not further defined with specificity by any Supreme Court decision. Nonetheless, the chairman of the Federal Trade Commission (“FTC”) Robert Pitofsky has pointed out that the FTC, in measuring deception and unfairness, looks at the total impression of the advertisement and determines the extent, if any, to which the audience might be misled by it. Robert Pitofsky, *Beyond Nader: Consumer Protection and the Regulation of Advertising*, 90 HARV. L. REV. 661 (1977). The meaning of an advertisement is a matter committed to the discretion of the FTC, which is not required to sample public opinion to determine the meaning. See *Zenith Radio Corp. v. Federal Trade Comm’n*, 143 F.2d 29 (7th Cir. 1944).

48. See *In re R.M.J.*, 455 U.S. 191, 203-04.

49. *Id.*

50. See *McWhorter v. Alabama ex rel Baxley*, 359 So. 2d 769, 774 (Ala. 1978) (rul-

Snell v. Engineered System & Designs, Inc.,⁵¹ the Delaware Supreme Court held that Delaware's engineering title law is constitutionally sound. Primarily, courts uphold laws proscribing the use of misleading speech because such speech does not fall within the purview of the First Amendment.⁵² Consequently, states may exercise of their police powers freely to prohibit the use of such speech.⁵³ In holding Delaware's engineering title law constitutional, the Delaware Supreme Court opined in *Snell*⁵⁴ that these types of laws are constitutional because they satisfy the applicable *Central Hudson* tests for commercial speech. According to the *Snell* court, the prohibitions (1) do not prohibit the use of speech protected by the First Amendment, (2) are tailored to meet a substantial governmental interest, (3) directly advance that interest, and (4) are not more extensive than necessary.⁵⁵

In short, under title laws, a licensee may assert an exclusive right to use the regulated words, titles, and designations to indicate that the licensee is legally entitled to engage in the licensed practice. Thus, in pursuing a private claim against an unlicensed individual under a title law, a licensee must address whether the individual's use of the regulated words, titles, and designations is misleading. If the licensee can establish that the unlicensed individual's use of the regulated words, titles, and designations may lead a reasonable person to believe that the individual is entitled to engage in the applicable licensed practice, then such use of the words, titles, and designations is per se misleading and a violation

ing that misleading speech does not warrant constitutional protection because "if this be a limitation of free speech, . . . it is not a type of limitation prohibited by the federal constitution") (quoting *Smith v. California*, 336 F.2d 530, 534 (9th Cir. 1964)).

51. 669 A.2d 13 (Del. 1995).

52. See *Peel*, 496 U.S. at 111; *Central Hudson*, 447 U.S. at 566.

53. See *Peel*, 496 U.S. at 111; *Central Hudson*, 447 U.S. at 566.

54. 669 A.2d at 19.

55. *Id.* In many First Amendment cases, the "overbreadth doctrine" allows a party to argue that a statute interferes with protected speech, even if it is constitutional as applied to the party before the court. See *Broadrick v. Oklahoma*, 403 U.S. 601, 612-13 (1973). The overbreadth doctrine, however, does not apply to commercial speech cases. See *Board of Trustees of the State Univ. of N.Y. v. Fox*, 492 U.S. 469, 481 (1989). Thus, a party challenging the constitutionality of a title law is prohibited from positing it against hypothetical scenarios that abridge the First Amendment. If there is evidence that consumers "actually ha[ve] been misled," a violator can be stopped with little effort. *Peel*, 496 U.S. at 112.

of the title law.

II. THE LANHAM ACT'S RELATION TO OCCUPATIONAL TITLE LAWS

Under section 43(a) of the Lanham Act, any misrepresentation that is likely to deceive consumers as to the origin, description, quality, or approval of any good or service is actionable by "any person who believes that he or she is or is likely to be damaged by such act."⁵⁶ Section 43(a) has been described as a statutory tort in-

56. 15 U.S.C.A. § 1125(a)(1) (West 1998). Section 43(a) states 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.

Id.

The adoption of section 43(a) represented a departure from the common law actions of trade disparagement and unfair competition. Section 43(a) also eliminated the need to prove actual damages, at least as a prerequisite to obtaining an injunction. Although the primary purpose of the Lanham Act is the protection of trademarks, its scope is much broader. It includes claims, such as false advertising and false association, which are applicable to the professionals regulated by the states. *See* *Holiday Inns, Inc. v. Trump*, 617 F. Supp. 1443, 1466 (D.N.J. 1985) (holding that section 43(a) proscribes not only acts that would technically qualify as trademark infringement, but also unfair competition practices involving actual or potential deception); *Tripledge Prod., Inc. v. Whitney Resources, Ltd.*, 735 F. Supp. 1154, 1160 (E.D.N.Y. 1990) (distinguishing unfair competition from trademark infringement "insofar as the former does not involve the exclusive right to use a particular name, symbol or device"). Section 43(a)'s prohibition against unfair competition is derived from what some courts have described as a code of unfair business practices:

[Section 43(a)] means that wrongful diversion of trade resulting from false description of one's products invades that interest which an honest competitor has in fair business dealings It represents, within this area, an affirmative code of business ethics In effect it says: you may not conduct your business in a way that unnecessarily or unfairly interferes with and injures that of another; you may not destroy the basis of genuine competition by destroying the buyer's opportunity to judge fairly between rival commodities by introducing such factors as falsely descriptive trade-marks which are capable of misin-

tended to remove false advertising and other deceitful marketing practices from the marketplace. For example, a licensee may argue under section 43(a) that the use of words, titles, and designations in violation of a title law is a misleading representation which is deceptive and causes confusion regarding the nature, characteristics, qualities, affiliation, connection, or association of the user's services or commercial activities with those of the licensee.⁵⁷ In addition, the licensee would assert that the deception is likely to damage the licensed practice or profession by diluting the inherent economic and professional value of the licensee's title—forcing the licensee to expend monies to correct the confusion created by the violation of the title law.⁵⁸ The licensees also can argue that the unlicensed individual profited unjustly from the goodwill and professionalism established by licensees in the state regulated practice.⁵⁹

forming as to the true qualities of the competitive products.

Gold Seal Co. v. Weeks, 129 F. Supp. 928, 940 (D.D.C. 1955), *aff'd sub nom.*, S.C. Johnson & Son, Inc. v. Gold Seal Co., 230 F.2d 832 (D.C. Cir. 1956). Section 43(a) "has been characterized as a remedial statute that should be broadly construed." Gordon & Breach Science Publishers v. American Inst. of Physics, 859 F. Supp. 1521, 1532 (S.D.N.Y. 1994) (citing PPX Enter., Inc. v. Audiofidelity, Inc., 746 F.2d 120, 125 (2d Cir. 1984)); see Vidal Sassoon, Inc. v. Bristol-Myers Co., 661 F.2d 272, 278 (2d Cir. 1981); Alfred Dunhill Ltd. v. Interstate Cigar Co., 499 F.2d 232, 236 (2d Cir. 1974)). The purpose behind section 43(a) is "the protection of consumers and competitors from a myriad of misrepresentations of products and services in commerce." Gordon & Breach, 859 F. Supp. at 1532 (citing Wojnarowicz v. American Family Ass'n, 745 F. Supp. 130, 141 (S.D.N.Y. 1990)).

57. See 15 U.S.C.A. § 1125(a).

58. See *id.*

59. Because individual licensees may not have the financial resources to pursue litigation, claims may have to be initiated collectively through professional organizations. Therefore, courts will likely be required to determine whether the Lanham Act protects the interests of such organizations. In this respect, courts have already recognized that professional organizations have standing under the Lanham Act. See West Indian Sea Island Cotton Ass'n v. Threadtex, Inc., 761 F. Supp. 1041, 1048-50 (S.D.N.Y. 1991) (holding that Caribbean cotton growers had standing to prohibit confusion between the association's cotton and that of a lesser quality product); National Ass'n of Pharm. Mfrs. v. Ayerst Labs., 850 F.2d 904, 914 (2d Cir. 1988); Camel Hair & Cashmere Inst. of Am., Inc. v. Associated Dry Goods Corp., 799 F.2d 6, 10-11 (1st Cir. 1986) (holding that a nonprofit corporation formed to promote the use of camel hair and cashmere had standing to protect reputation of cashmere); Mutation Mink Breeders Ass'n v. Lou Nierenberg Corp., 23 F.R.D. 155, 162-63 (S.D.N.Y. 1959) (holding that a five-thousand member mink breeders organization had standing to prohibit garments that created the false impression that they were made of mink).

Although claims of false advertising and false association under the Lanham Act have their own legal standards, each relies on a determination that the use of the words, titles, and designations at issue is deceptive, misleading, or likely to cause confusion.

A. *False Advertising Claims*

A claim for false advertising is one which alleges “false representations in advertising [or promotion] concerning the qualities of goods or services.”⁶⁰ In contrast to trademark protection, the prohibition in section 43(a) against false advertising protects two separate interests: (1) the right of consumers to truthful commercial information⁶¹ and (2) the rights of competitors to compete in a market that is free of untruthful information.⁶² As one court noted, “the Lanham Act is directed toward protecting the consumer as well as the competitor from false and deceptive advertising.”⁶³

In *Camel Hair*, the First Circuit held that an association has standing to sue on behalf of its members when “(1) its members would otherwise have standing to sue in their own right; (2) the interests it seeks to protect are germane to the organization’s purposes; and (3) neither the claim asserted nor the relief requested require the participation of individual members in the lawsuit.” 799 F.2d at 10 (citing *Hunt v. Washington State Apple Adver. Comm’n*, 432 U.S. 333, 342-43 (1977)). As long as an organization and its members are engaged in both commercial activities and the promotion of the licensed practice, the three prong test enunciated in *Camel Hair* should be satisfied.

60. *Tom Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1108 (9th Cir. 1992) (citing 2 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION, §§ 27:2-27:4, at 344-68 (2d ed. 1984)) [hereinafter J. MCCARTHY, TRADEMARKS]; see also *Fuller Bros. v. International Mktg., Inc.*, 870 F. Supp. 299, 302 (D. Or. 1994). In comparison, under a false association claim, a claimant alleges the making of false representations in advertisements or promotions concerning the origin, association, or endorsement of goods or services “through the wrongful use of another’s distinctive mark, name, [word, symbol,] trade dress or other device.” *Waits*, 978 F.2d at 1108.

61. See 15 U.S.C.A. § 1125(a) (1998). Commentators have stated that the prohibition in section 43(a) is “designed to protect the right of the consumer to be told the truth.” 2 J. MCCARTHY, TRADEMARKS, *supra* note 60, § 27:4, at 352.

62. See 15 U.S.C.A. § 1125(a).

63. *U-Haul Int’l, Inc. v. Jartran, Inc.*, 681 F.2d 1159, 1162 (9th Cir. 1982). The United States District Court for the Western District of Pennsylvania described the purpose of the Lanham Act with respect to trademark infringement as follows:

[T]he “basic issue in a trademark infringement action under both the Lanham Act and the common law” is the likelihood that consumers will be misled and confused by the trademark infringement as to the origin or sponsorship of the goods or services consumed. The Third Circuit has observed that trademark law “is not made for the protection of the experts but for the public—that vast

1. The Legal Standard

In *Johnson & Johnson-Merck Consumer Pharmaceutical Co. v. Rhone-Poulenc Rorer Pharmaceutical, Inc.*,⁶⁴ the Third Circuit summarized the standard for establishing a claim under section 43(a) of the Lanham Act. The court required proof by preponderance of evidence of (1) false or misleading statements by the defendant about his own or another's product, (2) actual deception or at least a tendency to deceive a substantial portion of the intended audience, (3) a likelihood that the deception is material enough to influence purchasing decisions, (4) movement of the advertised goods in interstate commerce, and (5) a likelihood of injury to the plaintiff through declining sales, loss of good will, and similar damage.⁶⁵ A plaintiff can satisfy elements one and two of the Third Circuit test by demonstrating that the challenged advertisement is literally false or that the advertisement, while literally true, has a tendency to deceive consumers.⁶⁶ Thus, the primary consideration is whether the commercial conduct complained of is deceptive, misleading, or likely to cause confusion.

Before a claimant can bring an action for false advertising, however, the claimant must show that he has standing and that the violating activity is covered by the Lanham Act. For example, an unlicensed individual who offers services that differ from the applicable licensed practice may not be subject to false advertising claims brought by licensees. Unlike a claim of false association, where a plaintiff need not be a competitor, courts have held that recovery under a false advertising claim is "confined to injury to a

multitude, which includes the ignorant, the unthinking and the credulous, who, in making purchases, do not stop to analyze but are governed by appearances and general impressions."

Robin Woods, Inc. v. Woods, 815 F. Supp. 856 (W.D. Pa. 1992) (citations omitted) (quoting *Dresser Indus., Inc. v. Heraeus Engelhand Vacuum, Inc.*, 395 F.2d 457, 462 (3d Cir. 1968)).

64. 19 F.3d 125 (3d Cir. 1994).

65. *Id.* at 129 (citing *U.S. Healthcare, Inc. v. Blue Cross of Greater Phila.*, 898 F.2d 914, 922-23 (3d Cir. 1990)).

66. *See id.*; accord *Pebble Beach Co. v. Tour 18 I, Ltd.*, 942 F. Supp. 1513, 1562 (S.D. Tex. 1996) (citing *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1390 (5th Cir. 1996); *Castrol Inc. v. Pennzoil Co.*, 987 F.2d 939, 943 (3d Cir. 1993)).

competitor.”⁶⁷ Not surprisingly, whether one qualifies as a competitor has become a substantial issue.⁶⁸

A fairly standard test for determining whether a plaintiff is a competitor examines “the potential for a competitive or commercial injury.”⁶⁹ If the plaintiff has a reasonable commercial interest to protect against the alleged false advertising, then he is deemed a competitor.⁷⁰ The competitive or commercial injury test is easily met by showing that the violation of a title law may lead a reasonable person to believe that the unlicensed individual is entitled to engage in the licensed practice. Under this mistaken belief, a reasonable person might employ the unlicensed individual, thereby causing the licensee to incur competitive or commercial injuries.⁷¹ By posing as a licensed practitioner, an unlicensed individual may damage the licensee’s reputation and goodwill, thus diluting the inherent economic value of the regulated words, titles, and designations. Such dilution would likely require corrective advertising to clear up the confusion created by the unlicensed individual’s

67. Fuller Bros. v. International Mktg., Inc., 870 F. Supp. 299, 303 (D. Or. 1994) (citing Halicki v. United Artists Communications, Inc., 812 F.2d 1213, 1214 (9th Cir. 1987)).

68. See *id.* (describing the substantive issue as whether the plaintiff had “standing . . . against the maker of a product that is ‘marketed to many of the same customers’ as its product”).

69. Alan Rosenfeld v. W.B. Saunders, 728 F. Supp. 236, 242 (S.D.N.Y. 1990), *aff’d*, 923 F.2d 845 (2d Cir. 1990) (citing Berni v. International Gourmet Restaurants of Am., Inc., 838 F.2d 642, 648 (2d Cir. 1988)). The Second Circuit also noted that a plaintiff need not be a direct competitor to meet the standing requirement. *Id.*

70. See *id.* (quoting Johnson & Johnson v. Carter-Wallace, Inc., 631 F.2d 186, 190 (2d Cir. 1980)).

71. With regard to the “relatedness” of services, in the trademark context, the Sixth Circuit has stated that:

[S]ervices are “related” not because they coexist in the same broad industry, but are “related” if the services are marketed and consumed such that buyers are likely to believe that the services, similarly marked, come from the same source, or are somehow connected with or sponsored by a common company.

“The question is, are the [services] related so that they are likely to be connected in the mind of a prospective purchaser?”

Homeowners Group, Inc. v. Home Mktg. Specialists, Inc., 931 F.2d 1100, 1109 (6th Cir. 1991) (quoting Fleishmann Distilling Corp. v. Maier Brewing Co., 314 F.2d 149, 159 (9th Cir. 1963)); see also Wynn Oil Co. v. Thomas, 839 F.2d 1183, 1187 (6th Cir. 1988) (stating that products and services are related when they are similar enough that consumers could easily assume that they are offered by the same source).

violation.⁷²

Another hurdle for a licensee in a false advertising claim is establishing that the unlicensed individual has engaged in “commercial advertising or promotion.”⁷³ Because these terms are not defined in the Lanham Act, there is substantial debate regarding what types of activities are actionable.⁷⁴ Nevertheless, the courts agree that section 43(a) of the Lanham Act is “limited to false advertising as that term is generally understood.”⁷⁵ False advertising, as understood by the courts, is not confined to a formal advertising campaign, but may consist of more informal promotional activities.⁷⁶

The standard for establishing that the actions of a defendant fall into the category of false advertising may vary based on the nature of the industry and the manner of conduct.⁷⁷ For example, where the relevant purchasing public is small, the requirements may be satisfied by a single letter or face-to-face solicitation.⁷⁸

72. See *I Can't Believe It's Yogurt v. Gunn*, No. Civ. A. 94-OK-2109-TL, 1997 WL 599391 (D. Colo. Apr. 15, 1997), 1997-2 Trade Cas. (CCH) 71,879.

73. 15 U.S.C.A. § 1125(a) (West 1998).

74. See Ashley H. Draughon, *Replenishing The Ink of the Poison Pen: Restricting the Scope of Section 43(A) of the Lanham Act in Garland Co. v. Ecology Roof Systems Corp.*, 3 J. INTELL. PROP. L. 353 (1996), for an excellent discussion of the standards for “commercial advertising and promotion” as they relate to false advertising under the Lanham Act.

75. *Alfred Dunhill, Ltd. v. Interstate Cigar. Co.*, 499 F.2d 232, 236 (2d Cir. 1974).

76. *Gordon & Breach Science Publishers v. American Inst. of Physics*, 859 F. Supp. 1521, 1536 (S.D.N.Y. 1994) (stating that “representations need not be made in a classic advertising campaign, but may consist instead of more informal types of ‘promotion’”) (internal quotations omitted); see also *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1384 (5th Cir. 1996) (agreeing with the *Gordon & Breach* characterization of the requirements for establishing “commercial advertising or promotion”).

77. See *National Artists Mgmt. Co. v. Weaving*, 769 F. Supp. 1224, 1235 (S.D.N.Y. 1991)

78. See, e.g., *Mobius Mgmt. Sys. Inc. v. Fourth Dimension Software, Inc.*, 880 F. Supp. 1005, 1019-21 (S.D.N.Y. 1994) (holding that a single letter from a computer software manufacturer to a potential customer could constitute commercial advertising or promotion within the meaning of Lanham Act); *National Artists*, 769 F. Supp. at 1232-35 (ruling that telephone conversations may constitute commercial advertising for purposes of a Lanham Act claim because, in the theater booking industry, services are promoted by word-of-mouth).

Although advertisements need not reach a wide audience, they must reach the purchasing public in order to satisfy the consumer protection policy of the Lanham Act. See *FASA Corp. v. Playmates Toys, Inc.*, 912 F. Supp. 1124, 1174 (N.D. Ill. 1996) (“Adver-

Generally, any dissemination of advertising materials or use of the regulated words, titles, and designations in logos, business cards, badges, or other credentials is sufficient to satisfy the “advertising or promotion” requirement.⁷⁹

2. Literally False, Or Literally True But Misleading

To succeed in a Lanham Act false advertising claim, a licensee must show that an unlicensed individual’s use of the regulated words, titles, and designations is literally false or, when the defendant is a legal user of the words, titles, and designations, that such use is deceptive or misleading.⁸⁰ Moreover, whether advertising or promotion is false on its face is a question of fact.⁸¹ Consequently, courts have agreed that a determination of literal falsity “rests on an analysis of the message in context.”⁸²

To demonstrate that a challenged advertisement is literally false, a claimant may rely on the unlicensed individual’s misleading use of words, titles, and designations commonly understood to represent a licensee.⁸³ Thus, when unlicensed individuals improperly use such terms as “accountant” or “engineer” or improperly label unlicensed businesses as “accounting” or “engineering” services,” their unauthorized use of the words “engineer” or “accountant” or their derivatives, under such circumstances, may be deemed literally false. Based on such a determination of literal fal-

tising material that is not distributed to the general public cannot support a claim of false advertising.”); *see also* *Hertz Corp. v. Avis, Inc.*, 725 F. Supp. 170, 171 (S.D.N.Y. 1989) (finding no liability for advertisement in travel agent magazine because “advertising . . . that fails to reach the consuming public does not come within the purview of the Lanham Act”), *vacated on other grounds*, 732 F. Supp. 26 (S.D.N.Y. 1990).

79. *See FASA Corp.*, 912 F. Supp. at 1171 (stating that the “Lanham Act applies to the likelihood of post-sale confusion of ‘prospective’ or ‘potential’ purchasers, not only point-of-sale purchasers”).

80. *See Saundoz Pharm. Corp. v. Richardson-Vicks, Inc.*, 902 F.2d 222, 227 (3d Cir. 1990).

81. *See L&F Prods. v. Proctor & Gamble Co.*, 45 F.3d 709, 712-13 (2d Cir. 1995); *Ortho Pharm. Corp. v. Cosprophar, Inc.*, 32 F.3d 690, 693-94 (2d Cir. 1994).

82. *Johnson & Johnson-Merck Consumer Pharm. Co. v. Rhone-Poulenc Rorer Pharm., Inc.*, 19 F.3d 125, 129 (3d Cir. 1994) (citing *Saundoz Pharm. Corp.*, 902 F.2d at 227).

83. *See generally, Saundoz Pharm. Corp.*, 902 F.2d at 224 (requiring additional proof that a defendant’s claims are literally false or actually misleading in order to support a Lanham Act false advertising claim).

falsity, a court may grant the relief requested by the licensee “without considering whether the buying public was misled.”⁸⁴ That is because representations that are literally false are presumed to be materially misleading to consumers.⁸⁵ The courts also will presume irreparable harm once literal falseness is established.⁸⁶

If literal falsity cannot be established, the literally true but misleading use of words, titles, and designations may be actionable by a licensee.⁸⁷ Although advertising is said to be misleading based on the public’s reaction to it,⁸⁸ the extent to which consumers are deceived need not be established to support a finding that the advertising or promotion is misleading. Rather, the licensee must provide a “qualitative showing [to] establish that a not insubstantial number of consumers received a false or misleading impression from it.”⁸⁹

To succeed on a false advertising claim based on the misleading use of words, titles, and designations, the licensee must prove that the defendant’s use of the regulated words, titles, and designations would lead the average consumer to believe that the defendant is legally entitled to engage in the licensed practice.⁹⁰ In fact, an individual’s advertising or promotional activities could be misleading in a number of different ways. Most common is misleading advertising that suggests that the individual is a licensee who will provide services of the same quality required of licensees. In other circumstances, the consuming public may associate the services offered by the user of the words, titles, and designations with someone who has attained a certain academic level or satisfied the

84. *Johnson & Johnson*, 19 F.3d at 129.

85. *See Energy Four, Inc. v. Dornier Med. Sys., Inc.*, 765 F. Supp. 724, 731 (N.D. Ga. 1991) (holding that if representations are actually false, the court does not have to determine whether the representations are likely to create confusion, because false claims are presumed to be material); *McNeil-PPC, Inc. v. Bristol-Myers Squibb Co.*, 755 F. Supp. 1206, 1211 (S.D.N.Y. 1990) (holding that when advertising is false, the court may grant relief based on its own findings without reference to any consumer reaction to the advertisement), *aff’d*, 938 F.2d 1544 (2d Cir. 1991).

86. *See King v. Innovation Books*, 976 F.2d 824, 831 (2d Cir. 1992).

87. *See Johnson & Johnson*, 19 F.3d at 129.

88. *Id.*

89. *McNeil-PPC*, 755 F. Supp. at 1211 (quoting *McNeilab, Inc. v. American Home Prods. Corp.*, 501 F. Supp. 517, 528 (S.D.N.Y. 1980)).

90. *See Johnson & Johnson*, 19 F.3d at 129.

state requirements of a licensee.⁹¹ Either showing is sufficient to demonstrate a potential for consumer confusion.⁹²

91. See *Kilpatrick v. State Bd. of Registration for Prof'l Eng'rs.*, 610 S.W.2d 867, 871 (Tex. 1980) (“[T]he use by a company or corporation of the word ‘engineering’ in its name constitutes a representation or holding out to the public that the company or corporation is legally qualified to engage in the practice of engineering.”) (quoting *State Bd. of Registration for Prof'l Eng'rs. v. Wichita Eng'g Co.*, 504 S.W.2d. 606, 609 (Tex. 1973)).

92. See *Joe Conte Toyota v. Louisiana Motor Vehicle Commission*, 24 F.3d 754, 757 (5th Cir. 1994) (holding that the terms “dealer invoice,” “cost,” “inventory,” and “invoice” were inherently misleading because they “ha[ve] no fixed, ascertainable meaning to the average consumer”) (quoting *Barry v. Arrow Pontiac, Inc.*, 494 A.2d 804 (N.J. 1985)); see also *In re Robinson*, 162 B.R. 319, 324-25 (Bankr. D. Kan. 1993) (ruling that misuse of terms “legal assistant” and “legal technician” were misleading under Kansas law); *Adams Ford Belton, Inc. v. Missouri Motor Vehicle Comm'n*, 946 S.W.2d 199, 202-03 (Mo. 1997) (en banc) (ruling it was within the state’s licensing power to regulate the price advertising of licensed automobile dealers to prevent consumers from being misled); *Alabama Bd. of Registration for Prof'l Eng'rs & Land Surveyors*, 369 So. 2d 14 (Ala. 1979) (enjoining *Asphalt Engineers, Inc.*, from using the term “engineers” in its business name); *McWhorter v. Alabama Bd. of Registration for Prof'l Eng'rs & Land Surveyors*, 359 So. 2d 769, 773-74 (Ala. 1978) (“[T]he term ‘engineer,’ as a matter of law, necessarily implies a professional status . . . regardless of the intent of the individual.”); *Tackett v. Texas Bd. of Registration for Prof'l Eng'rs*, 466 S.W.2d 332 (Tex. 1971); *Department of Registration & Educ. v. Hund*, 385 N.E.2d 836 (Ill. 1979) (enjoining *Classic Landscape Engineers* from using the designation “engineer” in its business name and in advertising); cf. *In re Kaitangian*, Nos. 96-01692-B7, 96-06354-M7, 96-07367-H7, 96-09272-A7, 96-08789-M7, 96-08788-A7, 96-07639-A7, 1998 WL 61179, at *3 (Bankr. S.D. Cal. Jan. 23, 1998) (“The use of the word ‘paralegal’ . . . creates the misleading impression that the [users] are qualified to give legal advice, when in reality, they can lawfully provide none.”); *Green v. United States*, No.C 97-0007, 1997 WL 16298 (N.D. Cal. Jan 13, 1998) (holding constitutional a prohibition by 15 U.S.C. § 110(f)(1) on use of the word “legal”); *In re Hobbs*, 213 B.R. 207, 215 (Bankr. D. Me. 1997) (ruling pursuant to 15 U.S.C. § 110 that misuse of term “paralegal” in advertising fosters consumer confusion); *In re Calzadilla*, 151 B.R. 622, 626 (Bankr. S.D. Fla. 1993) (forbidding typing service from advertising in a misleading fashion that would lead a reasonable person to believe that it was offering legal services, advice, or assistance). *But cf. Miller v. Stuart*, 117 F.3d 1376, 1382-83 (11th Cir. 1997) (ruling that Florida’s public accountancy licensure law infringed upon the commercial speech rights of a licensed Certified Public Accountant (“CPA”) who held himself out as a CPA while working for a firm not licensed in accounting); *Abramson v. Gonzalez*, 949 F.2d 1567, 1578 (11th Cir. 1992) (refusing to enforce Florida law that limited use of word “psychologist” to licensed psychologists because Florida allowed unlicensed psychologists to practice psychology, hence it could not prevent them from accurately describing their occupation) (superseded by statute); *Parker v. Kentucky Bd. of Dentistry*, 818 F.2d 504, 510 (6th Cir. 1987) (striking down Kentucky law that barred general dentists from using words “orthodontics” and “braces” in advertising because Kentucky allowed general dentists to perform those procedures); *In re Sutfin*, 693 A.2d 73, 74-76 (N.H. 1997); *Comprehensive Accounting Serv. Co. v. Maryland State Bd. of Public Accountancy*, 397 A.2d 1019, 1026

Although courts disagree as to whether a survey is required to demonstrate the necessary likelihood of confusion or deception,⁹³ most commentators recommend that plaintiffs use a survey. In any case, surveys are an extremely useful tool when pursuing title law claims.⁹⁴

(Md. 1979) (refusing to permit express ban on all uses of word “accountant” by unlicensed bookkeepers because Maryland allowed unlicensed persons to perform some accounting services); Kentucky Bd. of Registration for Prof’l Eng’rs & Land Surveyors v. Performance Eng’g, Inc., 758 S.W.2d 48 (Ky. 1988) (finding that use of the word “engineering” did not violate licensing statute where there was no evidence that anyone had been misled into believing that professional engineering was involved); Professional Eng’rs In California Gov’t v. State Personnel Bd., 137 Cal. Rptr. 110 (1977) (ruling that individuals using the title “Resident Engineer” were not required to register under the licensing statute).

93. See *Tools USA & Equip. Co. v. Champ Frame Straightening Equip., Inc.*, 87 F.3d 654, 661 (4th Cir. 1996) (“Actual confusion can be demonstrated by survey evidence, but contrary to Champ’s suggestion, survey evidence is not necessarily the best evidence of actual confusion and ‘surveys are not required to prove likelihood of confusion.’”) (quoting *Woodsmith Publ’g Co. v. Meredith Corp.*, 904 F.2d 1244, 1249 (1990)); *Johnson & Johnson*, 19 F.3d at 129-30 (“[T]he success of a [Lanham Act] claim usually turns on the pervasiveness of a consumer survey.”); *Reebok Int’l Ltd. v. K-Mart Corp.*, 849 F. Supp. 252 (S.D.N.Y. 1994), *vacated by settlement*, 33 U.S.P.Q.2d 1863 (S.D.N.Y. 1994). In *Reebok*, the district court stated that:

The court also looks with great skepticism on Reebok’s claim that it declined to conduct a survey due to a desire to avoid ‘a waste of resources.’ . . . Reebok, using experienced trademark counsel at trial, was well aware of the pivotal role that consumer surveys and other evidence of confusion play in Lanham Act claims.

Id. at 275. But see *Max Daetwyler Corp. v. Input Graphics, Inc.*, 608 F. Supp. 1549, 1552 (E.D. Pa. 1985) (holding that the absence of a consumer survey does not preclude issuing an injunction and is not required to establish actual deception in support of damages recovery).

94. See *Moore v. California State Bd. of Accountancy*, 831 P.2d 798 (Cal. 1992) (addressing the potential concerns regarding the use of survey evidence, and concluding that such evidence was proper in deciding whether the words “accountant” and “accounting” are misleading). The California Supreme Court stated in *Moore* that:

We do not, in this regard, mean to suggest that the response to a public opinion poll is itself an appropriate basis for “deciding an issued of statutory construction.” Obviously, the Legislature did not have the results of this opinion poll before it upon enacting section 5058. What must be determined is whether the Board could reasonably conclude that use of the unmodified terms “accountant and accounting services,” as a factual matter, is misleading or potentially misleading to the public’s detriment, and if so, whether the Legislature nonetheless intended to exclude those terms from the scope of the prohibitory catchall language when it enumerated a list of specifically prohibited titles which utilize the term “accountant” in conjunction with modifiers.

B. *False Association Claims*

A claim for false association alleges false representations in advertising or promotion concerning the origin, association, or endorsement of goods or services through the wrongful use of another's distinctive name, word, symbol, trade dress, or other device.⁹⁵ Section 43(a) of the Lanham Act⁹⁶ provides a civil action for claims of false association even if the "word, term, name, symbol, or device" in which the interest is claimed is not federally registered.⁹⁷ In order for an unregistered mark to be protectable under section 43(a), the mark must be capable of distinguishing the plaintiff's services from those of others.⁹⁸ This standard is met when the mark is inherently distinctive or has acquired distinctiveness through secondary meaning, after which "[i]nfringement is . . . established through a showing of likelihood of confusion."⁹⁹ Similarly, a licensee may argue that the words, titles, and designations regulated by a title law are marks used to describe his or her services.¹⁰⁰

The survey evidence introduced below merely informs us as to the first, factual inquiry. By analogy, in change of venue cases, survey evidence is often admitted as probative of the determination whether prevailing community attitudes warrant a change of venue. Indeed, at trial respondent introduced evidence of a similar poll taken in Texas in 1985. In the Texas poll, 62 percent of those responding to the survey answered "yes" when asked whether people who advertise as "accountants" are required to be licensed by the State of Texas; 19 percent said "no"; and 19 percent did not know. Michael Hagen, a specialist in the analysis of public opinion research data, testified that in his opinion the data from the Texas poll could inform the conclusions to be drawn from the California poll because of the similarity of responses to comparable questions and the similarity of certain demographic factors in each of the surveys. Based on his review and analysis of the data from the California and Texas polls, Hagen concluded that a majority of Californians believe persons who advertise as "accountants" are required to hold at least a college degree, take a qualifying examination, and be licensed by the state.

Id. at 808 n.6 (citations omitted).

95. *See Tom Waits v. Frito-Lay, Inc.* 978 F.2d 1093, 1108 (9th Cir. 1992); *Fuller Bros. v. International Mktg., Inc.*, 870 F. Supp. 299, 302 (D. Or. 1994).

96. 15 U.S.C.A. § 1125(a) (West 1998).

97. *Pebble Beach Co. v. Tour 18 I, Ltd.*, 942 F. Supp. 1513, 1536 (S.D. Tex. 1996).

98. *See id.* (citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992)).

99. *Id.*

100. A licensee's mark is more appropriately characterized as a service mark. *See Worthington Foods Inc. v. Kellogg Co.*, 732 F. Supp. 1417, 1429 (S.D. Ohio 1990) ("A

1. Standard of Protection: The Trademark Analogy

A licensee may protect a regulated word, title, or designation from use by non-licensees just as a trademark holder may protect an unregistered mark from unfair use. First, a licensee must establish that the occupational title is entitled to protection and that the licensee has a protectable interest in the word, title, or designation.¹⁰¹

Once the licensee's interest in the protected title is ratified by the court, liability under the Lanham Act can be established by analogy to the Act's trademark standards.¹⁰² Thus, the licensee must show that the defendant used the reproduction, counterfeit, copy, or colorable imitation of the word, title, or designation, without the registrant's consent, in connection with the sale, offering for sale, distribution, or advertising of any goods or services where such use was likely to cause confusion, mistake, or deception.¹⁰³

2. Protection of Words, Titles, and Designations Regulated By Title Laws

Title laws provide licensees the exclusive right to use the regulated words, titles, and designations in a manner consistent with their given purpose. Such use by anyone other than a licensee is per se misleading and confusing. Nevertheless, under a Lanham Act false association claim, the primary issue is whether the use of the words, titles, and designations by a licensee distinguishes his or her services from those of non-licensees.¹⁰⁴

A licensee bringing a Lanham Act false association claim must

service mark identifies and distinguishes services of one person from services of others. It does not identify goods."); *Holiday Inns v. Trump*, 617 F. Supp. 1143, 1464 (D.N.J. 1985) ("The only difference between a trademark and a service mark is that the former is associated with the sale of goods, while the latter concerns . . . the provision of services.").

101. *See Pebble Beach*, 942 F. Supp. at 1536.

102. 15 U.S.C.A. § 1114 (West 1998).

103. *See Pebble Beach*, 942 F. Supp. at 1536 (citing *Boston Prof'l Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1009-10 (5th Cir. 1975)); *see also* 15 U.S.C.A. § 1114(1)(a).

104. *See Pebble Beach*, 942 F. Supp. at 1536.

demonstrate that his or her use of the regulated words, titles, and designations is “inherently distinctive” or has “acquired distinctiveness through secondary meaning.”¹⁰⁵ The strength of a mark is judged in accordance with the classic trademark taxonomy set forth by Judge Friendly in *Abercrombie & Fitch Co. v. Hunting World, Inc.*¹⁰⁶ A trade or service mark may be (1) fanciful, (2) arbitrary, (3) suggestive, (4) descriptive, or (5) generic.¹⁰⁷ Fanciful, arbitrary, or suggestive marks are inherently distinctive and protectable without a showing of secondary meaning.¹⁰⁸ Descriptive marks are protectable only on a showing of secondary meaning, while generic marks are never protectable.¹⁰⁹

a. Suggestive & Descriptive Terms

Regulated words, titles, and designations are suggestive when used in a commercial context to identify a licensee or licensed practice. Such use of the regulated words, titles, and designations suggests that the user is a licensee who will provide the skills expected of a licensee. Upon a showing that the word, title, or designation in question is suggestive, it is protectable without a showing of secondary meaning.¹¹⁰

105. *Id.* In *Pebble Beach*, the court stated that:

The Lanham Act does not require a party to ‘own’ a word, symbol, or other identifying mark before it may be granted protection from infringement. Rather, all that is required is that a party use the mark in commerce to identify its services and distinguish them from the services of others.

Id. at 1541 (internal quotations omitted) (citing 15 U.S.C.A. § 1127 (West 1998)); see also *Boston Prof'l Hockey*, 510 F.2d at 1014 (noting that under trademark law, a party acquires the right to a mark through the public’s association of that mark with the user).

106. 537 F.2d 4(2d Cir. 1976).

107. *Id.* at 9, cited in *Pebble Beach*, 942 F. Supp. at 1537.

108. See *Sicilia Di R. Biebow & Co. v. Cox.*, 732 F.2d 417, 425 n.3 (5th Cir. 1984), cited in *Pebble Beach*, 942 F. Supp. at 1537. Fanciful marks are those which are comprised of words that do not exist in every day language. See *Pebble Beach*, 942 F. Supp. at 1537 n.19. “Xerox’ is a fanciful mark.” *Id.* Arbitrary marks consist of words that, while part of every day language, are arbitrarily applied to a particular good, such as “Blue Bell” as applied to ice cream. *Id.* Suggestive marks suggest some characteristic of the good to which it is attached. See *id.* An example of a suggestive term is “Penguin” for food freezers. *Id.*

109. “Aspirin” is an example of a generic mark, while “Chap Stick” is an example of a descriptive mark because it describes the use of lip balm. *Id.* at 1537 n.20.

110. See *Holiday Inns, Inc. v. Trump*, 617 F. Supp. 1443, 1464 (D.N.J. 1985) (citing *Estate of Presley v. Russen*, 513 F. Supp. 1339, 1364 (D.N.J. 1981)).

Regulated words, titles, and designations also are said to be descriptive when used in a commercial context to identify a profession. A reference to an individual by means of a regulated word, title, or designation is, in fact, a description of that person's professional role. When the regulated words, titles, and designations are descriptive, they are protected only if they have acquired a secondary meaning.

b. Secondary Meaning

A descriptive word, title, or designation acquires a secondary meaning when the consuming public recognizes the mark, not only as identifying a service, but also as a symbol indicating that the service emerges from a single source.¹¹¹ In determining whether a mark has attained a secondary meaning, it is necessary to consider (1) the length and manner of the plaintiff's use of the mark, (2) the nature and extent of advertising of the mark by the plaintiff, (3) the plaintiff's efforts to promote in the minds of consumers a conscious connection between the mark and a particular product or service, and (4) the defendant's intent behind copying the mark.¹¹² To establish secondary meaning, a licensee must show that the consuming public thinks that persons who employ regulated occupational titles are qualified and licensed under state law.

Many licensed practices and corresponding state title laws have long histories, marked by significant effort and financial expenditure to develop the reputation of the licensed practice.¹¹³ Evidence of such efforts may be useful in demonstrating that the regulated words, titles, and designations, when used in a commercial-professional context, have acquired secondary meaning.¹¹⁴

111. See *id.* at 1465 (quoting *Estate of Presley*, 513 F. Supp. at 1364).

112. See *Pebble Beach*, 942 F. Supp. at 1539; see also *Shen Mfg. Co., Inc. v. Suncrest Mills, Inc.*, 673 F. Supp. 1199, 1204 (S.D.N.Y. 1987) (finding that a plaintiff may establish secondary meaning with a wide variety of evidence, including advertising expenditures, consumer surveys, commercial success, and the extent of media coverage).

113. See *Zatarains Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 795 (5th Cir. 1983) (stating that proof of considerable advertising efforts and the expenditure of money toward developing goodwill can help establish secondary meaning).

114. See *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 786 F. Supp. 182, 194 (E.D.N.Y. 1992) (stating that a word or phrase acquires secondary meaning "when it has been used so long and so exclusively by one producer . . . [that] the word or phrase has

3. Standing to Assert Claims

Before successfully presenting a false association claim, a licensee must satisfy the standing requirements. Standing can be established by demonstrating an ownership interest in the regulated words, titles, and designations. A licensee's standing also may rest on an implied right of action through the grant of rights from the state to the license holder.

The states, which possess the authority to control the use of occupational titles, act as licensors—granting licensees exclusive privileges to use regulated words, titles, and designations in a manner that communicates the users' entitlement to engage in the

come to mean that the article was the first producer's") (quoting *G. Heileman Brewing Co. v. Anheuser-Busch Inc.*, 676 F. Supp. 1436, 1467 (E.D. Wis. 1987), *aff'd*, 873 F.2d 985 (7th Cir. 1989)), *aff'd in part, vacated in part*, 973 F.2d 1033 (2d Cir. 1992); *Holiday Inns*, 617 F. Supp. at 1465; *National Football League Properties, Inc. v. Wichita Falls Sportswear, Inc.*, 532 F. Supp. 651, 659 (W.D. Wash. 1982) (holding that the basic element of secondary meaning is the recognition in buyers' minds that products connected with the word or symbol emanate from or are associated with the same source).

A defendant will, in all likelihood, argue that the regulated words, titles, and designations are generic and therefore not entitled to protection. Such an assertion may be rebutted by reference to a dictionary definition of the word "engineer:"

[A] designer or builder of engines . . . a person who is trained in or follows as a profession a branch of engineering . . . a person who carries through an enterprise by skillful or artful contrivance . . . a person who runs or supervises an engine or an apparatus

[T]o lay out, construct, or manage as an engineer

MERRIAM-WEBSTER'S COLLEGIATE DICTIONARY 383 (10th ed. 1996). The word "engineer" also has been defined in the following manner: "to plan, construct, or manage as an engineer . . . to plan and direct skillfully; superintend; guide." WEBSTER'S NEW WORLD DICTIONARY 450 (3d College ed. 1991). Although the word "engineer" has many meanings, a licensed engineer can argue that when the word is used to describe a profession, it clearly has a distinct meaning, which is "a person skilled or occupied in some branch of engineering." *Id.* If, however, a defendant establishes that the regulated words, titles, and designations are generic, the analysis ends because the Lanham Act does not protect generic terms for purposes of a false association claim. A defendant's victory on this issue, nevertheless, does not preclude liability under claims arising from false advertising, title law, or deceptive trade practice, which are based on the misleading use of the regulated words, titles, and designations. Along these lines, in *Moore v. California State Board of Accountancy*, the court found the use of the arguably generic terms "accountant" or "accounting" by an unlicensed person to be misleading. 831 P.2d 798, 813 (Cal. 1992). Accordingly, the court barred an unlicensed person's use of the name "Accounting Services," unless the name was qualified by an explanation or disclaimer. *Id.* at 800. The court concluded that "the unqualified use of those terms [is] misleading, to the public's detriment." *Id.* at 813.

licensed practice. Because the right, granted by the state is a license, it reasonably follows that a licensee has standing to enforce any infringement, just as a franchise licensee can bring an action to prohibit false advertising, false association, or other Lanham Act claims against an infringing party.¹¹⁵ Short of actual standing, the implied right of action is a prerequisite for the establishment of a false association claim by a licensee against an infringing party.

4. Testing for Likelihood of Confusion

The Third Circuit has endorsed a ten factor test to be used to determine the existence of a likelihood of confusion.¹¹⁶ Those factors examine the history and use of marks in relation to products, as well as similarities in the marketing and use of products. The test is easily adaptable to the protection of words, titles, and desig-

115. *See* *Business Trends Analysts v. Freedonia Group Inc.*, 650 F. Supp. 1452, 1457 (S.D.N.Y. 1987) (ruling that a consulting company with the exclusive right to produce, publish, and distribute certain industry studies under another's trademark had standing to sue for trademark infringement). In *Business Trends*, the court stated:

[T]he absence of the trademark's "owner" in the instant case does not prevent a plaintiff with a concrete interest in protecting the mark from bringing suit. Because BTA has the exclusive right to distribute [certain] industry studies and to produce and publish new studies under that trademark, it also has standing to sue for trademark infringement.

Id. at 1458 (footnote omitted); *see also* *Frisch's Restaurants, Inc. v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642, 649-50 (6th Cir. 1982) (stating that an exclusive licensee of the "Big Boy" trademark and service mark had standing to bring a trademark infringement action).

116. *See* *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1229 (3d Cir. 1978); *see also* *Robin Woods, Inc. v. Woods*, 815 F. Supp. 856, 871 (W.D. Pa. 1992) (citing *Scott Paper*). The ten factors in the Third Circuit test are:

(1) the degree of similarity between the owner's mark and the alleged infringing mark; (2) the strength of owner's mark; (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (4) the length of time the defendant has used the mark without evidence of actual confusion arising; (5) the intent of the defendant in adopting the mark; (6) the evidence of actual confusion; (7) whether the goods, though not competing, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the targets of the parties' sales efforts are the same; (9) the relationship of the goods in the minds of the public because of the similarity of function; (10) other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market.

Scott Paper, 589 F.2d at 1229.

nations. Before applying this test, however, several points must be noted. First, even though proof of intent to confuse or mislead will lead to a presumption of confusion,¹¹⁷ intent is not an element of a Lanham Act claim.¹¹⁸ Second, the consumer confusion prong of the Third Circuit test is satisfied by evidence of only one instance of confusion.¹¹⁹ Third, evidence that a similar mark has caused actual confusion is neither conclusive nor required to establish a likelihood of confusion, but it is “the best evidence of a likelihood of confusion.”¹²⁰ Finally, plaintiffs are not required to prove every factor of the Third Circuit test to establish liability.¹²¹

A plaintiff also may argue that an unlicensed individual’s misleading conduct that provides the basis for a false advertising claim also is likely to show confusion for purposes of a false association claim.¹²² Once the court determines that an individual has created a likelihood of confusion, irreparable injury is presumed.¹²³ As with a claim for false advertising, a survey should be conducted to

117. See *Homeowners Group, Inc. v. Home Mktg. Specialists, Inc.*, 931 F.2d 1100, 1111 (6th Cir. 1991); *Holiday Inns, Inc. v. 800 Reservation, Inc.*, 838 F. Supp. 1247, 1254 (E.D. Tenn. 1993), *aff’d in part, rev’d in part*, 86 F.3d 619 (6th Cir. 1996).

118. See *U-Haul Int’l, Inc. v. Jartran, Inc.*, 522 F. Supp. 1238, 1254 (D. Ariz. 1981), *aff’d*, 681 F.2d 1159 (9th Cir. 1982).

119. See *Life Indus. Corp. v. Ocean Bio-Chem, Inc.*, 827 F. Supp. 926, 932 (E.D.N.Y. 1993) (citing *Warner Bros., Inc. v. Gay Toys, Inc.*, 658 F.2d 76, 79 (2d Cir. 1981)).

120. *Pebble Beach Co. v. Tour 18 I, Ltd.*, 942 F. Supp. 1513, 1547 (S.D. Tex. 1996) (citing *Amstar Corp. v. Domino’s Pizza, Inc.*, 615 F.2d 252, 263 (5th Cir. 1980)); see also *Fuji Photo Film Co., Inc. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 597 (5th Cir. 1985) (stating that “while very little proof of actual confusion would be necessary to prove the likelihood of confusion, an almost overwhelming amount of proof would be necessary to refute such proof”) (quoting *World Carpets, Inc. v. Dick Littrells’ New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971)).

121. See *Armco, Inc. v. Armco Burglar Alarm Co.*, 693 F.2d 1155, 1159 (5th Cir. 1982).

122. Courts have consistently applied an expansive interpretation to likelihood of confusion. See *Fuji Photo*, 754 F.2d at 596 (“[L]ikelihood of confusion’ may be found absent confusion as to source; trademark infringement occurs also ‘when the use sought to be enjoined is likely to confuse purchasers with respect to . . . [the products]’ endorsement by the plaintiff, or its connection with the plaintiff.”) (quoting *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368, 388 (5th Cir. 1977)); see also *Nike, Inc. v. “Just Did It” Enters.*, 6 F.3d 1225, 1228 (7th Cir. 1993); *Jordache Enters. v. Levi Strauss & Co.*, 841 F. Supp. 506, 515 (S.D.N.Y. 1993).

123. See *Eli Lilly & Co. v. Revlon, Inc.*, 577 F. Supp. 477, 482 (S.D.N.Y. 1983).

establish a likelihood of confusion.¹²⁴

C. Remedies for Title Law Infringement

The Lanham Act provides various remedies to trademark holders whose marks are damaged by an infringing party. They include injunctive relief, an award of profits, damages, costs and attorney fees, and the destruction of the infringing articles.¹²⁵

1. Injunctive Relief

In an action against a violator of a title law, the first type of relief a licensee should seek is a preliminary injunction, followed by a permanent injunction, prohibiting the violator from further use of the regulated words, titles, and designations. The case law distinguishes between the showing required to obtain an injunction and that required to establish a right to damages.¹²⁶ Evidence that a defendant's activities are merely misleading or likely to cause confusion is sufficient to warrant injunctive relief, but a plaintiff must show actual harm in order to recover damages.¹²⁷

124. See Thomas P. Olson, *What The Judge Will Say: A Litigator's Guide To Consumer Surveys In Lanham Act Cases*, 1996 A.B.A. SEC. ANTITRUST L. 21 (warning that claims which are unsupported by survey evidence are likely to be met with skepticism in court).

125. Section 34 of the Lanham Act provides for injunctive relief. 15 U.S.C.A. § 1116 (West 1998). Section 35 of the Lanham Act provides for all other damages. *Id.* § 1117.

126. See *Black Hills Jewelry Mfg. Co. v. Gold Rush, Inc.*, 633 F.2d 746, 753 (8th Cir. 1980); *Quabaug Rubber Co. v. Fabiano Shoe Co.*, 567 F.2d 154, 160-61 (1st Cir. 1977).

127. See *Camel Hair & Cashmere Inst. of Am., Inc. v. Associated Dry Goods Corp.*, 799 F.2d 6, 12 (1st Cir. 1986). In general, to obtain a preliminary injunction, the party requesting the injunction must establish the following four factors: (1) that there exists a reasonable probability of success on the merits, (2) that irreparable injury will occur if the injunction is not granted (3) that if the injunction is not granted, the harm to the requesting party is greater than the harm, if any, to the opposing party, and (4) that the public interest will not be adversely affected if the injunction is granted. See *Sandoz Pharm. Corp. v. Richardson-Vicks, Inc.*, 735 F. Supp. 597, 600 (D. Del. 1989), *aff'd*, 902 F.2d 222 (3d Cir. 1990) (citing *Eli Lilly & Co. v. Premo Pharm. Lab., Inc.*, 630 F.2d 120, 136 (3d Cir. 1980)).

A licensee who is unable to establish damages may still argue that the potential for or threat of such damages warrants an injunction against the defendant. See *Advance Stores Co. v. Refinishing Specialities, Inc.* 948 F. Supp 643, 655 n.11 (W.D. Ky. 1996) (citing *Frisch's Restaurants, Inc. v. Elby's Big Boy of Steubenville, Inc.* 670 F.2d 642,

2. Damages

In addition to injunctive relief, an occupational licensee may seek the following damages: (1) disgorgement of profits related to unjust enrichment, (2) compensation for dilution of the value of the regulated words, titles, and designations in the marketplace, (3) compensation for harm to the reputation and goodwill of the licensee, (4) the cost of corrective advertising to clear the public's confusion, and (5) attorney fees and costs.¹²⁸ The damages provisions of the Lanham Act are very broad, empowering courts to award up to three times the amount of a plaintiff's actual damages.¹²⁹

647 (6th Cir. 1982)).

128. See *Burndy Corp. v. Teledyne Indus.*, 748 F.2d 767 (2d Cir. 1984); *American Farm Bureau Fed'n v. Alabama Farmers Fed'n*, 935 F. Supp. 1533 (M.D. Ala. 1996), *aff'd*, 121 F.3d 723 (11th Cir. 1997); *Cuisinarts, Inc. v. Robot-Coupe Int'l Corp.*, 580 F. Supp. 634 (S.D.N.Y. 1984).

129. The damages provision of the Lanham Act states in part:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

15 U.S.C.A. § 1117. Treble damages are allowed for use of a counterfeit mark:

[T]he court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of section 1114(1)(a) of this title or section 380 of Title 36 that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services.

Id.

a. Disgorgement of Profits

A licensee faces a significant burden when asserting a claim to the profits derived from a defendant's improper and unauthorized use of regulated words, titles, and designations.¹³⁰ Section 35 of the Lanham Act requires a plaintiff to prove that the defendant's profits derived from sales only, without a showing of intent.¹³¹ But many courts do not appear to follow the law. Even though intent is not an element of a Lanham Act claim,¹³² those courts will not grant an accounting to recover profits based on a theory of unjust enrichment unless the plaintiff establishes that the defendant willfully or deliberately infringed upon the plaintiff's use of a word, title, or designation.¹³³

The cases requiring intent appear to be in direct conflict with section 35 of the Lanham Act, which requires proof of intent only

130. See *W.E. Bossett Co. v. Revlon, Inc.*, 435 F.2d 656, 664 (2d Cir. 1970).

131. See 15 U.S.C. § 1117(a). The Seventh Circuit has accepted the following analysis:

The Lanham Act specifically provides for the awarding of profits in the discretion of the judge subject only to principles of equity. As stated by this Court, "The trial court's primary function is to make violations of the Lanham Act unprofitable to the infringing party." Other than general equitable considerations, there is no express requirement that the parties be in direct competition or that the infringer willfully infringe the trade dress to justify an award of profits. Profits are awarded under different rationales including unjust enrichment, deterrence, and compensation.

Sands, Taylor & Wood Co., v. Quaker Oats Co., 978 F.2d 947, 961 (7th Cir. 1992) (quoting *Roulo v Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989)); see *Dorr-Oliver Inc. v. Fluid-Quip, Inc.*, 834 F. Supp. 1008, 1013-14 (N.D. Ill. 1993) (citing *Sands, Taylor & Wood*).

It also is important to note that a defendant who attempts to reduce a plaintiff's award of profits must demonstrate that a portion of those profits is unrelated to the violation. 15 U.S.C.A. § 1117(a).

132. See *Johnson & Johnson v. Carter-Wallace, Inc.*, 631 F.2d 186, 189 (2d Cir. 1980).

133. See *Banff, Ltd. v. Colberts, Inc.*, 996 F.2d 33, 35 (2d Cir. 1993); *Microsoft Corp. v. CMOS Techs., Inc.*, 872 F. Supp. 1329, 1337 (D.N.J. 1994). In *Microsoft*, the court based its holding on an interpretation of *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383 (3d Cir. 1985), in which the Third Circuit held that "the propriety of an accounting depends upon whether [the infringer's] use was in good faith and whether it was palming off." *Id.* at 1407. Although *Natural Footwear* did not explicitly hold that bad faith or intent is required for an accounting pursuant to 15 U.S.C.A. § 1117(a), the holding arguably allows consideration of intent.

for a mandatory trebling of damages.¹³⁴ The conflicting opinions have created much uncertainty as to the probability of success on a claim for profits.

Absent intent, a claim for unjust enrichment is based on the improper use of the regulated words, titles, or designations. A licensee may support such a claim by establishing that the defendant has unjustly profited by using an occupational title or designation to associate his or her services or products with the heightened degree of sophistication, professionalism, quality, or approval expected of a licensee. In such cases, licensees seek the profits that result from defendants' misappropriation of the regulated words, titles, and designations.

b. Recovery for Dilution of Occupational Titles

The Lanham Act makes recovery available for the loss of value in a mark due to false advertising. Dilution is among the factors that can be used to calculate the mark's depreciation.¹³⁵ Although dilution claims originally arose from state law, the Lanham Act has provided a federal cause of action for dilution since 1996.¹³⁶

134. 15 U.S.C.A. § 1117(b).

135. See *Smith Corona Corp. v. Pelikan, Inc.*, 784 F. Supp. 452, 475-76 (M.D. Tenn. 1992), *aff'd*, 1 F.3d 1252 (Fed. Cir. 1993); see also *Homeowners Group, Inc. v. Home Mktg. Specialists, Inc.*, 931 F.2d 1100, 1105 (6th Cir. 1991) (stating that a claim of dilution does not require proof of confusion); *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480, 482 (7th Cir. 1988) (stating that a claim of dilution does not require competition between parties or proof of confusion).

136. See Federal Trademark Dilution Act of 1995 ("Dilution Act"), Pub. L. No. 104-98, 109 Stat. 985 (effective Jan. 16, 1996) (codified at 15 U.S.C.A. §§ 1051, 1125, 1127, 1341 (West 1998), 26 U.S.C.A. § 401 (West 1998), 47 U.S.C.A. § 309 (West 1998)).

Trademark dilution is statutorily defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of . . . (1) competition between the owner of a famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." 15 U.S.C.A. § 1127.

As amended by the Dilution Act, section 43(c) of the Lanham Act allows dilution claims only for "famous" marks. 15 U.S.C.A. § 1125(c). Section 43(c) states that:

The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in

Dilution claims are based on the blurring, tarnishment, and diminishment of a mark.¹³⁷ The blurring of a mark involves a reduction in distinctiveness caused by the use of an exact or similar mark on a dissimilar product or service.¹³⁸ Tarnishment occurs when a junior mark degrades the distinctive quality of a senior mark by associating it with undesirable or unsavory products or services.¹³⁹ A “whittling” effect, or diminishment, transpires whenever the challenged use “drain[s] off any of the potency of the mark.”¹⁴⁰

A dilution claim regarding the illegal use of a regulated word, title, or designation would rely on a prospective analysis of the continued use by the violator. A licensee should attempt to show that the violator’s continued use of the word, title, or designation will result in (1) a loss in distinctiveness, namely, blurring; (2) a

this subsection.
Id. § 1125(c)(1).

The House report on the Dilution Act states that the statute’s purpose is “to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark Thus, for example, the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation.” H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1031. The House Report further states that section 43(c) was created “to protect famous marks from unauthorized users that attempt to trade upon the goodwill and established renown of such marks and, thereby, dilute their distinctive quality.” *Id.*

137. *See Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 42-45 (2d Cir. 1994).

138. *See, e.g., Jaguar Cars Ltd. v. Skandrani*, 771 F. Supp. 1178 (S.D. Fla. 1991) (finding likelihood of dilution between Jaguar cologne and Jaguar automotive products); *McDonald’s Corp. v. McBagel’s, Inc.*, 649 F. Supp. 1268 (S.D.N.Y. 1986) (finding that “McBagel’s” blurs “McDonald’s” marks); *Toys “R” Us, Inc. v. Canarsie Kiddie Shop, Inc.*, 559 F. Supp. 1189 (E.D.N.Y. 1983) (finding “Kids ‘R’ Us” likely to blur identification of “Toys ‘R’ Us”); *Mead Data Cent., Inc. v. Toyota Motor Sales U.S.A., Inc.*, 875 F.2d 1026 (2d Cir. 1989) (finding that the “LEXIS” computer research system is not diluted by “Lexus” automobiles).

139. *See Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769 (8th Cir. 1994) (finding use of “Michelob Oily” as tarnishment); *Chemical Corp. of Am. v. Anheuser-Busch, Inc.*, 306 F.2d 433 (5th Cir. 1962) (finding that use of the bug spray slogan, “Where there is life . . . there’s bugs,” tarnished the beer slogan, “Where there is life . . . there’s Bud”); *Eastman Kodak Co. v. Rakow*, 739 F. Supp. 116 (W.D.N.Y. 1989) (prohibiting use of “Kodak” by vulgar comedian). *But see Pillsbury Co. v. Milky Way Prods., Inc.*, 215 U.S.P.Q. 124 (N.D. Ga. 1981) (ruling that a pornographic depiction of Poppin Fresh Doughboy is not a “tarnishment of trade characters”). Disparagement occurs when a mark is altered in a way that mocks or denigrates it. *See Deere*, 41 F.3d at 39 (prohibiting the unflattering use of the Deere logo in comparative advertising).

140. *Shadow Box, Inc. v. Drecq*, 336 N.Y.S.2d 801, 802 (N.Y. Sup. Ct. 1972).

loss in the quality associated with goods or services provided by licensees, namely, tarnishment, if the violator's goods or services are inferior in quality to those associated with the licensed practice; and (3) the loss of economic and professional value, namely, diminishment.¹⁴¹

c. Harm to Reputation

Closely related to the right to prohibit dilution by tarnishment or disparagement, a licensee also is entitled to preserve the reputation and goodwill that licensed practice enjoys in the marketplace.¹⁴² Thus, a licensee has the right to preserve the high quality

141. To prevail on a claim under section 43(c), a licensee must demonstrate that (1) the regulated words, titles, and designations qualify as "famous marks," (2) the defendant's violative conduct constitutes a "commercial use in commerce," (3) the defendant's conduct began after the regulated words, titles, and designations acquired their "famous" status, and (4) the defendant's conduct has diluted the distinctive quality of the regulated words, titles, and designations. 15 U.S.C.A. § 1125(c)(1). The most difficult hurdle for a licensee is the requirement to establish that regulated words, titles, and designations are famous marks. The following factors are used to determine whether a mark is distinctive and famous:

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and
- (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

Id. In the unlikely event that a licensee succeeds in satisfying the "famous marks" requirement, that licensee's claim should prevail because the remaining qualifying factors of section 43(c) are easily fulfilled.

Congress expressly exempted three types of conduct from the Dilution Act: "Fair use of a famous mark by another person in comparative commercial advertising or promotion . . . [n]oncommercial use of a mark . . . news reporting and news commentary." *Id.* § 1125(c)(4).

142. See *James Burrough, Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 274-76 (7th Cir. 1976) (ruling that the holder of a mark has the "right" to maintain control of its reputation regardless of the source of confusion); see also *Camel Hair & Cashmere Inst. of Am., Inc. v. Associated Dry Goods Corp.*, 799 F.2d 6, 12 (1st Cir. 1986) (ruling that

of service, skill, and expertise associated with the commercial use of the regulated words, titles, and designations, and may pursue an action against a violator whose use damages the licensee's goodwill and reputation.¹⁴³

d. Corrective Advertising

A plaintiff may be entitled to money damages in an amount reasonably equivalent to the cost of conducting a corrective advertising campaign.¹⁴⁴ Such a campaign might be necessary to correct any confusion created by the violator and to preserve or restore the licensee's reputation. The costs associated with a licensee's corrective advertising campaign can be quite substantial.

e. Attorney Fees and Costs

The Lanham Act authorizes awards of attorneys' fees and costs in "exceptional cases."¹⁴⁵ To receive "exceptional case" treatment, the infringing acts must be "characterized as malicious, fraudulent, deliberate, or willful."¹⁴⁶ Nonetheless, in cases where a licensee is unable to meet this standard, attorneys' fees may be recovered if the case is filed or amended as a class action by professional organizations on behalf of their licensee members.¹⁴⁷ In such a case, an award of fees and costs is permitted if an injunction is obtained.¹⁴⁸

the plaintiffs' position as manufacturers and vendors of cashmere fabrics provided them with a strong interest in preserving cashmere's reputation); *Atlanta Gas Light Co. v. Semaphore Adver., Inc.*, 747 F. Supp. 715, 722-23 (S.D. Ga. 1990) (ruling that the Lanham Act provides protection against damage to goodwill).

143. The potential danger associated with the violation of a title law should not be overlooked, particularly in areas such as medicine and engineering.

144. *See Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365, 1374 (10th Cir. 1977); *see also* *Alpo Petfoods, Inc. v. Ralston Purina Co.*, 997 F.2d 949, 952 (D.C. Cir. 1993) (ruling that the cost of an advertising campaign, initiated in response to a competitor's false claims, was recoverable, regardless of whether the advertising was undertaken expressly to rebut any false claim).

145. *Dorr-Oliver Inc. v. Fluid-Quip, Inc.*, 894 F. Supp. 1190, 1205 (E.D. Ill. 1995).

146. *Id.* (citations omitted).

147. *See* FED. R. CIV. P. 23 (permitting an award of fees and costs in cases where the named plaintiff confers a benefit on the class).

148. *See id.*

f. Treble Damages

Section 35 of the Lanham Act provides courts with the discretion to treble the amount of damages.¹⁴⁹ Under section 35, if “intent” is established, there is a presumption that the damages should be trebled, absent “extenuating circumstances.”¹⁵⁰

In short, a licensee may seek redress through many distinct claims for damages. Moreover, the requisite standards accompanying these damages claims resemble those under claims for trademark infringement.

III. DECEPTIVE TRADE PRACTICES AS BASES FOR OCCUPATIONAL TITLE CLAIMS

Licensees also may bring claims under state laws governing deceptive trade practices.¹⁵¹ Deceptive trade practices statutes prevent consumer deception by providing injunctive relief against persons who, in the course of business, vocation, or occupation, pass off goods or services as those of another or cause confusion regarding the source of sponsorship, approval, or certification of goods or services.¹⁵²

149. 15 U.S.C.A. § 1117(a) (West 1998).

150. *Id.* § 1117(b).

151. Virtually all of the states have substantially similar deceptive trade practice acts. *See, e.g.*, DEL. CODE ANN. tit. 6, § 2532 (1993); MINN. STAT. ANN. § 325D.44 (West 1995).

152. For example, according to the liability provisions of Delaware’s Deceptive Trade Practices Act:

(a) A person engages in a deceptive trade practice when, in the course of his business, vocation, or occupation, he:

- (1) Passes off goods or services as those of another;
- (2) Causes likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of goods or services;
- (3) Causes likelihood of confusion or of misunderstanding as to affiliation, connection, or association with, or certification by, another;

....

- (5) Represents that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities that they do not have, or that a person has a sponsorship, approval, status, affiliation, or connection that he does not have;

....

- (7) Represents that goods or services are of a particular standard, quality, or grade, or that goods are of a particular style or model, if they are of an-

In general, under deceptive trade practice acts, a plaintiff and defendant need not be in competition; actual confusion or misunderstanding need not be shown; and proof of monetary damage, loss of profits, or intent to deceive is not required.¹⁵³ All that must be shown is a likelihood of damage resulting from the deceptive trade practice of another. For example, in *Grand Ventures, Inc. v. Whaley*,¹⁵⁴ the Delaware Supreme Court made clear that the state's deceptive trade practices statute¹⁵⁵ is "not intended to redress wrongs between a business and its customers," but rather is aimed

other;

.....

(12) Engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding.

DEL. CODE ANN. tit. 6, § 2532. The Minnesota Deceptive Trade Practices statute contains similar prohibitions:

A person engages in a deceptive trade practice when, in the course of business, vocation, or occupation, the person:

- (1) passes off goods or services as those of another;
- (2) causes likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of goods or services;
- (3) causes likelihood of confusion or of misunderstanding as to affiliation, connection, or association with, or certification by, another;
- (4) uses deceptive representations or designations of geographic origin in connection with goods or services;
- (5) represents that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities that they do not have or that a person has a sponsorship, approval, status, affiliation, or connection that the person does not have;

.....

(7) represents that goods or services are of a particular standard, quality, or grade, or that goods are of a particular style or model, if they are of another;

(8) disparages the goods, services, or business of another by false or misleading representation of fact;

.....

(13) engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding.

MINN. STAT. ANN. § 325D.44.

153. See, e.g., DEL. CODE ANN. tit. 6, § 2532(b) ("In order to prevail in an action under this chapter, a complainant need not prove competition between the parties or actual confusion or misunderstanding."); MINN. STAT. ANN. § 325D.44 ("In order to prevail in an action under sections 325D.43 to 325D.48, a complainant need not prove competition between the parties or actual confusion or misunderstanding.").

154. 632 A.2d 63 (Del. 1993).

155. DEL. CODE ANN. tit. 6, § 2532.

at unfair interference with the horizontal relationships between businesses.¹⁵⁶

Recovering damages under some deceptive trade practice acts, such as the Delaware statute, requires that a foundation for actual damages be derived from another state statute or from the common law.¹⁵⁷ For example, the Delaware Trademark Act provides a cause of action for injury, or a likelihood of injury, to business reputation and for the dilution of both registered and unregistered trade or service mark,¹⁵⁸ providing a plaintiff with the right to seek profits and other damages. Furthermore, most states have dilution statutes, which make a deceptive trade practice claim viable for most licensees.¹⁵⁹

IV. DEFENSES TO TITLE LAW INFRINGEMENT CLAIMS: STRENGTHS & WEAKNESSES

A defendant facing a occupational title infringement action can assert a variety of defenses—regardless of whether the action is based on a title law, the Lanham Act, or a state deceptive trade practices act. Typically, a defendant will justify the use of the regulated words, titles, and designations on the basis of trademark registration and preemption, or as constitutionally-protected commercial free-speech. Not all are truly viable defenses.

A. *The Defenses of Trademark Registration and Preemption*

A defendant may assert trademark registration as a defense to an action for unauthorized use of occupational titles or designations. In such cases, a licensee may discover that an unlicensed individual has registered his own particular use of the regulated words, titles, or designations as his trademark.¹⁶⁰ If the defendant

156. *Grand Ventures, Inc. v. Whaley*, 632 A.2d 63, 70 (Del. 1993). The court stated that “[t]he Act is intended to address unfair or deceptive trade practices that interfere with the promotion and conduct of another’s business.” *Id.* at 65.

157. *See* DEL. CODE ANN. title 6, § 2533.

158. *See id.* title 6, § 3313.

159. *See, e.g.*, N.Y. GEN. BUS. LAW § 368-d (McKinney 1996); CAL. BUS. & PROF. CODE § 14330 (West 1987); CONN. GEN. STAT. ANN. § 35-11i(c) (West 1997); GA. CODE ANN. § 10-1-451(b) (1994); FLA. STAT. ANN. § 495.151 (West 1997).

160. *See* 15 U.S.C.A. § 1051 (West, WESTLAW through Pub. L. No. 105-158,

has used the mark in connection with his specified services for five continuous years after the registration date and files an appropriate affidavit, the mark should be deemed “incontestable.”¹⁶¹ Nevertheless, trademark registration may not be a viable defense in a title infringement action because even a registered trademark may be deemed deceptive.¹⁶² Moreover, it is irrelevant that the words, titles, and designations contained in the license laws are not themselves registered marks, because section 43 and the damages provisions of the Lanham Act apply with equal force to registered and unregistered marks.¹⁶³

Similarly unpersuasive is the defense of federal preemption. A violator is unlikely to be successful by asserting the defense that federal trademark law preempts any claims arising under state title laws or state deceptive trade practices acts. If a violator’s use of regulated words, titles, or designations is found to be misleading, such use may be prohibited regardless of any federal trademark registration.¹⁶⁴

Feb. 13, 1998) (allowing the owner of a mark used in commerce to register his or her trademark on the principal register established for trademark registration); *see also id.* § 1053 (allowing the owner of a service used in commerce to register it in the same manner as a trademark).

161. *See id.* § 1065 (providing incontestability for a mark after five years of registration, continuous use, and timely filing of the appropriate affidavits of use).

During the five year period before a mark achieves incontestability, an action can be filed with the Trademark Trial and Appeals Board requesting that the registration be canceled because it is misleading or misdescriptive. This type of action may be pursued simultaneously with the other actions recommended to prevent or cure occupational title infringements. Nevertheless, cancellation of the unlicensed individual’s trademark does not prevent the individual from using the regulated words, titles, and designations. Consequently, this approach probably would not be very effective for a licensee.

162. *See, e.g.,* Thompson Med. Co. v. Federal Trade Comm’n, 791 F.2d 189 (D.C. Cir. 1986) (finding that the trademark “Aspercreme” was deceptive because the product did not contain aspirin).

163. *See* Pebble Beach Co. v. Tour 18 I, Ltd., 942 F. Supp. 1513, 1536 (S.D. Tex. 1996); Resorts Int’l, Inc. v. Greate Bay Hotel & Casino, Inc., 830 F. Supp. 826, 839 (D.N.J. 1992).

164. *See* Barnett v. Maryland State Bd. of Dental Examiners, 444 A.2d 1013, 1020-22 (Md. 1982) (stating that a dentist’s registration of the term “polodontics” as a service mark under the Lanham Act, did not preempt the State Board of Dental Examiners from exercising their state authority to ban the use of the term in misleading or deceptive advertisements); *see also* Storer Cable Communications v. City of Montgomery, 806 F. Supp. 1518 (M.D. Ala. 1992) (holding that federal trademark law preempts state trademark law when the state law would allow the use of misleading trademarks, thereby in-

B. *The Defenses of Trademark Abandonment, Laches, and Statute of Limitations*

Trademark abandonment and laches are affirmative defenses on which the defendant bears the burden of proof.¹⁶⁵ The Lanham Act provides that a mark is deemed abandoned when its use has been discontinued with an intent not to resume use or when the owner's acts or omissions cause the mark to become the generic name for the goods or services it represents.¹⁶⁶ A licensee who delays pursuing an occupational title action may be found to have abandoned the regulated words, titles, and designations.¹⁶⁷ If abandonment occurs, and unlicensed individuals thoroughly dilute the regulated words, titles, and designations, other licensees might face great difficulty prohibiting future title law violations.

Under the laches defense, a defendant may avoid liability by successfully arguing that the plaintiff was aware of the matter complained of, failed to take action in a reasonable period of time, and that the defendant will now be prejudiced because of actions taken in reliance on the plaintiff's acquiescence. A violator's use of regulated words, titles, or designations—even for years—does not, by itself, constitute laches. The laches defense requires that the defendant establish that (1) the plaintiff has inexcusably delayed enforcement of the occupational title law, (2) the defendant is now prejudiced by the delay, and (3) the defendant has exhibited good faith.¹⁶⁸

fringing on the federal guarantee of exclusive use). Preemption applies only to the relationship between the federal and state governments. Thus, federal trademark registration would not preempt a federal Lanham Act claim.

165. See *Exxon Corp. v. Humble Exploration Co.*, 695 F.2d 96, 99 (5th Cir. 1983).

166. See 15 U.S.C.A. § 1127 (West 1998).

167. See *Stephen King v. Innovation Books*, 976 F.2d 824, 832 (stating that the party asserting laches must establish the plaintiff's unreasonable lack of diligence and the resulting prejudice).

168. *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1040 (2d Cir. 1980) (quoting *Cuban Cigar Brands, N.V. v. Upmann Int'l, Inc.*, 457 F. Supp. 1090, 1096 (S.D.N.Y. 1978)), *aff'd without op.*, 607 F.2d 995 (2d Cir. 1979).

A defendant's ongoing title law violation is likely to cause him difficulty in establishing his own good faith. See *West Indian Sea Island Cotton Ass'n, Inc. v. Threadtex, Inc.*, 761 F. Supp. 1041, 1051 (S.D.N.Y. 1991) (ruling that "mere knowledge and delay do not constitute laches"). Moreover, a finding of laches alone "ordinarily will not bar a plaintiff's request for injunctive relief, although it typically will foreclose a demand for

A laches defense gains potency from the amount of money and other resources that a title law violator invests in advertising and promotion to develop goodwill for his use of prohibited words, titles, or designations.¹⁶⁹ Accordingly, a licensee must put a violator on notice as soon as possible so that the violator acts at his own peril if he continues investing to promote the prohibited word, title, or designation.¹⁷⁰

A violator also may invoke a statute of limitations defense. Wherever a federal statute does not contain a specific time bar on claims, as is the case with the Lanham Act, a court looks to the “most appropriate” or the most “analogous” statute of limitations in the law of the forum state.¹⁷¹

A statute of limitations has little application in title law cases where the violations are ongoing. In such cases, the statute of limitations could be asserted only to bar a portion of damages.

C. *The Commercial Free-Speech Defense*

A defendant may assert that his use of a protected word, title, or designation is protected commercial speech under the First Amendment. Although misleading commercial speech may be entirely prohibited without violating the First Amendment, the Supreme Court has ruled that “the States may not place an absolute

an accounting or damages.” *Conan Properties, Inc. v. Conan’s Pizza, Inc.*, 752 F.2d 145, 152 (5th Cir. 1985).

169. *See* *MDT Corp. v. New York Stock Exch., Inc.*, 858 F. Supp 1028, 1033 (C.D. Cal. 1994) (holding that the central purpose of the laches doctrine in Lanham Act cases is to discourage the plaintiff from delaying suit until the defendant’s use of the mark has acquired its own secondary meaning).

170. *Cf.* *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 786 F. Supp. 182, 217 (E.D.N.Y. 1992) (holding that even though a delay in challenging a trademark infringement may not rise to the level of laches, it may nonetheless indicate absence of irreparable harm for purposes of preliminary injunction).

171. *See* *Gordon & Breach Science Publishers v. American Inst. of Physics*, 859 F. Supp. 1521, 1528 (S.D.N.Y. 1994) (citing *Wilson v. Garcia*, 471 U.S. 261, 268 (1985); *Holmberg v. Ambrecht*, 327 U.S. 392, 395 (1946)). The court must select “that limitations period which best reflects the federal policy at issue.” *Id.* (citing *Construction Tech., Inc. v. Lockformer Co.*, 704 F. Supp. 1212, 1219 (S.D.N.Y. 1989); *PepsiCo., Inc. v. Dunlop Tire & Rubber Corp.*, 578 F. Supp. 196, 199 (S.D.N.Y. 1984)). Courts addressing this issue have applied the forum state’s statute of limitation for fraud to Lanham Act cases. *See Construction Tech.*, at 1229.

prohibition on certain types of potentially misleading information . . . if the information also may be presented in a way that is not deceptive.”¹⁷² The standard of review, however, is unclear.

When dealing with potentially misleading speech, the Court has articulated the following standard of review: “Although the potential for deception and confusion is particularly strong in the context of advertising professional services, restrictions upon such advertising may be no broader than reasonably necessary to prevent the deception.”¹⁷³ Nevertheless, state courts complain that the Supreme Court has failed to explicitly define the term “inherently misleading” in regard to commercial speech.¹⁷⁴ Nor has the Court defined the concept of “potentially misleading” commercial speech. The Fifth Circuit supplied its own interpretation of the

172. *In re R.M.J.*, 455 U.S. 191, 203 (1982). In *R.M.J.*, the Court suggested that “the remedy in the first instance is not necessarily prohibition but preferably a requirement of disclaimers or explanation.” *Id.* (citing *Bates v. State Bar of Arizona*, 433 U.S. 350, 375 (1977)). Thus, in *Peel v. Attorney Registration & Disciplinary Commission of Illinois*, the Supreme Court concluded that an attorney had a First Amendment right to place on his letterhead the notation, “Certified Civil Trial Specialist by the National Board of Trial Advocacy.” 496 U.S. 91, 109 (1990). The Court held that:

To the extent that potentially misleading statements of private certification or specialization could confuse consumers, a State might consider screening certifying organizations or requiring a disclaimer about the certifying organization or the standards of a specialty. A State may not, however, completely ban statements that are not actually or inherently misleading, such as certification as a specialist by bona fide organizations

Id. at 110 (citation omitted). Similarly, in *Ibanez v. Florida Department of Business & Professional Regulation*, the Supreme Court held that an attorney had a First Amendment right to place on her letterhead the notations “C.P.A.” (“Certified Public Accountant”) and “C.F.P.” (“Certified Financial Planner”). 512 U.S. 136 (1994); *see also* *Iowa Sup. Ct. Bd. of Prof. Ethics & Conduct v. Wherry*, 569 N.W.2d 822 (Iowa 1997) (upholding state’s authority to impose special eligibility requirements on lawyers who wish to advertise specific fields of practice).

It is important to note the negative implication of the Court’s refusal to allow prohibitions against certain types of misleading information, such as a listing of areas of practice. The holding implies that states *may* place absolute prohibitions on certain *other* types of potentially misleading information. Although not expressly stated by the Supreme Court, one may logically conclude, based on the Court’s decision in *Peel*, that the issue of whether particular words or statements are “potentially misleading” is a question of law to be decided by the courts. *See Peel*, 496 U.S. at 108.

173. *R.M.J.*, 455 U.S. at 203.

174. *See, e.g., Snell v. Engineered Sys. & Designs, Inc.* 669 A.2d 13, 19 n.9. (Del. 1995) (“The United States Supreme Court has not defined with any specificity the concept of ‘inherently misleading’ commercial speech.”).

phrase “inherently misleading,” holding that terms might be inherently misleading when they are “amorphous” and “misleading to the public” and lack a “fixed, ascertainable meaning to the average consumer.”¹⁷⁵

If a court determines that a defendant’s use of the regulated words, titles, and designations is merely “potentially misleading,”¹⁷⁶ and if the defendant voluntarily chooses to use a disclaimer on its documentation, such as, “not authorized to engage in the practice of [],” the defendant may succeed in arguing that such use is permissible because the disclaimer eliminates the potential consumer confusion.¹⁷⁷ Of course, this strategy also will fail upon a finding that the defendant’s use is inherently misleading.

The use of a disclaimer is a stronger defense to a title law claim than it is to a Lanham Act claim. In the Lanham Act context, disclaimers that emphasize the source of a product or services or that disclaim affiliation may reduce or eliminate the likelihood of confusion.¹⁷⁸ Nevertheless, the mere presence of a disclaimer does not necessarily prevent consumer confusion. For example, the use of an obscure or inconspicuous disclaimer obviously will not sufficiently reduce consumer confusion.¹⁷⁹ Some courts place the burden on the defendant to provide evidence establishing that the disclaimer is effective.¹⁸⁰ In any case, a licensee may require an

175. *Joe Conte Toyota, Inc. v. Louisiana Motor Vehicle Comm’n*, 24 F.3d 754, 757 (5th Cir. 1994) (quoting *Barry v. Arrow Pontiac, Inc.*, 494 A.2d 804 (N.J. 1985)).

176. *See supra* notes 90-92 and accompanying text. (discussing the standards governing the term “potentially misleading”).

177. *See A & H Sportswear Co. v. Victoria’s Secret Stores, Inc.*, 967 F. Supp. 1457 (E.D. Pa. 1997).

178. *See August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 618-19 (7th Cir. 1995); *Soltex Polymer Corp. v. Fortex Indus., Inc.*, 832 F.2d 1325, 1330 (2d Cir. 1987).

179. *See Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769, 774 (8th Cir. 1994) (stating that an obscure disclaimer was insufficient to quell the confusion generated by a parody of a trademark in a humor magazine); *University of Georgia Athletic Assoc. v. Laite*, 756 F.2d 1535, 1547 (11th Cir. 1985) (holding that the disclaimer placed on the novelty beer can, which stated that the novelty beer was not associated with the plaintiff’s mark, was insufficient to remedy the confusion).

180. *See Charles of the Ritz Group, Ltd. v. Quality King Distribs., Inc.*, 832 F.2d 1317, 1324 (2d Cir. 1987); *Home Box Office, Inc. v. Showtime/The Movie Channel, Inc.*, 832 F.2d 1311, 1315 (2d Cir. 1987).

effective disclaimer as part of a negotiated settlement.

CONCLUSION

With the ever-expanding avenues for advertising and promotion, such as the Internet, and with the creation of many new vocations spawned from emerging technologies, the potential for title law abuses will increase. For example, in the computer technology area, many individuals who do not hold engineering degrees and are not licensed to practice engineering have begun to identify themselves as engineers, using company-specific certifications such as “netware engineer” or “systems engineer.” If licensed engineers do not take action to prohibit such conduct, and if licensees in other professions do not act to prohibit similar conduct, the protections of the title laws could be lost forever.

Nonetheless, licensees have yet to avail themselves of the many means of redress provided by the Lanham Act and deceptive trade practice acts. Instead, there is a misplaced reliance on enforcement by the states. But licensees can no longer merely report title law violations to state boards and agencies; licensees must become active in enforcing their rights and privileges to adequately preserve their individual interests and those of their profession. Licensees also must encourage their state boards to closely monitor title law violations.

Some licensees and state boards are concerned about potential accusations that title law enforcement is merely economic territorialism. They must not forget, however, that the principle purpose of professional regulation is protection of the public from the obvious potential for physical and economic harm presented by the rendering of services by those who are not competent. That protection—through title law enforcement—is a public, as well as a private obligation.