Advertising

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Advertising

False advertising law is not, strictly speaking, intellectual property law, but it is a close relative. At the very lest, we need to say a bit about adveritisng law to complete our survey of trademark law. Competitor suits for false advertising have a lot in common with competitor suits for trademark infringement and unfair competition, and trademark law incorporates several devices to discourage misleading uses of trademarks. But a slightly deeper dive – exploring advertising law as a body of law devoted to controlling information – casts new light on other areas of intellectual property as well.

Three issues are pervasive in advertising law: falsity, materiality and commerciality. Falsity is important because true statements about one's products (or others) generally enjoy robust First Amendment protections. Not every false statement is actionable; only those that is material to consumers' purchasing decisions. And advertising law only generally applies to statements "in commercial advertising or promotion," to quote the Lanham Act. Falsity, materiality, and commerciality all raise conceptual questions about the control information that go well beyond advertising law. So we start with the tort law of competitor suits for false advertising, then discuss its close tort and tort-like substitutes, and then look more broadly at other sources of advertising law.

The central concern of false advertising law is to prevent the dissemination of false commercial information. Note that this task necessarily requires courts to distinguish true statements from false ones. At least five different conceptions of truth butt heads in the caselaw:

- Scientific truth exists in the world and can be determined through objective investigation.
- Linguistic truth is conventional; the true meaning of a term is the meaning a reasonable listener (e.g., a reasonable consumer) would regard it as having.
- Legal truth is a matter of authority; courts must defer to what

legislatures and agencies assert.

- Trademark truth is determined by priority of appropriation; the owner of a mark is entitled to say definitively what it means.
- In a pluralistic society committed to free speech, there is no absolute truth; everyone is entitled to express their own opinions.

As you read the cases, always ask which conception or conceptions the courts are appealing to.

A False Advertising

The leading advertising treatises are David H. Bernstein & Bruce P. Keller, *The Law of Advertising, Marketing, and Promotions* (Law Journal Press) and James Astrachan, *The Law of Advertising* (Matthew Bender, on Lexis, current through 2014). See also the casebook Rebecca Tushnet & Eric Goldman, *Advertising & Marketing Law: Cases and Materials* (self-published, available in a variety of convenient and inexpensive formats)

As with trademark and unfair competition, state and federal law provide overlapping – and often redundant – protections against false advertising. We will focus on our old federal friend, section 43(a), except that now our attention turns to a different subparagraph.

Lanham Act

15 U.S.C. § 1125 [Lanham Act § 43]
False designations of origin, false descriptions, and dilution forbidden

(a) *Civil action*. –

(1) 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— …

(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.

In a sense, false advertising law shares the tort structure of trademark law, but without the requirement that the plaintiff own a trademark. The false advertising tort lacks anything corresponding to procedural rules, and subject matter and "similarity" are so interwoven that it makes sense to treat them together.

See Rebecca Tushnet, *Running the Gamut from A to B: Federal Trademark and False Advertising Law*, 159 U. Pa. L. Rev. 1305 (2011).

1 "Ownership": Competitor Standing

One gains tort protection against competitors' false advertising competitors simply by having competitors – by engaging in a commercial activity that has customers capable of being diverted by lies. This requirement of competitor standing functions as a kind of ownership rule. Modern standing law under § 43(a) is considerably more liberal than its common-law precursors.

American Washboard Co. v. Saginaw Mfg. Co.
103 F. 281 (6th Cir. 1900)

[The plaintiff sold aluminum washboards marked "aluminum." It alleged that it had "contracted for and purchased … the entire output of sheet aluminum suitable for forming the rubbing sheets of washboards." The defendant sold zinc washboards, falsely marked "aluminum."]

(Taft, J.)

We do not find it anywhere averred that the defendant, by means of its imitation of complainant's trade-mark, is palming off its goods on the public as and for the goods of complainant. The bill is not predicated upon that theory. It undertakes to make a case, not because the defendant is selling its goods as and for the goods of complainant, but because the defendant is deceiving the public by selling to it a board not made of aluminum, although false branded as such.

Why didn't the plaintiff sue for trademark infringement?

It is doubtless morally wrong and improper to impose upon the public by the sale of spurious goods, but this does not give rise to a private right of action unless the property rights of the plaintiff are thereby invaded. There are many wrongs which can only be righted through public prosecution, and for which the legislature, and not the courts, must provide a remedy.

Take the metal which is the subject-matter of the controversy in this case. Many articles are now being put upon the market under the name of aluminum, because of the attractive qualities of that metal, which are not made of pure aluminum, yet they answer the purpose for which they are made and are useful. Can it be that the courts have the power to suppress such trade at the instance of others starting in the same business who use only pure aluminum?

Nor do we find anything in the allegations of the bill as to complainant's monopoly in the use of the metal aluminum for washboard purposes which would extend its rights. We are not referred to any case, nor can we think of any reason why one who has obtained a monopoly in the material of which his goods are made should have any broader rights in protecting his trade-name than another who is engaged in competition in the same line of business.

Ely-Norris Safe Co. v. Mosler Safe Co.
7 F.2d 603 (2d Cir. 1925)

[The plaintiff held a patent [No. 827,351] for a safe with an "explosion chamber" – a design "to prevent burglarious entrances to safes, vaults, and the like through the doors by the use of explosives." Its safes had a metal band around the door to cover the explosion chamber. The defendant sold safes with a metal band around the door, but no explosion chamber beneath.]

(Learned Hand, J.)

There is no part of the law which is more plastic than unfair competition, and what was not reckoned an actionable wrong 25 years ago may have become such today. While a competitor may, generally speaking, take away all the customers of another that he can, there are means which he must not use. One of these is deceit. We conceive that in the end the questions which arise are always two: Has the plaintiff in fact lost customers? And has he lost them by means which the law forbids? The false use of the plaintiff's name is only an instance in which each element is clearly shown.

The reason, as we think, why such deceits have not been regarded as actionable by a competitor, depends only upon his inability to show any injury for which there is a known remedy. In an open market it is generally impossible to prove that a customer, whom the defendant has secured by falsely describing his goods, would have bought of the plaintiff, if the defendant had been truthful. Without that, the plaintiff, though aggrieved in company with other honest traders, cannot show any ascertainable loss. The law does not allow him to sue as a vicarious avenger of the defendant's customers.

But, if it be true that the plaintiff has a monopoly of the kind of wares concerned, and if to secure a customer the defendant must represent his own as of that kind, it is a fair inference that the customer wants those and those only. Had he not supposed that the defendant could supply him, presumably he would have gone to the plaintiff, who alone could. If a tradesman falsely foists on a customer a substitute for what the plaintiff alone can supply, it can scarcely be that the plaintiff is without remedy, if he can show that the customer would certainly have come to him, had the truth been told.

Mosler Safe Co. v. Ely-Norris Safe Co.

273 U.S. 132 (1927)

(Holmes, J.)

It is consistent with every allegation in the bill and the defendant in argument asserted it to be a fact, that there are other safes with explosion chambers beside that for which the plaintiff has a patent. There is nothing to show that customers had they known the facts would have gone to the plaintiff rather than to other competitors in the market, or to lay a foundation for the claim for a loss of sales. The bill is so framed as to seem to invite the decision that was obtained from the Circuit Court of Appeals, but when scrutinized is seen to have so limited its statements as to exclude the right to complain.

Lexmark International, Inc. v. Static Control Components, Inc.

134 S. Ct. 1377 (2014)

This case requires us to decide whether respondent, Static Control Components, Inc., may sue petitioner, Lexmark International, Inc., for false advertising under the Lanham Act.

I. Background

Lexmark manufactures and sells laser printers. It also sells toner cartridges for those printers (toner being the powdery ink that laser printers use to create images on paper). Lexmark designs its printers to work only with its own style of cartridges, and it therefore dominates the market for cartridges compatible with its printers. That market, however, is not devoid of competitors. Other businesses, called "remanufacturers," acquire used Lexmark toner cartridges, refurbish them, and sell them in competition with new and refurbished cartridges sold by Lexmark.

Lexmark would prefer that its customers return their empty cartridges to it for refurbishment and resale, rather than sell those cartridges to a remanufacturer. So Lexmark introduced what it called a "Prebate" program, which enabled customers to purchase new toner cartridges at a 20-percent discount if they would agree to return the cartridge to Lexmark once it was empty. To enforce the Prebate terms, Lexmark included a microchip in each Prebate cartridge that would disable the cartridge after it ran out of toner; for the cartridge to be used again, the microchip would have to be replaced by Lexmark.

Static Control is not itself a manufacturer or remanufacturer of toner cartridges. It is, rather, the market leader in making and selling the components necessary to remanufacture Lexmark cartridges. In addition to supplying remanufacturers with toner and various replacement parts, Static Control developed a microchip that could mimic the microchip in Lexmark's Prebate cartridges. By purchasing Static Control's microchips and using them to replace the Lexmark microchip, remanufacturers were able to refurbish and resell used Prebate cartridges.

As relevant to its Lanham Act claim, Static Control alleged two types of false or misleading conduct by Lexmark. First, it alleged that through its Prebate program Lexmark "purposefully misleads end-users" to believe that they are legally bound by the Prebate terms and are thus required to return the Prebate-labeled cartridge to Lexmark after a single use. Second, it alleged that upon introducing the Prebate program, Lexmark "sent letters to most of the companies in the toner cartridge remanufacturing business" falsely advising those companies that it was illegal to sell refurbished Prebate cartridges and, in particular, that it was illegal to use Static Control's products to refurbish those cartridges.

III. Static Control's Right To Sue Under § 1125(a)

Thus, this case presents a straightforward question of statutory interpretation: Does the cause of action in § 1125(a) extend to plaintiffs like Static Control? The statute authorizes suit by "any person who believes that he or she is likely to be damaged" by a defendant's false advertising.

A. Zone of Interests

First, we presume that a statutory cause of action extends only to plaintiffs whose interests fall within the zone of interests protected by the law invoked.

We thus hold that to come within the zone of interests in a suit for false advertising under § 1125(a), a plaintiff must allege an injury to a commercial interest in reputation or sales. A consumer who is hoodwinked into purchasing a disappointing product may well have an injury-in-fact cognizable under Article III, but he cannot invoke the protection of the Lanham Act – a conclusion reached by every Circuit to consider the question. Even a business misled by a supplier into purchasing an inferior product is, like consumers generally, not under the Act's aegis.

B. Proximate Cause

Second, we generally presume that a statutory cause of action is limited to plaintiffs whose injuries are proximately caused by violations of the statute.

Put differently, the proximate-cause requirement generally bars suits for alleged harm that is "too remote" from the defendant's unlawful conduct. That is ordinarily the case if the harm is purely derivative of misfortunes visited upon a third person by the defendant's acts. In a sense, of course, all commercial injuries from false advertising are derivative of those suffered by consumers who are deceived by the advertising; but since the Lanham Act authorizes suit only for commercial injuries, the intervening step of consumer deception is not fatal to the showing of proximate causation required by the statute.

We thus hold that a plaintiff suing under § 1125(a) ordinarily must show economic or reputational injury flowing directly from the deception wrought by the defendant's advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff. That showing is generally not made when the deception produces injuries to a fellow commercial actor that in turn affect the plaintiff. For example, while a competitor who is forced out of business by a defendant's false advertising generally will be able to sue for its losses, the same is not true of the competitor's landlord, its electric company, and other commercial parties who suffer merely as a result of the competitor's inability to meet its financial obligations.

IV. Application

Applying those principles to Static Control's false-advertising claim, we conclude that Static Control comes within the class of plaintiffs whom Congress authorized to sue under § 1125(a).

To begin, Static Control's alleged injuries – lost sales and damage to its business reputation – are injuries to precisely the sorts of commercial interests the Act protects. Static Control is suing not as a deceived consumer, but as a "perso[n] engaged in" "commerce within the control of Congress" whose position in the marketplace has been damaged by Lexmark's false advertising. § 1127. There is no doubt that it is within the zone of interests protected by the statute.

Static Control also sufficiently alleged that its injuries were proximately caused by Lexmark's misrepresentations. This case, it is true, does not present the classic Lanham Act false-advertising claim in which one competitor directly injures another by making false statements about his own goods or the competitor's goods and thus inducing customers to switch. But although diversion of sales to a direct competitor may be the paradigmatic direct injury from false advertising, it is not the only type of injury cognizable under § 1125(a). For at least two reasons, Static Control's allegations satisfy the requirement of proximate causation.

First, Static Control alleged that Lexmark disparaged its business and products by asserting that Static Control's business was illegal. When a defendant harms a plaintiff's reputation by casting aspersions on its business, the plaintiff's injury flows directly from the audience's belief in the disparaging statements. Courts have therefore afforded relief under § 1125(a) not only where a defendant denigrates a plaintiff's product by name but also where the defendant damages the product's reputation by, for example, equating it with an inferior product.

In addition, Static Control adequately alleged proximate causation by alleging that it designed, manufactured, and sold microchips that both (1) were necessary for, and (2) had no other use than, refurbishing Lexmark toner cartridges. It follows from that allegation that any false advertising that reduced the remanufacturers' business necessarily injured Static Control as well. Taking Static Control's assertions at face value, there is likely to be something very close to a 1:1 relationship between the number of refurbished Prebate cartridges sold (or not sold) by the remanufacturers and the number of Prebate microchips sold (or not sold) by Static Control. Where the injury alleged is so integral an aspect of the violation alleged, there can be no question that proximate cause is satisfied.

Although we conclude that Static Control has alleged an adequate basis to proceed under § 1125(a), it cannot obtain relief without evidence of injury proximately caused by Lexmark's alleged misrepresentations. We hold only that Static Control is entitled to a chance to prove its case.

2 "Infringement": Prohibited Conduct

Notice the threshold condition in § 43(a)(1)(B): the challenged false statement must be "in commercial advertising or promotion." This threshold condition is heavily influenced by First Amendment concerns. In addition, the statement must concern "the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities," a phrase that is expansive but not infinitely so.

Greater Houston Transportation Company v. Uber Technologies, Inc.
155 F. Supp. 3d 670 (S.D Tex. 2015)

Plaintiffs are taxicab permit-holders in Houston and San Antonio, who claim that Uber is unfairly competing with the taxicab industry by misrepresenting the safety of its services to consumers.

First, Plaintiff cites Uber's Senior Communications Associate, Lauren Altmin's statement on an NBC Detroit affiliate's website, in a post titled, "Local 4 Defenders: Is Uber X safe?". The article on the website republished Uber's statement as follows:

> What I can tell you is that Uber takes passenger safety very seriously. We work every day to connect riders with the safest rides on the road and go above and beyond local requirements in every city we operate. Uber only partners with drivers who pass an industry-leading screening that includes a criminal background check at the county, federal and multistate level going back as far as the law allows. We also conduct ongoing reviews of drivers' motor vehicle records during their time as an Uber partner.
>
> For more information on what makes Uber the safest rides on the road, please see our website ...

Plaintiffs also point to a statement by Uber's Head of Communications for North America, Lane Kasselman, in an April 24, 2014 article on Mashable.com entitled "Faulty Background Checks May Put Uber X Passengers at Risk, Report Says." The statement quoted in the article reads:

> Uber's industry-leading background checks help connect consumers with the safest ride on the road.... Our driver partner background checks are more thorough than those of taxi [sic] in most cities and include county, state and federal screens going back seven years. We continue to

> improve and are always working hard to tighten our policies and processes to ensure that Uber remains the safest transportation option available.

In addition, Plaintiffs take issue with a quote by Kasselman in an April 24, 2014, NBCBayArea.com news article, titled "Is Uber Keeping Riders Safe?". In the article, Kasselman states, "We're confident that every ride on the Uber platform is safer than a taxi." Plaintiffs also allege that a similar email response from Kasselman included in a news story on NBCLosAngeles.com, was false or misleading: "We're confident that every ride on Uber is safer than a taxi."

Plaintiffs allege that Uber's statements quoted in online news articles were misleading to potential consumers. Defendant argues that false-advertising claims under the Lanham Act must be based on "commercial advertising or promotion," and contends that statements contained in news articles do not qualify as commercial advertising.

Uber argues that each of its statements quoted in news articles are "inextricably intertwined with the reporters' coverage" in each article, citing *Boulé v. Hutton* (affirming dismissal of a Lanham Act claim based on the defendant's statements as quoted in a news article). Defendant further argues that the alleged statements are not commercial speech, because commercial speech is speech which does no more than propose a commercial transaction.

Boulé: 328 F.3d 84 (2d Cir.2003)

In *Boulé*, the plaintiffs and defendants competed in selling paintings by Lazar Khidekel. Two defendants, who were Khidekel's son and daughter-in-law, defendants were quoted in ART*news* claiming that paintings being sold by the plaintiff were not authentic Khidekels.

This area of law is currently evolving. The Second Circuit recently explored the commercial and non-commercial speech dichotomy in *Ony, Inc. v. Cornerstone Therapeutics, Inc.*. The *Ony, Inc* court found that publication and dissemination of a scientific study that had the effect of touting a company's product is noncommercial speech and was thereby immune from the false advertising provisions of the Lanham Act. The Fifth Circuit recently highlighted the difficulties in separating commercial from non-commercial speech, holding that the dissemination of an article as part of a company's marketing campaign is in fact commercial speech. *Eastman Chemical Co. v. PlastiPure, Inc.*.

Ony, Inc.: 720 F.3d 490 (2d Cir. 2013)

Eastman Chemical: 775 F.3d 230 (5th Cir. 2014)

Each of Uber's statements was issued by its corporate spokesperson or on Uber's own official website as part of a concerted campaign by the company in response to incidents that had been publicized in the media. Three of the statements quoted in the media were made by Uber's Head of Communications for North America. Two more were by other corporate representatives: Uber's Senior Communications Associate and Uber's Public Policy representative. One statement was published on Uber's own website, and then quoted in the media.

Because Uber's statements as a whole are issued with the intent to influence consumer opinion, they thereby become commercial speech even though they were contained in news media. In the modern age of hybrid advertising and advertising in social media, Courts must remain vigilant in order to separate commercial from non-commercial speech, regardless of the form in which it was disseminated. The comments issued by Uber's communication executives demonstrate a careful, uniform, and orchestrated message designed to encourage and facilitate the commercial use of its product and service. Thus, the Court finds that the disputed statements contained in media articles are commercial speech, and are potentially actionable under the Lanham Act.

Procter & Gamble Co. v. Haugen
222 F.3d 1262 (10th Cir. 2000)

[Randy Haugen, an Amway distributor, distributed a voice message to other distributors saying

> I wanna run something by you real quick that I think you will find pretty interesting. Just talking to a guy the other night about this very subject and it just so happens that a guy brings information in and lays it on my desk this morning, so here it goes.
>
> It says the president of Procter & Gamble appeared on the Phil Donahue Show on March 1, '95. He announced that due to the openness of our society, he was coming out of the closet about his association with the church of satan. He stated that a large portion of the profits from [P&G] products go to support his satanic church. When asked by Donahue if stating this on television would hurt his business, his reply was, "There are not enough Christians in the United States to make a difference." And below it has a list of the [P&G] products which I'll read: [the subject message then lists 43 P&G products].
>
> It says if you are not sure about a product, look for the symbol of the ram's horn that will appear on each product beginning in April. The ram's horn will form the 666 which is known as satan's number. I'll tell you it really makes you count your blessings to have available to all of us a business that allows us to buy all the products that we want from our own shelf and I guess my real question is, if people aren't being loyal to themselves and buying from their own business, then whose business are they supporting and who are they buying from. Love you. Talk to you later. Bye.

Needless to say, the claims about P&G were entirely false.]

The allegedly Satanic P&G logo

The district court granted defendants-appellees' motion for summary judgment on P&G's Lanham Act claim because it found the subject message, although "*identif[ying]* . . . [P&G] products," did not "contain false representations about the *qualities or characteristics* of those products," and so did "not relate to a product within the meaning of the Lanham Act." We agree with the district court that the subject message did not implicate the nature, characteristics, or qualities of P&G's products because it impugned no feature of the products themselves, such as price, regulatory approval, scope of copyright, or substitutability for another product.

However, in addition to challenging on appeal the district court's conclusion that there was no genuine issue as to misrepresentation of the qualities or characteristics of its goods or services, P&G argues that the district court erred in granting summary judgment because the subject message's representations regarding the infernal affiliation of P&G and the use of its profits misrepresented "the nature, characteristics, [or] qualities . . . of . . . [its] *commercial activities*."

The subject message linking P&G to Beelzebub clearly concerned the "nature, characteristics, [or] qualities . . . of . . . [P&G's] commercial activities," under the plain meaning of that phrase. In particular, the subject message asserted that "a large portion of the profits from [P&G] products go to support [the church of Satan]." Given the common association of Satan and immorality, a direct affiliation with the church of Satan could certainly undermine a corporation's reputation and goodwill by suggesting the corporation conducts its commercial activities in an unethical or immoral manner. There can be little doubt that products are often marketed and purchased not only on the basis of their inherent utility, but also for the images they project and the values they promote. In that regard, the subject message itself implies that recipients should question the values promoted by the businesses from whom they purchase goods. In light of the foregoing reality of the marketplace, corporations cultivate their images and values through a wide array of activities, including celebrity endorsements, sponsorships, and charitable giving. Allegations that P&G tithes the church of Satan concern just such commercial activities.

3 "Infringement": Falsity and Materiality

With no specific information as such to protect, false advertising law lacks a similarity test. Instead, because it protects the truth, it asks whether the challenged statements are false, and if so, whether the lies are ones that are material to consumers.

Pizza Hut, Inc. v. Papa John's Intern., Inc.
227 F.3d 489 (5th Cir. 2000)

This appeal presents a false advertising claim under section 43(a) of the Lanham Act, resulting in a jury verdict for the plaintiff, Pizza Hut. At the center of this appeal is Papa John's four word slogan "Better Ingredients. Better Pizza."

The appellant, Papa John's International Inc. ("Papa John's"), argues that the slogan "cannot and does not violate the Lanham Act" because it is "not a misrepresentation of fact." The appellee, Pizza Hut, Inc., argues that the slogan, when viewed in the context of Papa John's overall advertising campaign, conveys a false statement of fact actionable under section 43(a) of the Lanham Act. The district court, after evaluating the jury's responses to a series of special interrogatories and denying Papa John's motion for judgment as a matter of law, entered judgment for Pizza Hut stating:

> When the "Better Ingredients. Better Pizza." slogan is considered in light of the entirety of Papa John's post-May 1997 advertising which violated provisions of the Lanham Act and in the context in which it was juxtaposed with the false and misleading statements contained in Papa John's print and broadcast media advertising, the slogan itself became tainted to the extent that its continued use should be enjoined.

We conclude that (1) the slogan, standing alone, is not an objectifiable statement of fact upon which consumers would be justified in relying, and thus not actionable under section 43(a); and (2) while the slogan, when utilized in connection with some of the post-May 1997 comparative advertising—specifically, the sauce and dough campaigns—conveyed objectifiable and misleading facts, Pizza Hut has failed to adduce any evidence demonstrating that the facts conveyed by the slogan were material to the purchasing decisions of the consumers to which the slogan was directed. Thus, the district court erred in denying Papa John's motion for judgment as a matter of law. We therefore reverse the judgment of the district court denying Papa John's motion for judgment as a matter of law, vacate its final judgment, and remand the case to the district court for entry of judgment for Papa John's.

I

A

Pizza Hut is a wholly owned subsidiary of Tricon Global Restaurants. With over 7000 restaurants (both company and franchisee-owned), Pizza Hut is the largest pizza chain in the United States. In 1984, John Schnatter founded Papa John's Pizza in the back of his father's tavern. Papa John's has grown to over 2050 locations, making it the third largest pizza chain in the United States.

In May 1995, Papa John's adopted a new slogan: "Better Ingredients. Better Pizza." In 1996, Papa John's filed for a federal trademark registration for this slogan with the United States Patent & Trademark Office ("PTO"). Its application for registration was ultimately granted by the PTO. Since 1995, Papa John's has invested over $300 million building customer goodwill in its trademark "Better Ingredients. Better Pizza." The slogan has appeared on millions of signs, shirts, menus, pizza boxes, napkins and other items, and has regularly appeared as the "tag line" at the end of Papa John's radio and television ads, or with the company logo in printed advertising.

On May 1, 1997, Pizza Hut launched its "Totally New Pizza" campaign. This campaign was the culmination of "Operation Lightning Bolt," a nine-month, $50 million project in which Pizza Hut declared "war" on poor quality pizza. From the deck of a World War II aircraft carrier, Pizza Hut's president, David Novak, declared "war" on "skimpy, low quality pizza." National ads aired during this campaign touted the "better taste" of Pizza Hut's pizza, and "dared" anyone to find a "better pizza."

In early May 1997, Papa John's launched its first national ad campaign. The campaign was directed towards Pizza Hut, and its "Totally New Pizza" campaign. In a pair of TV ads featuring Pizza Hut's co-founder Frank Carney, Carney touted the superiority of Papa John's pizza over Pizza Hut's pizza. Although Carney had left the pizza business in the 1980's, he returned as a franchisee of Papa John's because he liked the taste of Papa John's pizza better than any other pizza on the market. The ad campaign was remarkably successful. During May 1997, Papa John's sales increased 11.7 percent over May 1996 sales, while Pizza Hut's sales were down 8 percent.

On the heels of the success of the Carney ads, in February 1998, Papa John's launched a second series of ads touting the results of a taste test in which consumers were asked to compare Papa John's and Pizza Hut's pizzas. In the ads, Papa John's boasted that it "won big time" in taste tests. The ads were a response to Pizza Hut's "dare" to find a "better pizza." The taste test showed that consumers preferred Papa John's traditional crust pizzas over Pizza Hut's comparable pizzas by a 16-point margin (58% to 42%). Additionally, consumers preferred Papa John's thin crust pizzas by a fourteen-point margin (57% to 43%).

Following the taste test ads, Papa John's ran a series of ads comparing specific ingredients used in its pizzas with those used by its "competitors." During the course of these ads, Papa John's touted the superiority of its sauce and its dough. During the sauce campaign, Papa John's asserted that its sauce was made from "fresh, vine-ripened tomatoes," which were canned through a process called "fresh pack," while its competitors—including Pizza Hut—make their sauce from remanufactured tomato paste. During the dough campaign, Papa John's stated that it used "clear filtered water" to make its pizza dough, while the "biggest chain" uses "whatever comes out of the tap." Additionally, Papa John's asserted that it gives its yeast "several days to work its magic," while "some folks" use "frozen dough or dough made the same day." At or near the close of each of these ads, Papa John's punctuated its ingredient comparisons with the slogan "Better Ingredients. Better Pizza."

"Better Ingredients. Better Pizza" ad

Pizza Hut does not appear to contest the truthfulness of the underlying factual assertions made by Papa John's in the course of these ads. Pizza Hut argues, however, that its own independent taste tests and other "scientific evidence" establishes that filtered water makes no difference in pizza dough, that there is no "taste" difference between Papa John's "fresh-pack" sauce and Pizza Hut's "remanufactured" sauce, and that fresh dough is not superior to frozen dough. In response to Pizza Hut's "scientific evidence," Papa John's asserts that "each of these 'claims' involves a matter of common sense choice (fresh versus frozen, canned vegetables and fruit versus remanufactured paste, and filtered versus unfiltered water) about which individual consumers can and do form preferences every day without 'scientific' or 'expert' assistance."

In November 1997, Pizza Hut filed a complaint regarding Papa John's "Better Ingredients. Better Pizza." advertising campaign with the National Advertising Division of the Better Business Bureau, an industry self-regulatory body. This complaint, however, did not produce satisfactory results for Pizza Hut.

B

On August 12, 1998, Pizza Hut filed a civil action in the United States District Court for the Northern District of Texas charging Papa John's with false advertising in violation of Section 43(a)(1)(B) of the Lanham Act. The suit sought relief based on the above-described TV ad campaigns, as well as on some 249 print ads. On March 10, 1999, Pizza Hut filed an amended complaint. Papa John's answered the complaints by denying that its advertising and slogan violated the Lanham Act. Additionally, Papa John's asserted a counterclaim, charging Pizza Hut with engaging in false advertising. The parties consented to a jury trial before a United States magistrate judge. The parties further agreed that the liability issues were to be decided by the jury, while the equitable injunction claim and damages award were within the province of the court.

The trial began on October 26, 1999, and continued for over three weeks. At the close of Pizza Hut's case, and at the close of all evidence, Papa John's moved for a judgment as a matter of law. The motions were denied each time. The district court, without objection, submitted the liability issue to the jury through special interrogatories. The special issues submitted to the jury related to (1) the slogan and (2) over Papa John's objection, certain classes of groups of advertisements referred to as "sauce claims," "dough claims," "taste test claims," and "ingredients claims."

On November 17, 1999, the jury returned its responses to the special issues finding that Papa John's slogan, and its "sauce claims" and "dough claims" were false or misleading and deceptive or likely to deceive consumers. The jury also determined that Papa John's "taste test" ads were not deceptive or likely to deceive consumers, and that Papa John's "ingredients claims" were not false or misleading. As to Papa John's counterclaims against Pizza Hut, the jury found that two of the three Pizza Hut television ads at issue were false or misleading and deceptive or likely to deceive consumers.

On January 3, 2000, the trial court, based upon the jury's verdict and the evidence presented by the parties in support of injunctive relief and on the issue of damages, entered a Final Judgment and issued a Memorandum Opinion and Order. The court concluded that the "Better Ingredients. Better Pizza." slogan was "consistent with the legal definition of non-actionable puffery" from its introduction in 1995 until May 1997. However, the slogan "became tainted . . . in light of the entirety of Papa John's post-May 1997 advertising." Based on this conclusion, the magistrate judge permanently enjoined Papa John's from "using any slogan in the future that constitutes a recognizable variation of the phrase 'Better Ingredients. Better Pizza.' or which uses the adjective 'Better' to modify the terms 'ingredients' and/or 'pizza'." Additionally, the court enjoined Papa John's from identifying Frank Carney as a co-founder of Pizza Hut, "unless such advertising includes a voice-over, printed statement or a superimposed message which states that Frank Carney has not been affiliated with Pizza Hut since 1980," and enjoined the dissemination of any advertising that was produced or disseminated prior to the date of this judgment and that explicitly or implicitly states or suggested that "Papa John's component is superior to the same component of Pizza Hut's pizzas." Finally, the court enjoined Papa John's from "explicitly or implicitly claim[ing] that a component of Papa John's pizza is superior to the same component of Pizza Hut's unless the superiority claim is supported by either (1) scientifically demonstrated attributes of superiority or (2) taste test surveys." Additionally, the injunction required that if the claim is supported by taste test surveys, the advertising shall include a printed statement, voice-over or "super," whichever is appropriate, stating the localities where the tests were conducted, the inclusive dates on which the surveys were performed, and the specific pizza products that were tested. The court also awarded Pizza

Hut $467,619.75 in damages for having to run corrective ads.

III

A

A prima facie case of false advertising under section 43(a) requires the plaintiff to establish:

(1) A false or misleading statement of fact about a product;

(2) Such statement either deceived, or had the capacity to deceive a substantial segment of potential consumers;

(3) The deception is material, in that it is likely to influence the consumer's purchasing decision;

(4) The product is in interstate commerce; and

(5) The plaintiff has been or is likely to be injured as a result of the statement at issue.

The failure to prove the existence of any element of the prima facie case is fatal to the plaintiff's claim.

B

The law governing false advertising claims under section 43(a) of the Lanham Act is well settled. In order to obtain monetary damages or equitable relief in the form of an injunction, a plaintiff must demonstrate that the commercial advertisement or promotion is either literally false, or that if the advertisement is not literally false it is likely to mislead and confuse consumers. If the statement is shown to be misleading, the plaintiff must also introduce evidence of the statement's impact on consumers, referred to as materiality.

"Although factfinders usually base literal falsity determinations upon the explicit claims made by an advertisement, they may also consider any claims the advertisement conveys by necessary implication. A claim is conveyed by necessary implication when, considering the advertisement in its entirety, the audience would recognize the claim as readily as if it had been explicitly stated. For instance, a factfinder found that an advertisement that claimed a motor oil provided "longer engine life and better engine protection" without explicitly mentioning competitors nonetheless drew a comparison by necessary implication vis a vis those competitors." *Clorox Co. P.R. v. Procter & Gamble Commercial Co.*228 F.3d 24 (1st Cir. 2000)

(1)

(a)

Essential to any claim under section 43(a) of the Lanham Act is a determination of whether the challenged statement is one of fact – actionable under section 43(a) – or one of general opinion – not actionable under section 43(a). Bald assertions of superiority or general statements of opinion cannot form the basis of Lanham Act liability. Rather the statements at issue must be a specific and measurable claim, capable of being proved false or of being reasonably interpreted as a statement of objective fact. A statement of fact is one that (1) admits of being adjudged true or false in a way that (2) admits of empirical verification.

(b)

One form of non-actionable statements of general opinion under section 43(a) of the Lanham Act has been referred to as "puffery." Puffery has been discussed at some length by other circuits. The Third Circuit has described "puffing" as "advertising that is not deceptive for no one would rely on its exaggerated claims." Similarly, the Ninth Circuit has defined "puffing" as "exaggerated advertising, blustering and boasting upon which no reasonable buyer would rely and is not actionable under 43(a)."

These definitions of puffery are consistent with the definitions provided by the leading commentaries in trademark law. A leading authority on unfair competition has defined "puffery" as an "exaggerated advertising, blustering, and boasting upon which no reasonable buyer would rely," or "a general claim of superiority over a comparative product that is so vague, it would be understood as a mere expression of opinion." *McCarthy*[7] Similarly, Prosser and Keeton on Torts defines "puffing" as "a seller's privilege to lie his head off, so long as he says nothing specific, on the theory that no reasonable man would believe him, or that no reasonable man would be influenced by such talk."

Drawing guidance from the writings of our sister circuits and the leading commentators, we think that non-actionable "puffery" comes in at least two possible forms: (1) an exaggerated, blustering, and boasting statement upon which no reasonable buyer would be justified in relying; or (2) a general claim of superiority over comparable products that is so vague that it can be understood as nothing more than a mere expression of opinion.

(2)

(a)

With respect to materiality, when the statements of fact at issue are shown to be literally false, the plaintiff need not introduce evidence on the issue of the impact the statements had on consumers. In such a circumstance, the court will assume that the statements actually misled consumers. On the other hand, if the statements at issue are either ambiguous or true but misleading, the plaintiff must present evidence of actual deception. The plaintiff may not rely on the judge or the jury to determine, based solely upon their own intuitive reactions, whether the advertisement is deceptive. Instead, proof of actual deception requires proof that consumers were actually deceived by the defendant's ambiguous or true-but-misleading statements.

[7] McCarthy on Trademarks goes on to state: "Vague advertising claims that one's product is 'better' than that of competitors' can be dismissed as mere puffing that is not actionable as false advertising."

IV

We turn now to consider the case before us. Reduced to its essence, the question is whether the evidence, viewed in the most favorable light to Pizza Hut, established that Papa John's slogan "Better Ingredients. Better Pizza." is misleading and violative of section 43(a) of the Lanham Act. In making this determination, we will first consider the slogan "Better Ingredients. Better Pizza." standing alone to determine if it is a statement of fact capable of deceiving a substantial segment of the consuming public to which it was directed. Second, we will determine whether the evidence supports the district court's conclusion that after May 1997, the slogan was tainted, and therefore actionable, as a result of its use in a series of ads comparing specific ingredients used by Papa John's with the ingredients used by its "competitors."

A

The jury concluded that the slogan itself was a "false or misleading" statement of fact, and the district court enjoined its further use. Papa John's argues, however, that this statement "quite simply is not a statement of fact, [but] rather, a statement of belief or opinion, and an argumentative one at that." Papa John's asserts that because "a statement of fact is either true or false, it is susceptible to being proved or disproved. A statement of opinion or belief, on the other hand, conveys the speaker's state of mind, and even though it may be used to attempt to persuade the listener, it is a subjective communication that may be accepted or rejected, but not proven true or false." Papa John's contends that its slogan "Better Ingredients. Better Pizza." falls into the latter category, and because the phrases "better ingredients" and "better pizza" are not subject to quantifiable measures, the slogan is non-actionable puffery.

We will therefore consider whether the slogan standing alone constitutes a statement of fact under the Lanham Act. Bisecting the slogan "Better Ingredients. Better Pizza.," it is clear that the assertion by Papa John's that it makes a "Better Pizza." is a general statement of opinion regarding the superiority of its product over all others. This simple statement, "Better Pizza.," epitomizes the exaggerated advertising, blustering, and boasting by a manufacturer upon which no consumer would reasonably rely. *See, e.g., In re Boston Beer Co.* (stating that the phrase "The Best Beer in America" was "trade puffery" and that such a general claim of superiority "should be freely available to all competitors in any given field to refer to their products or services"); *Atari Corp. v. 3D0 Co.* (stating that a manufacturer's slogan that its product was "the most advanced home gaming system in the universe" was non-actionable puffery); *Nikkal Indus.*,

Boston Beer Co.: 198 F.3d 1370 (Fed. Cir. 1999)

3D0: 1994 WL 723601 (N.D.Cal. 1994)

Nikkal: 735 F. Supp. 1227 (S.D.N.Y. 1990)

Ltd. v. Salton, Inc. (stating that a manufacturers claim that its ice cream maker was "better" than competition ice cream makers is non-actionable puffery). Consequently, it appears indisputable that Papa John's assertion "Better Pizza." is non-actionable puffery.[8]

Moving next to consider separately the phrase "Better Ingredients.," the same conclusion holds true. Like "Better Pizza.," it is typical puffery. The word "better," when used in this context is unquantifiable. What makes one food ingredient "better" than another comparable ingredient, without further description, is wholly a matter of individual taste or preference not subject to scientific quantification. Indeed, it is difficult to think of any product, or any component of any product, to which the term "better," without more, is quantifiable. As our court stated in *Presidio Enterprises, Inc. v. Warner Brothers Distribution Corp.*:

Presidio: 784 F.2d 674 (5th Cir. 1986)

> The law recognizes that a vendor is allowed some latitude in claiming merits of his wares by way of an opinion rather than an absolute guarantee, so long as he hews to the line of rectitude in matters of fact. Opinions are not only the lifestyle of democracy, they are the brag in advertising that has made for the wide dissemination of products that otherwise would never have reached the households of our citizens. If we were to accept the thesis set forth by the appellees, [that all statements by advertisers were statements of fact actionable under the Lanham Act,] the advertising industry would have to be liquidated in short order.

Thus, it is equally clear that Papa John's assertion that it uses "Better Ingredients." is one of opinion not actionable under the Lanham Act.

Finally, turning to the combination of the two non-actionable phrases as the slogan "Better Ingredients. Better Pizza.," we fail to see how the mere joining of these two statements of opinion could create an actionable statement of fact. Each half of the slogan amounts to little more than an exaggerated opinion of superiority that no consumer would be justified in relying upon. It has not been explained convincingly to us how the combination of the two phrases, without more, changes the essential nature of each phrase so as to make it actionable. We assume that "Better Ingredients." modifies "Better Pizza." and consequently gives some expanded meaning to the phrase "Bet-

[8] It should be noted that Pizza Hut uses the slogan "The Best Pizza Under One Roof." Similarly, other nationwide pizza chains employ slogans touting their pizza as the "best": (1) Domino's Pizza uses the slogan "Nobody Delivers Better."; (2) Danato's uses the slogan "Best Pizza on the Block."; (3) Mr. Gatti's uses the slogan "Best Pizza in Town: Honest!"; and (4) Pizza Inn uses the slogans "Best Pizza Ever." and "The Best Tasting Pizza."

ter Pizza," i.e., our pizza is better because our ingredients are better. Nevertheless, the phrase fails to give "Better Pizza." any more quantifiable meaning. Stated differently, the adjective that continues to describe "pizza" is "better," a term that remains unquantifiable, especially when applied to the sense of taste. Consequently, the slogan as a whole is a statement of non-actionable opinion. Thus, there is no legally sufficient basis to support the jury's finding that the slogan standing alone is a "false or misleading" statement of fact.

B

We next will consider whether the use of the slogan "Better Ingredients. Better Pizza." in connection with a series of comparative ads found by the jury to be misleading – specifically, ads comparing Papa John's sauce and dough with the sauce and dough of its competitors – "tainted" the statement of opinion and made it misleading under section 43(a) of the Lanham Act. Before reaching the ultimate question of whether the slogan is actionable under the Lanham Act, we will first examine the sufficiency of the evidence supporting the jury's conclusion that the comparison ads were misleading.

(1)

After the jury returned its verdict, Papa John's filed a post-verdict motion under Federal Rule of Civil Procedure 50 for a judgment as a matter of law. In denying Papa John's motion, the district court, while apparently recognizing that the slogan "Better Ingredients. Better Pizza." standing alone is non-actionable puffery under the Lanham Act, concluded that after May 1997, the slogan was transformed as a result of its use in connection with a series of ads that the jury found misleading. These ads had compared specific ingredients used by Papa John's with the ingredients used by its competitors. In essence, the district court held that the comparison ads in which the slogan appeared as the tag line gave objective, quantifiable, and fact-specific meaning to the slogan. Consequently, the court concluded that the slogan was misleading and actionable under section 43(a) of the Lanham Act and enjoined its further use.

(2)

We are obligated to accept the findings of the jury unless the facts point so overwhelmingly in favor of one party that no reasonable person could arrive at a different conclusion. In examining the record evidence, we must view it the way that is most favorable to upholding the verdict. Viewed in this light, it is clear that there is sufficient evidence to support the jury's conclusion that the sauce and dough ads were misleading statements of fact actionable under the Lanham Act.

Turning first to the sauce ads, the evidence establishes that despite the differences in the methods used to produce their competing sauces: (1) the primary ingredient in both Pizza Hut and Papa John's sauce is vine-ripened tomatoes; (2) at the point that the competing sauces are placed on the pizza, just prior to putting the pies into the oven for cooking, the consistency and water content of the sauces are essentially identical; and (3) as noted by the district court, at no time "prior to the close of the liability phase of trial was any credible evidence presented [by Papa John's] to demonstrate the existence of demonstrable differences" in the competing sauces. Consequently, the district court was correct in concluding that: "Without any scientific support or properly conducted taste preference test, by the written and/or oral negative connotations conveyed that pizza made from tomato paste concentrate is inferior to the 'fresh pack' method used by Papa John's, its sauce advertisements conveyed an impression which is misleading. . . ." Turning our focus to the dough ads, while the evidence clearly established that Papa John's and Pizza Hut employ different methods in making their pizza dough, again, the evidence established that there is no quantifiable difference between pizza dough produced through the "cold or slow-fermentation method" (used by Papa John's), or the "frozen dough method" (used by Pizza Hut).[10] Further, although there is some evidence indicating that the texture of the dough used by Papa John's and Pizza Hut is slightly different, this difference is not related to the manufacturing process used to produce the dough. Instead, it is due to a difference in the wheat used to make the dough. Finally, with respect to the differences in the pizza dough resulting from the use of filtered water as opposed to tap water, the evidence was sufficient for the jury to conclude that there is no quantifiable difference between dough produced with tap water, as opposed to dough produced with filtered water.

We should note again that Pizza Hut does not contest the truthfulness of the underlying factual assertions made by Papa John's in the course of the sauce and dough ads. Pizza Hut concedes that it uses "remanufactured" tomato sauce to make its pizza sauce, while Papa John's uses "fresh-pack." Further, in regard to the dough, Pizza Hut concedes the truth of the assertion that it uses tap water in making its pizza dough, which is often frozen, while Papa John's uses filtered water to make its dough, which is fresh – never frozen. Consequently, because Pizza Hut does not contest the factual basis of Papa John's factual assertions, such assertions cannot be found to be factually false,

[10]The testimony of Pizza Hut's expert, Dr. Faubion, established that although consumers stated a preference for fresh dough rather than frozen dough, when taste tests were conducted, respondents were unable to distinguish between pizza made on fresh as opposed to frozen dough.

but only impliedly false or misleading.

Thus, we conclude by saying that although the ads were true about the ingredients Papa John's used, it is clear that there was sufficient evidence in the record to support the jury's conclusion that Papa John's sauce and dough ads were misleading – but not false – in their suggestion that Papa John's ingredients were superior.

(3)

Thus, having concluded that the record supports a finding that the sauce and dough ads are misleading statements of fact, we must now determine whether the district court was correct in concluding that the use of the slogan "Better Ingredients. Better Pizza." in conjunction with these misleading ads gave quantifiable meaning to the slogan making a general statement of opinion misleading within the meaning of the Lanham Act.

In support of the district court's conclusion that the slogan was transformed, Pizza Hut argues that "in construing any advertising statement, the statement must be considered in the overall context in which it appears." Building on the foundation of this basic legal principle, Pizza Hut argues that "[t]he context in which Papa John's slogan must be viewed is the 2½ year campaign during which its advertising served as 'chapters' to demonstrate the truth of the 'Better Ingredients. Better Pizza.' book." Pizza Hut argues, that because Papa John's gave consumers specific facts supporting its assertion that its sauce and dough are "better" – specific facts that the evidence, when viewed in the light most favorable to the verdict, are irrelevant in making a better pizza – Papa John's statement of opinion that it made a "Better Pizza" became misleading. In essence, Pizza Hut argues, that by using the slogan "Better Ingredients. Better Pizza." in combination with the ads comparing Papa John's sauce and dough with the sauce and dough of its competitions, Papa John's gave quantifiable meaning to the word "Better" rendering it actionable under section 43(a) of the Lanham Act.

We agree that the message communicated by the slogan "Better Ingredients. Better Pizza." is expanded and given additional meaning when it is used as the tag line in the misleading sauce and dough ads. The slogan, when used in combination with the comparison ads, gives consumers two fact-specific reasons why Papa John's ingredients are "better." Consequently, a reasonable consumer would understand the slogan, when considered in the context of the comparison ads, as conveying the following message: Papa John's uses "better ingredients," which produces a "better pizza" because Papa John's uses "fresh-pack" tomatoes, fresh dough, and filtered water. In short, Papa John's has given definition to the word "better." Thus, when the slogan is used in this context, it is no longer mere opinion, but rather takes on the characteristics of a statement of fact. When used in the context of the sauce and dough ads, the slogan is misleading for the same reasons we have earlier discussed in connection with the sauce and dough ads.

(4)

Concluding that when the slogan was used as the tag line in the sauce and dough ads it became misleading, we must now determine whether reasonable consumers would have a tendency to rely on this misleading statement of fact in making their purchasing decisions. We conclude that Pizza Hut has failed to adduce evidence establishing that the misleading statement of fact conveyed by the ads and the slogan was material to the consumers to which the slogan was directed. Consequently, because such evidence of materiality is necessary to establish liability under the Lanham Act, the district court erred in denying Papa John's motion for judgment as a matter of law.

As previously discussed, none of the underlying facts supporting Papa John's claims of ingredient superiority made in connection with the slogan were literally false. Consequently, in order to satisfy its prima facie case, Pizza Hut was required to submit evidence establishing that the impliedly false or misleading statements were material to, that is, they had a tendency to influence the purchasing decisions of, the consumers to which they were directed.[13] We conclude that the evidence proffered by Pizza Hut fails to make an adequate showing.

In its appellate brief and during the course of oral argument, Pizza Hut directs our attention to three items of evidence in the record that it asserts establishes materiality to consumers. First, Pizza Hut points to the results of a survey conducted by an "independent expert" (Dr.

[13]In *Johnson & Johnson v. Smithkline Beecham Corp.*, 960 F.2d 294 (2d Cir. 1992), the Second Circuit discussed this requirement in some detail:

> Where, as here, a plaintiff's theory of recovery is premised upon a claim of implied falsehood, a plaintiff must demonstrate, by extrinsic evidence, that the challenged commercials tend to mislead or confuse consumers. It is not for the judge to determine, based solely upon his or her own intuitive reaction whether the advertisement is deceptive. Rather, as we have reiterated in the past, "the question in such cases is – what does the person to whom the advertisement is addressed find to be the message?" That is, what does the public perceive the message to be.
>
> The answer to this question is pivotal because, where the advertisement is literally true, it is often the only measure by which a court can determine whether a commercial's net communicative effect is misleading. Thus, the success of a plaintiff's implied falsity claim usually turns on the persuasiveness of a consumer survey.

Id. at 287-98.

Dupont) regarding the use of the slogan "Better Ingredients. Better Pizza." as written on Papa John's pizza box (the box survey). The results of the box survey, however, were excluded by the district court. Consequently, these survey results provide no basis for the jury's finding.

Second, Pizza Hut points to two additional surveys conducted by Dr. Dupont that attempted to measure consumer perception of Papa John's "taste test" ads. This survey evidence, however, fails to address Pizza Hut's claim of materiality with respect to the slogan. Moreover, the jury rejected Pizza Hut's claims of deception with regard to Papa John's "taste test" ads – the very ads at issue in these surveys.

Finally, Pizza Hut attempts to rely on Papa John's own tracking studies and on the alleged subjective intent of Papa John's executives "to create a perception that Papa John's in fact uses better ingredients" to demonstrate materiality. Although Papa John's 1998 Awareness, Usage & Attitude Tracking Study showed that 48% of the respondents believe that "Papa John's has better ingredients than other national pizza chains," the study failed to indicate whether the conclusions resulted from the advertisements at issue, or from personal eating experiences, or from a combination of both. Consequently, the results of this study are not reliable or probative to test whether the slogan was material. Further, Pizza Hut provides no precedent, and we are aware of none, that stands for the proposition that the subjective intent of the defendant's corporate executives to convey a particular message is evidence of the fact that consumers in fact relied on the message to make their purchases. Thus, this evidence does not address the ultimate issue of materiality.

In short, Pizza Hut has failed to offer probative evidence on whether the misleading facts conveyed by Papa John's through its slogan were material to consumers: that is to say, there is no evidence demonstrating that the slogan had the tendency to deceive consumers so as to affect their purchasing decisions. Thus, the district court erred in denying Papa John's motion for judgment as a matter of law.

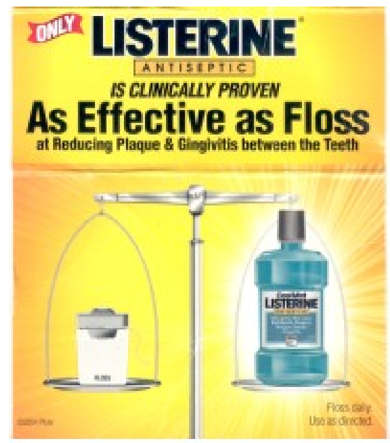
V

In sum, we hold that the slogan "Better Ingredients. Better Pizza." standing alone is not an objectifiable statement of fact upon which consumers would be justified in relying. Thus, it does not constitute a false or misleading statement of fact actionable under section 43(a) of the Lanham Act.

Additionally, while the slogan, when appearing in the context of some of the post-May 1997 comparative advertising – specifically, the sauce and dough campaigns – was given objectifiable meaning and thus became misleading and actionable, Pizza Hut has failed to adduce sufficient evidence establishing that the misleading facts conveyed by the slogan were material to the consumers to which it was directed. Thus, Pizza Hut failed to produce evidence of a Lanham Act violation.

McNeil-PPC, Inc. v. Pfizer Inc.
351 F. Supp. 2d 226 (S.D.N.Y. 2005)

In June 2004, defendant Pfizer Inc. ("Pfizer") launched a consumer advertising campaign for its mouthwash, Listerine Antiseptic Mouthrinse. Print ads and hang tags featured an image of a Listerine bottle balanced on a scale against a white container of dental floss.



Listerine ad

The campaign also featured a television commercial called the "Big Bang." In its third version, which is still running, the commercial announces that "Listerine's as effective as floss at fighting plaque and gingivitis. Clinical studies prove it."

In this case, plaintiff McNeil-PPC, Inc. ("PPC"), the market leader in sales of string dental floss and other interdental cleaning products, alleges that Pfizer has engaged in false advertising in violation of § 43(a) of the Lanham Act and unfair competition in violation of state law.

Before the Court is PPC's motion for a preliminary injunction enjoining Pfizer from continuing to make these claims in its advertisements.

Pfizer sponsored two clinical studies involving Listerine and floss: the "Sharma Study" and the "Bauroth Study." These studies purported to compare the efficacy of Listerine against dental floss in controlling plaque and gingivitis in subjects with mild to moderate gingivitis.

In proving an advertising claim literally false, a plaintiff bears a different burden depending on whether the advertisement purports to be based on test results. Hence, where a defendant's advertisement contends that "clinical tests" prove the superiority of its product (an "establishment claim"), the plaintiff need only prove that the tests referred to were not sufficiently reliable to permit one to conclude with reasonable certainty that they established the proposition for which they were cited. On the other hand, where a superiority claim does not purport to rest on test results, the plaintiff may prove falsity only upon adducing evidence that affirmatively shows defendant's claim to be false.

Pfizer's advertisements make the explicit claim that "clinical studies prove that Listerine is as effective as floss against plaque and gingivitis." As Pfizer purports to rely on "clinical studies," this is an "establishment claim" and PPC need only prove that the studies referred to were not sufficiently reliable to permit one to conclude with reasonable certainty that they established the proposition for which they were cited. Two questions are presented: first, whether the Sharma and Bauroth Studies stand for the proposition that “Listerine is as effective as floss against plaque and gingivitis”; and second, assuming they do, whether the studies are sufficiently reliable to permit one to draw that conclusion with “reasonable certainty.”

First, even putting aside the issue of their reliability, the two studies do not stand for the proposition that “Listerine is as effective as floss against plaque and gingivitis.” The two studies included in their samples only individuals with mild to moderate gingivitis. They excluded individuals with severe gingivitis or with any degree of periodontitis, and they did not purport to draw any conclusions with respect to these individuals. Hence, the literal claim in Pfizer’s advertisements is overly broad, for the studies did not purport to prove that Listerine is as effective as floss “against plaque and gingivitis,” but only against plaque and gingivitis in individuals with mild to moderate gingivitis. The advertisements do not specify that the “as effective as floss” claim is limited to individuals with mild to moderate gingivitis. Consequently, consumers who suffer from severe gingivitis or periodontitis (including mild periodontitis) may be misled by the ads into believing that Listerine is just as effective as floss in helping them fight plaque and gingivitis, when the studies simply do not stand for that proposition.

Second, the two studies were not sufficiently reliable to permit one to conclude with reasonable certainty that Listerine is as effective as floss in fighting plaque and gingivitis, even in individuals with mild to moderate gingivitis. What the two studies showed was that Listerine is as effective as floss when flossing is not done properly. The authors of both studies recognized that the plaque reductions in the flossing groups were lower than would be expected and hypothesized that “behavioral or technical causes” were the reason. Significantly, in some of the plaque reduction scores for the flossing groups there was greater improvement at three months than at six months, suggesting a deterioration in flossing technique with the passage of time.

Hence, the studies did not “prove” that Listerine is “as effective as floss.” Rather, they proved only that Listerine is “as effective as improperly-used floss.” The studies showed only that Listerine is as effective as floss when the flossing is not performed properly. As one of the ADA consultants observed in objecting to the advertising when it was proposed, “for a substitute product to be ‘as good as’ or ‘better’ than flossing it must be compared against the data of subjects who demonstrate they can and are flossing effectively.”

Pfizer and its experts argue that the two studies are reliable, notwithstanding the indications that the participants in the flossing group did not floss properly, because these conditions reflect "real-world settings." But the ads do not say that "in the real world," where most people floss rarely or not at all and even those who do floss have difficulty flossing properly, Listerine is "as effective as floss." Rather, the ads make the blanket assertion that Listerine works just as well as floss, an assertion the two studies simply do not prove. Although it is important to determine how a product works in the real world, it is probably more important to first determine how a product will work when it is used properly.

Accordingly, I hold that PPC is likely to succeed on its claim of literal false advertisement.

Satellite TV Problem

This advertisement for DirecTV ran on the Internet; it was shown to customers in markets served by Time Warner Cable. Some of Time Warner's channels are analog; others are digital HD. DirecTV offers only digital HD channels. The parties agree that the HD channels are equivalent in quality. They also agree that the pixelated portions of the ads are not accurate depictions of cable TV signals, either digital or analog. Is the advertisement actionable?

4 Secondary Liability

There's not a lot of caselaw on secondary liability for false advertising – but there is some.

Duty Free Americas, Inc. v. Estee Lauder Companies, Inc.
797 F.3d 1248 (10th Cir. 2015)

[DFA operates duty free stores in airports. It previously sold Estée Lauder cosmetics. DFA purchased those cosmetics at wholesale prices that were lower than the wholesale prices charged to traditional retailers, such as department stores. As a result, it was able to offer its customers lower retail prices. In 2007, Estée Lauder announced plans to eliminate the difference and move to a system with a single suggested retail price. As a result, DFA ended its relationship with Estée Lauder and devoted the shelf space to other products. Some of its competitors continued to sell Estée Lauder products and announced this fact to airport authorities during the bidding processes to operate duty-free concessions at airports in Newark, Boston, Orlando, and Atlanta. They also allegedly made various false statements about DFA. It sued Estée Lauder on a number of theories, including contributory false advertising.]

Whether § 43(a) of the Lanham Act includes within its ambit a claim for false advertising based on contributory liability is a question of first impression.

The rationale for allowing contributory trademark infringement actions supports recognizing a similar theory of liability in the false advertising context. For starters, § 43(a) of the Lanham Act contains two different classes of prohibitions: one banning trademark infringement and one prohibiting false advertising.

These prohibitions are found in the same statutory provision, and they share the same introductory clause. The placement of the two prohibitions in the same statutory section—and correspondingly, the fact that the introductory language banning both practices is identical—suggests the two causes of action should be interpreted to have the same scope.

Moreover, while the two causes of action are derived from the same principles and contained in the same statute, the Supreme Court has recognized that the false advertising provision of the Lanham Act entails broader protections. *See POM Wonderful* ("The Lanham Act's trademark provisions are the primary means of achieving [the statute's] ends. But the Act also creates a federal remedy [for false advertising] that goes beyond trademark protection. The broader remedy is at issue here."). It would be odd indeed for us to narrow the scope of the false advertising provision—a cause of action plainly intended to encompass a broader spectrum of protection—and hold that it could be enforced only against a smaller class of defendants. Absent congressional direction, we are reluctant to limit the statute's scope in this way. Thus, we hold that a plaintiff may bring a claim for contributory false advertising under § 43(a) of the Lanham Act.

What, then, must a plaintiff establish in order to state a contributory false advertising claim? First, the plaintiff must show that a third party in fact directly engaged in false advertising that injured the plaintiff. Second, the plaintiff must allege that the defendant contributed to that conduct either by knowingly inducing or causing the conduct, or by materially participating in it.

Once the plaintiff establishes the elements of a direct false advertising claim against a third party, it must allege that the defendant contributed to that conduct. This means that the plaintiff must allege that the defendant had the necessary state of mind—in other words that it intended to participate in or actually knew about the false advertising. The plaintiff must also allege that the defendant actively and materially furthered the unlawful conduct – either by inducing it, causing it, or in some other way working to bring it about.

Analogies from trademark infringement, in which contributory liability is more developed, can be instructive. Thus, for example, a plaintiff may be able to make out the participation prong of a contributory false advertising claim by alleging that the defendant directly controlled or monitored the third party's false advertising. It is also conceivable that there could be circumstances under which the provision of a necessary product or service, without which the false advertising would not be possible, could support a theory of contributory liability. In determining whether a plaintiff has adequately alleged facts to support such a claim, we look to whether the complaint suggests a plausible inference of knowing or intentional participation, examining the nature and extent of the communication" between the third party and the defendant regarding the false advertising; "whether or not the defendant explicitly or implicitly encouraged the false advertising; whether the false advertising is serious and widespread, making it more likely that the defendant knew about and condoned the acts; and whether the defendant engaged in bad faith refusal to exercise a clear contractual power to halt the false advertising.

The district court identified four allegedly false claims in the complaint, each of which was made by a duty free operator to representatives of an airport and each of which DFA says we should attribute to Estée Lauder. First, Nuance stated in a letter to Atlanta officials: "Given that Estée Lauder brands account for 20% of cosmetic and fragrance sales, at least in Orlando, and cosmetic and fragrance sales constitute one of the largest sources of revenue for duty free stores, a lack of access to Estée Lauder brands would cast doubt on the validity of DFA's projected revenue streams." Second, Travel Retail told Orlando officials: "[W]e strongly believe that Estée Lauder is a product which you have to sell, also, to domestic passengers." Third, Nuance said during the Orlando appeal hearing: "With respect to DFA, I'd like to echo Travel Retail's concerns on DFA's rents. ... DFA sales project[ions] are deemed to be unreasonable and not sustainable in light of the history." Finally, Travel Retail informed the Orlando Airport Authority: "[F]ailure to offer the Estée Lauder product line will negatively impact duty free and duty paid sales revenue for both international and domestic travelers." DFA argues that it also alleged that Nuance, in its letter protesting the Atlanta award, stated "DFA may have made misrepresentations about its ability to carry Estée Lauder brands," and we agree that this is an allegedly false claim the district court failed to consider.

As for the first element, Estée Lauder claims that the duty free operators did not engage in any false advertising. Estée Lauder urges us to hold that DFA's complaint is devoid of any false or misleading statements cognizable under the Lanham Act, but we need not answer this fact-intensive question. We agree that DFA did not adequately allege Estée Lauder contributed to any of the statements, and thus affirm the district court's dismissal on this ground.

We are unable to find in DFA's complaint any facts that would enable the court to draw the reasonable inference that Estée Lauder induced or knowingly or intentionally participated in any of the allegedly false statements made by the other duty free operators. In its complaint, DFA based its claim for contributory liability on the fact that "[Estée Lauder] knew or should have known of the False Claims, but [it] continued to supply [Estée Lauder] product [s] to its favored duty free operators.... In doing so, [Estée Lauder] provided its favored duty free operators with the means to continue making the False Claims...." We cannot see how the mere sale of Estée Lauder products can serve as a basis for holding the manufacturer liable for any disparaging statements its customers make in the course of their own separate business relations. In our view, selling Estée Lauder products is too unrelated to the making of the allegedly false or misleading statements to form a basis for liability – under either an inducement or participation theory.

Moreover, contrary to DFA's argument, there are simply no facts in the complaint that suggest the existence of coordinated action or encouragement, much less inducement, between Estée Lauder and the operators on the decision to make the disputed claims to airport authorities. There has been no allegation that by selling its products to the duty free operators, Estée Lauder monitored, controlled, or participated in operators' statements to airport authorities during a competitive bidding process for which Estée Lauder was not even present. More generally, there are no facts to suggest that Estée Lauder commonly exercises any level of control over or involvement in the duty free operators' conduct during airport RFP bidding.

In short, although we agree with DFA that a plaintiff may state a claim against a defendant for contributory false advertising, we are unwilling to extend the doctrine as far as DFA urges. The mere sale of products in the course of an ordinary business relationship, without more, cannot justify a finding that a defendant induced, encouraged, caused, procured, or brought about false advertising. Contributory false advertising claims are cognizable under the Lanham Act, but a plaintiff must allege more than an ordinary business relationship between the defendant and the direct false advertiser in order to plausibly plead its claim. DFA has failed to do so here.

What about the newspapers or other media that *publish* false ads? Could they be liable under the Lanham Act?

B Alternatives to Competitor Suits

Other models relax the Lanham Act standing rules in various ways. The Lanham Act generally only allows competing businesses to sue each other. But various speech torts permit businesses to sue for certain false statements by non-competitors. On the other side of the v, consumers and government agencies can sue businesses for certain false statements. In each case, the substantive rules of liability (especially the treatment of falsity) are tweaked to account for the different party configurations.

1 Commercial Disparagement and Related Torts

An unruly bundle of common-law torts try to protect individuals and businesses from injurious falsehoods. The following materials are not meant to be representative of this sprawling and doctrinally intricate mess, only to give another take on falsity and to illustrate the complete absence of anything resembling the competitor- or purchaser-in-reliance- standing requirements.

HipSaver, Inc. v. Kiel
464 Mass. 517 (2013)

An action for commercial disparagement is similar in many respects to an action for defamation, but there are important differences. Both torts seek to impose liability on a defendant for harm sustained by a plaintiff as a result of the publication of a false statement about the plaintiff to others. A defamation action, which encompasses libel and slander, affords a remedy for damage to the reputation of the injured party. By comparison, an action for commercial disparagement affords a remedy for harm to the economic interests of the injured party that results in pecuniary loss. A plaintiff asserting such a claim seeks to recover damages for false disparaging statements about the plaintiff's property, often a product or service being sold.

This court adopted the language of the Restatement (Second) of Torts § 623A, regarding liability for commercial disparagement: "One who publishes a false statement harmful to the interests of another is subject to liability for pecuniary loss resulting to the other if (a) he intends for publication of the statement to result in harm to the interests of the other having a pecuniary value, or either recognizes or should recognize that it is likely to do so, and (b) he knows that the statement is false or acts in reckless disregard of its truth or falsity." Thus, in order to prevail on a claim alleging commercial disparagement, a plaintiff must prove that a defendant: (1) published a false statement to a person other than the plaintiff; (2) "of and concerning" the plaintiff's products or services; (3) with knowledge of the statement's falsity or with reckless disregard of its truth or falsity; (4) where pecuniary harm to the plaintiff's interests was intended or foreseeable; and (5) such publication resulted in special damages in the form of pecuniary loss.[7]

Aviation Charter, Inc. v. Aviation Research
416 F.3d 864 (8th Cir. 2005)

Aviation Charter, Inc. (Aviation Charter), appeals from the district court's grant of summary judgment to Aviation Research Group/US (ARGUS) on Aviation Charter's claims of defamation and alleged violations of the Minnesota Deceptive Trade Practices Act (MDTPA), and the Lanham Act

Minn.Stat. § 325D.44(8)

§ 43(a)(2)

ARGUS publishes and sells safety ratings of air charter service providers. It bases its ratings on a methodology called the Charter Evaluation and Qualifications (CHEQ) system, which has "three major components: Historical Safety Ratings, Current Aircraft and Pilot Data, and On-Site Safety Audits." June 12, 2003, CHEQ Report on Aviation Charter. ARGUS maintains that it:

> ... conducts in-depth research into multiple public databases to uncover accidents, incidents, enforcement actions, and certification data relating to the operator. Records that are discovered are assigned a score based on the official cause, violation, or other data on record. Older records have less impact on the score and are omitted after ten years. The total of all found records results in a Historical Safety Record score, with the higher score reflecting a greater number of negative events.

Carriers are grouped into four classes of operation based on the number of aircraft they operate. ARGUS assigns carriers one of four ratings: Does Not Qualify (DNQ), Silver, Gold, and Platinum. The Silver rating is assigned to "[t]hose operators with CHEQ scores within one standard deviation of the median score for their class of operation." The DNQ rating is the lowest possible rating.

In 2001, ARGUS assigned a DNQ rating to Aviation Charter. The following year, Senator Paul Wellstone and seven others died in an Aviation Charter crash. Following the Wellstone crash, the *Minneapolis Star Tribune* published an article entitled "Wellstone charter firm

[7] Notwithstanding many similarities between the torts of commercial disparagement and defamation, it has been recognized that from the beginning, more stringent requirements were imposed upon the plaintiff seeking to recover for commercial disparagement in three important respects – falsity of the statement, fault of the defendant and proof of damage. For purposes of this opinion, we need not elaborate at length on these particular distinctions, other than to note that as the common law of defamation has become infused with principles of the First Amendment to the United States Constitution, these distinctions have narrowed.

got poor safety evaluation." The *Star Tribune* article referred to ARGUS's report on Aviation Charter and quoted ARGUS's president, Joe Moeggenberg.

After the *Star Tribune* article was published, Aviation Charter contacted ARGUS and inquired about the basis of its rating. Aviation Charter concluded that ARGUS's rating system was fundamentally flawed and, when ARGUS refused to retract its rating, Aviation Charter initiated this lawsuit.

A.

A statement is defamatory under Minnesota law if it is communicated to a third party, is false, and tends to harm the plaintiff's reputation in the community. It is well recognized in Minnesota that the First Amendment absolutely protects opinion that lacks a provably false statement of fact. Statements about matters of public concern that are not capable of being proven true or false and statements that reasonably cannot be interpreted as stating facts are protected from defamation actions by the First Amendment.

We have characterized the balance of Aviation Charter's defamation claim as derivative of ARGUS's comparison that "Aviation Charter, relative to other carriers of its size, has an unfavorable safety record." We must examine whether this comparison is "sufficiently factual to be susceptible of being proved true or false." **??** If ARGUS had offered a wholly subjective basis for its conclusion, or even no basis whatsoever, then the comparison would likely have lacked objectively verifiable criteria. ARGUS, however, asserted that its comparative rating was derived from "multiple public databases to uncover accidents, incidents, enforcement actions, and certification data relating to the operator." Nonetheless, although ARGUS's comparison relies in part on objectively verifiable data, the interpretation of those data was ultimately a subjective assessment, not an objectively verifiable fact. ARGUS's description of its process illustrates the subjective component of its assessment:

> Incidents are rated on a scale of 1-10. ARGUS has trained its analysts to follow general guidelines for the type of incident and severity of the action. The analysts then make independent judgments based on the information in the database regarding the report. They review the facts in the documents and can "hyper link" to the specific regulation that was violated. If they believe that a drastic variation from the computer assigned score is warranted, the three analysts can caucus and discuss the incident and draw on outside scores if necessary. The individual "scores" for each incident are then weighted so that the scores in the most recent 36 months are more significant than those that

> occurred more than three years ago. The weighted scores are added together and compared to like-sized carriers.

ARGUS chose which underlying data to prioritize, performed a subjective review of those data, and defined "safety" relative to its own methodology.

ARGUS's interpretation of the public database information available on Aviation Charter is not sufficiently factual to be susceptible of being proved true or false. It is a subjective interpretation of multiple objective data points leading to a subjective conclusion about aviation safety. *Cf.* . *Haynes v. Alfred A. Knopf, Inc.* ("A statement of fact is not shielded from an action for defamation by being prefaced with the words 'in my opinion,' but if it is plain that the speaker is expressing a subjective view, an interpretation, a theory, conjecture, or surmise, rather than claiming to be in possession of objectively verifiable facts, the statement is not actionable."). Because ARGUS's comparative rating is not a provably false statement of fact, Aviation Charter's defamation claim fails with respect to that rating and the derivative statements in the *Star Tribune* article.

*Cf. Mayfair Farms, Inc. v. Socony Mobil Oil Co., Inc.*172 A.2d 26 (N.J. Super. 1961) ("If the plaintiffs are convinced they deserve three stars or better and the defendants (through their editorial group) that two stars for Mayfair and one star for Pal's are enough, those are matters of judgment and opinion on which the court should not try to say that either party is right or wrong.") Should the same standard apply to restaurant reviews and aviation safety ratings?

Haynes: 8 F.3d 1222 (7th Cir.1993)

B.

Aviation Charter asserts that ARGUS violated the Lanham Act because ARGUS's statements to the *Star Tribune* were made to advertise the fact that ARGUS was in the business of rating carriers like Aviation Charter. The Lanham Act requires that a false statement, in order to be actionable, must be made in commercial advertising or promotion. For a statement to constitute commercial advertising or promotion, it must be made, inter alia, by a defendant who is in commercial competition with the plaintiff. The district court correctly found that Aviation Charter's Lanham Act action failed because ARGUS was not in commercial competition with Aviation Charter.

C.

The district court concluded that Aviation Charter's MDTPA action, like its Lanham Act action, failed because ARGUS was not in competition with Aviation Charter. As ARGUS concedes, however, the district court erred in so holding because the MDTPA provides that "a complainant need not prove competition between the parties."

Minn.Stat. § 325D.44, subd. 2.

The MDTPA provides that a person engages in a deceptive trade practice when, inter alia, the person "disparages the goods, services, or business of another by false or misleading representation of fact." As set forth above, ARGUS's statement that Aviation Charter had fifteen FAA enforcement actions was false. Accordingly, that statement would violate the MDTPA if it disparaged Aviation Charter. We conclude, however, that Aviation Charter cannot demonstrate that the statement disparaged its business, given the full context of the *Star Tribune* article.

2 Consumer Suits

Consumers can sometimes bring actions for common-law fraud or under state unfair-competition laws that provide for consumer suits. But these causes of action tend to have more stringent elements than competitor suits, and can be especially difficult to maintain on a class-wide basis.

Perrine v. Sega of America, Inc.
No. 13–cv–01962–JD, 2015 WL 2227846 (N.D. Cal. May 12, 2015)

In this consumer class action, plaintiff John Locke has moved for class certification and defendant Gearbox has moved for dismissal or judgment on the pleadings. The Court denies both motions.

The product at issue in this case is the video game "Aliens: Colonial Marines" ("ACM"). The game, developed by Gearbox Software, L.L.C. ("Gearbox") and produced by Sega of America, Inc. ("Sega"), was "held out as the canon sequel to James Cameron's 1986 film 'Aliens.'" Named plaintiff John Locke is an "avid fan of the series" who pre-purchased a copy prior to its release. Damion Perrine, the other named plaintiff, is also a "fan of the Aliens franchise," and purchased a copy of the game on its release date, February 13, 2013.

The complaint alleges a "classic bait-and-switch." Plaintiffs allege that defendants developed a "non-retail but technically superior version" of the game that featured, among other things, "advanced artificial intelligence programming, certain gameplay sequences drawn from the Aliens movie," and "a highly advanced graphics engine (the 'Demo Engine')," and presented this version and described it to the public as "actual gameplay." The retail version that was ultimately sold, however, allegedly "utilized different programming altogether and a different—and much less advanced—graphics engine." The complaint alleges that because of these differences, videogame industry critics expressed "disappointment and surprise" following the public release of the game, and that even Randy Pitchford, President of Gearbox, "acknowledged the discrepancy between the Aliens: Colonial Marines hands-off demo and the final game." On this basis, the complaint asserts six claims for relief: (1) violation of the Consumer Legal Remedies Act, Cal. Civil Code § 1750 ("CLRA"); (2) violation of the Unfair Competition Law, Cal. Bus. & Prof.Code § 17200 ("UCL"); (3) violation of the False Advertising Law, Cal. Bus. & Prof.Code § 17500 ("FAL"); (4) breach of express warranties; (5) fraud in the inducement; and (6) negligent misrepresentation.

As an initial matter, the proposed class as framed by the complaint

– "all persons in the United States who paid for a copy of the Aliens: Colonial Marines video game either on or before February 12, 2013" – is not certifiable. At a minimum, common questions of fact would not predominate in the class as defined by the complaint; rather, individualized. And while it is true that "class members do not need to demonstrate individualized reliance" for plaintiff's claims under the UCL and FAL, even for those claims, a presumption of reliance does not arise when class members were exposed to quite disparate information from various representatives of the defendant. For the presumption to apply, it is necessary for everyone in the class to have viewed the allegedly misleading advertising. Plaintiff's original definition makes no attempt to limit the class to those who were exposed to the allegedly misleading advertising here, and consequently it is overbroad and not certifiable.

The obviousness of these principles is underscored by the fact that plaintiff rapidly retreated at the hearing to "limit the class to people who viewed an advertisement." Plaintiff proposed to do this "by affidavit and claim form." The Court directed the parties to submit supplemental briefs on this issue, namely "whether the Court can and should certify a class allowing class membership to be established by assertion of the class members by way of, e.g., affidavits swearing that a consumer viewed a certain video or trailer prior to placing a pre-order for the game at issue."

The parties responded, and the Court now concludes that the answer to its question is no. The problem with plaintiff's suggestion is that the revised class lacks ascertainability. Ascertainability is an important requirement because it is needed for properly enforcing the preclusive effect of final judgment. The class definition must be clear in its applicability so that it will be clear later on whose rights are merged into the judgment, that is, who gets the benefit of any relief and who gets the burden of any loss.

The factual record in the case shows why ascertainability is a pipe dream here. As the complaint acknowledges, this is not a case about a single misrepresentation. Rather, the non-retail version of the ACM game is alleged to have been presented to the public "through a series of 'actual gameplay' demonstrations." The first demonstration is alleged to have occurred "at the annual 'E3' conference in early June 2011." At the hearing, plaintiff explained that the ad campaign at issue "started at the E3 2011 conference and concluded ... right before the release date [of the game in] February of 2013."

It is undisputed in the record that many trailers and commercials were released during that time period, primarily via the Internet but also through television. It is further undisputed that several videos for ACM shown before the game's release contain footage from only the final retail version, rather than from the alleged non-retail version.

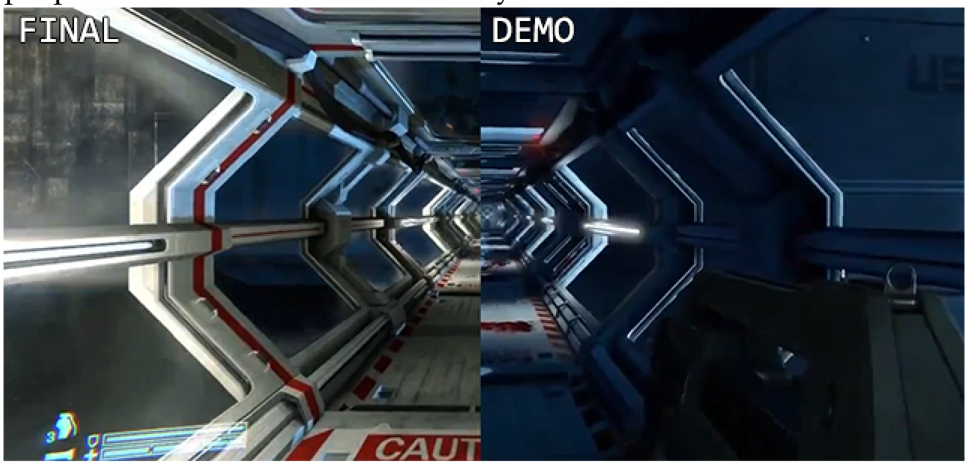
When pressed at the hearing to identify which specific videos or trailers included the allegedly problematic E3 2011 video or portions of it, plaintiff's counsel answered that he could not "say with certainty which ones" and that he "just [didn't] have the information." Counsel added, ineffectually, that it does not "matter that each and every video didn't have a specific scene from the 2011 reenactment," because the E3 2011 video "was accessible through this time period" and remains so today. And Mr. Locke, the only named plaintiff moving for class certification and seeking appointment as a class representative, compounded the ascertainability problem by testifying in deposition that he could not "answer ... with any degree of certainty" a question regarding which videos he saw before he preordered his copy of the game.

These facts distinguish this case from others in which self-identification through affidavits was found to be permissible, and places it in the camp of cases where such a proposal failed for lack of ascertainability. As was the case in Xavier, there is "no good way to identify" individuals who "have been exposed to Defendants' at-issue advertising before February 12, 2003 – the day that all ACM preorders were made 'final.'" Putting aside the fact that plaintiff has failed to carry his burden of identifying which videos and trailers actually comprise defendants' "at-issue advertising" here, there is no good way to identify which purchasers viewed which videos prior to purchasing the game. Certainly, defendants have no records of who viewed what when, and plaintiff has not identified any document-based method of identifying this information. Instead, plaintiff's suggestion is to permit class members to self-identify through the submission of affidavits, but those affidavits would be highly unreliable and likely to embody the "subjective memory problem" that was found to exist in *Xavier v. Philip Morris USA Inc.*. As Judge Alsup noted in that case, "[s]wearing 'I smoked 146,000 Marlboro cigarettes' is categorically different from swearing 'I have been to Paris, France,' or 'I am Jewish,' or even 'I was within ten miles of the toxic explosion on the day it happened," and the "memory problem is compounded by incentives individuals would have to associate with a successful class or dissociate from an unsuccessful one."

Xavier: 787 F. Supp. 2d 1075 (N.D.Cal. 2011)

The reality of this memory problem is beyond meaningful dispute. One of the two named plaintiffs here has already admitted under oath that he cannot identify "with any degree of certainty" which videos he saw before he placed his pre-order of the game at issue. The other named plaintiff, who no longer seeks to be a class representative but whose testimony is relevant nevertheless, also testified under oath that he could "not with certainty" remember all the videos he saw for Aliens: Colonial Marines. He further affirmed that there were "no records or no way for you to be able to recreate all of the different videos or demonstrations you may have seen for the game."

On this record, the Court finds that "persons who viewed an advertisement for ACM incorporating the Demoed Version," cannot be identified through any reliable and manageable means, and that the proposed class lacks ascertainability.



3 FTC Enforcement

Section 5 of the Federal Trade Commission Act authorizes the FTC to prevent "unfair or deceptive acts or practices in or affecting commerce." In some respects, this authority parallels the tests applied to competitor suits under the Lanham Act. In other respects, it is broader. State law often also provides for public enforcement by state officials, typically state attorneys general. (We will not discuss these "Baby FTC Acts" further here, other than to note their nickname.) 15 U.S.C. § 45(2)

Federal Trade Commission v. Winsted Hosiery Company
258 U.S. 483 (1922)

The Winsted Hosiery Company has for many years manufactured underwear which it sells to retailers throughout the United States. It brands or labels the cartons in which the underwear is sold, as "Natural Merino", "Gray Wool", "Natural Wool", "Natural Worsted", or "Australian Wool". None of this underwear is all wool. Much of it contains only a small percentage of wool; some as little as ten per cent. The Federal Trade Commission instituted a complaint under § 5, and called upon the company to show cause why use of these brands and labels alleged to be false and deceptive should not be discontinued.

It is contended that the method of competition complained of is not unfair within the meaning of the act, because labels such as the Winsted Company employs, and particularly those bearing the word "Merino", have long been established in the trade and are generally understood by it as indicating goods partly of cotton; that the trade is not deceived by them; that there was no unfair competition for which another manufacturer of underwear could maintain a suit against the Winsted Company; and that even if consumers are misled because they do not understand the trade signification of the label or because some retailers deliberately deceive them as to its meaning, the result is in no way legally connected with unfair competition.

This argument appears to have prevailed with the Court of Appeals; but it is unsound. The labels in question are literally false, and, except those which bear the word "Merino", are palpably so. All are, as the Commission found, calculated to deceive and do in fact deceive a substantial portion of the purchasing public. That deception is due primarily to the words of the labels, and not to deliberate deception by the retailers from whom the consumer purchases. While it is true that a secondary meaning of the word "Merino" is shown, it is not a meaning so thoroughly established that the description which the label carries has ceased to deceive the public; for even buyers for retailers, and sales people, are found to have been misled. The facts show that it is to the interest of the public that a proceeding to stop the practice be brought. And they show also that the practice constitutes an unfair method of competition as against manufacturers of all wool knit underwear and as against those manufacturers of mixed wool and cotton underwear who brand their product truthfully. For when misbranded goods attract customers by means of the fraud which they perpetrate, trade is diverted from the producer of truthfully marked goods. That these honest manufacturers might protect their trade by also resorting to deceptive labels is no defense to this proceeding brought against the Winsted Company in the public interest.

Would any of these "honest manufacturers" have had a private cause of action against Winsted? Note the date of the opinion.

The fact that misrepresentation and misdescription have become so common in the knit underwear trade that most dealers no longer accept labels at their face value, does not prevent their use being an unfair method of competition. A method inherently unfair does not cease to be so because those competed against have become aware of the wrongful practice. Nor does it cease to be unfair because the falsity of the manufacturer's representation has become so well known to the trade that dealers, as distinguished from consumers, are no longer deceived. The honest manufacturer's business may suffer, not merely through a competitor's deceiving his direct customer, the retailer, but also through the competitor's putting into the hands of the retailer an unlawful instrument, which enables the retailer to increase his own sales of the dishonest goods, thereby lessening the market for the honest product. As a substantial part of the public was still misled by the use of the labels which the Winsted Company employed, the public had an interest in stopping the practice as wrongful; and since the business of its trade rivals who marked their goods truthfully was necessarily affected by that practice, the Commission was justified in its conclusion that the practice constituted an unfair method of competition; and it was authorized to order that the practice be discontinued.

Kraft, Inc. v. FTC

970 F.2d 311 (7th Cir. 1992)

[Kraft Singles were classified as "processed cheese": part cheese and part other ingredients. To differentiate them from "imitation cheese" slices, which contain little or no cheese, Kraft advertised its Singles as having "five ounces of milk" per slice and emphasized their calcium content. But 30% of the calcium in the milk in Kraft Singles was lost during processing.]

In determining what claims are conveyed by a challenged advertisement, the Commission relies on two sources of information: its own viewing of the ad and extrinsic evidence. Its practice is to view the ad first and, if it is unable on its own to determine with confidence what claims are conveyed in a challenged ad, to turn to extrinsic evidence. The most convincing extrinsic evidence is a survey of what consumers thought upon reading the advertisement in question, but the Commission also relies on other forms of extrinsic evidence including consumer testimony, expert opinion, and copy tests of ads.

Still from Kraft Singles ad

Kraft has no quarrel with this approach when it comes to determining whether an ad conveys express claims, but contends that the FTC should be required, as a matter of law, to rely on extrinsic evidence rather than its own subjective analysis in all cases involving allegedly implied claims. The basis for this argument is that implied claims, by definition, are not self-evident from the face of an ad. This, combined with the fact that consumer perceptions are shaped by a host of external variables – including their social and educational backgrounds, the environment in which they view the ad, and prior experiences with the product advertised – makes review of implied claims by a five-member commission inherently unreliable.

Kraft buttresses its argument by pointing to the use of extrinsic evidence in an analogous context: cases brought under § 43(a) of the Lanham Act. Courts hearing deceptive advertising claims under that Act, which provides a private right of action for deceptive advertising, generally require extrinsic proof that an advertisement conveys an implied claim. Were this a Lanham Act case, a reviewing court in all likelihood would have relied on extrinsic evidence of consumer perceptions. While this disparity is sometimes justified on grounds of advertising "expertise" – the FTC presumably possesses more of it than courts – Kraft maintains this justification is an illusory one in that the FTC has no special expertise in discerning consumer perceptions.

While Kraft's arguments may have some force as a matter of pol-

Colgate-Palmolive: 380 U.S. 374 (1965)

icy, they are unavailing as a matter of law. Courts, including the Supreme Court, have uniformly rejected imposing such a requirement on the FTC, *FTC v. Colgate-Palmolive Co.* (FTC not required to conduct consumer surveys before determining that a commercial has a tendency to mislead), and we decline to do so as well. We hold that the Commission may rely on its own reasoned analysis to determine what claims, including implied ones, are conveyed in a challenged advertisement, so long as those claims are reasonably clear from the face of the advertisement.

The Commission's expertise in deceptive advertising cases, Kraft's protestations notwithstanding, undoubtedly exceeds that of courts as a general matter. That false advertising cases constitute a small percentage of the FTC's overall workload does not negate the fact that significant resources are devoted to such cases in absolute terms, nor does it account for the institutional expertise the FTC gains through investigations, rulemakings, and consent orders.

We find substantial evidence in the record to support the FTC's finding. Although Kraft downplays the nexus in the ads between milk and calcium, the ads emphasize visually and verbally that five ounces of milk go into a slice of Kraft Singles; this image is linked to calcium content, strongly implying that the consumer gets the calcium found in five ounces of milk.

Kraft asserts that the literal truth of the Class Picture ads – they are made from five ounces of milk and they do have a high concentration of calcium – makes it illogical to render a finding of consumer deception. The difficulty with this argument is that even literally true statements can have misleading implications. Here, the average consumer is not likely to know that much of the calcium in five ounces of milk (30%) is lost in processing, which leaves consumers with a misleading impression about calcium content. The critical fact is not that reasonable consumers might believe that a ¾ ounce slice of cheese actually contains five ounces of milk, but that reasonable consumers might believe that a ¾ ounce slice actually contains the calcium in five ounces of milk.

Letter from Federal Trade Commission to Microsoft Corp. and Starcom MediaVest Group

Aug. 26, 2015

Dear Counsel:

As you know, the staff of the Federal Trade Commission's Northwest Region has conducted an investigation into whether Microsoft Cmporation and its advertising agency, Starcom MediaVest Group ("Starcom"), violated Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, in connection with the promotion ofXbox One video game consoles and certain Microsoft video game titles.

Our inquiry focused on an advertising campaign conducted by Machinima, Inc., in late 2013 at the request of Starcom, acting on behalf of Microsoft.

As part of that advertising campaign, Machinima, a multi-channel network on YouTube, paid several of its network partners (video bloggers known as "influencers") significant amounts of money to produce and upload Xbox One gameplay videos. The videos, which were posted to YouTube in the days immediately prior to and after the launch of the Xbox One, were intended to generate buzz around and drive sales of the newly released Xbox One and the Microsoft video game titles.

At Machinima's direction, the influencers spoke favorably of the Xbox One and the game titles in their videos.

The videos were uploaded by the influencers to their individual YouTube channels, where they appeared to be independently produced by, and to reflect the personal views of, the influencers.

Machinima did not require the influencers to disclose in their videos that they were being compensated for producing and uploading the videos, and when the videos were uploaded, many (if not most) of the influencers failed to make any kind of disclosure.

Section 5 of the FTC Act requires the disclosure of a material connection between an advertiser and an endorser when such a relationship is not apparent from the context of the communication that contains the endorsement. In this case,the payment of significant sums to video bloggers to post specific content promoting the Xbox One and Microsoft's game titles is a material connection that would not be reasonably expected by YouTube viewers. As the advertiser, Microsoft bears responsibility for the influencers' failure to disclose such material connections. Starcom, as Microsoft's agent and the advertising agency that managed the relationship with Machinima, also bears responsibility for the influencers' failure to disclose.

However, upon careful review of this matter, including nonpublic information submitted to the FTC, we have determined not to recommend enforcement action against Microsoft or Starcom at this time. We considered several factors in reaching this decision.

The failures to disclose here appear to be isolated incidents that occurred in spite of, and not in the absence of, policies and procedures designed to prevent such lapses. Microsoft had a robust compliance program in place when the Xbox One campaign was launched, including specific legal and marketing guidelines concerning the FTC's Endorsement Guides and relevant training made available to employees, vendors and Starcom personnel. Since the Xbox One campaign, Microsoft and Starcom have adopted additional safeguards regarding sponsored endorsements, and they have committed to, among other steps, specifically requiring their employees to monitor influencer campaigns conducted by subcontractors in the future. In addition, Microsoft and Starcom took swift action to require that Machinima insert disclosures into the campaign videos once they learned that Machinima had paid the influencer and that no disclosures had been made.

Our decision not to pursue enforcement action is not to be construed as a determination that a violation may not have occurred, just as the pendency of an investigation should not be construed as a determination that a violation has occurred. The Commission reserves the right to take further action as the public interest may warrant.

See also 16 C.F.R. pt. 255 ("Guides Concerning the Use of Endorsements and Testimonials in Advertising"); Federal Trade Commission, .com Disclosures: How to Make Effective Disclosures in Digital Advertising (Mar. 2013). In addition to disclosure, endorsements can also raise falsity and substantiation issues about the endorser's experience with the product – and endorsement claims without the endorser's permission can raise § 43(a) false-endorsement and right of publicity issues.

C Other Sources of Advertising Law

1 Trademark

In a sense, trademark law treats consumer understandings – i.e. secondary meaning and goodwill – as a source of truth. A trademark refers to its owner's goods or services; using it to refer to something else is false as a matter of law. But in another, more accurate sense, trademark law defers to consumer understandings only so long as the mark owner is not using them to deceive. Arbitrary trademarks like APPLE for computers are acceptable only because no one really thinks the computers are made of apples.

Lanham Act

15 U.S.C. § 1052 [Lanham Act § 2]
Trademarks registrable on principal register …

No trademark … shall be refused registration on the principal register on account of its nature unless it—

(a) Consists of or comprises … deceptive … matter; …

(e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely … deceptively misdescriptive of them … .

In re Budge Mfg. Co.
857 F.2d 773 (Fed. Cir. 1988)

Budge Manufacturing Co., Inc., appeals from the final decision of the United States Trademark Trial and Appeal Board refusing registration of LOVEE LAMB for "automotive seat covers," application Serial No. 507,974 filed November 9, 1984. The basis for rejection is that the term LAMB is deceptive matter within the meaning of section 2(a) of the Lanham Act as applied to Budge's goods which are made wholly from synthetic fibers. We affirm.

Section 2(a) of the Lanham Act bars registration of a mark which: "Consists of or comprises ... deceptive ... matter...." As stated in *In re Automatic Radio Mfg. Co.*: "The proscription [of section 2(a)] is not against misdescriptive terms unless they are also deceptive." Thus, that a mark or part of a mark may be inapt or misdescriptive as applied to an applicant's goods does not make it "deceptive." *Id.*(AUTOMATIC RADIO not a deceptive mark for air conditioners, ignition systems, and antennas).

Automatic Radio: 404 F.2d 1391 (CCPA 1969)

Where the issue relates to deceptive misdescriptiveness within the meaning of 2(a), we are in general agreement with the standard set out by the board:

(1) Is the term misdescriptive of the character, quality, function, composition or use of the goods?

(2) If so, are prospective purchasers likely to believe that the misdescription actually describes the goods?

(3) If so, is the misdescription likely to affect the decision to purchase?

In ex parte prosecution, the burden is initially on the Patent and Trademark Office (PTO) to put forth sufficient evidence that the mark for which registration is sought meets the above criteria of unregistrability. Mindful that the PTO has limited facilities for acquiring evidence – it cannot, for example, be expected to conduct a survey of the marketplace or obtain consumer affidavits – we conclude that the evidence of record here is sufficient to establish a prima facie case of deceptiveness. That evidence shows with respect to the three-pronged test:

(1) Budge admits that its seat covers are not made from lamb or sheep products. Thus, the term LAMB is misdescriptive of its goods.

(2) Seat covers for various vehicles can be and are made from natural lambskin and sheepskin. Applicant itself makes automobile seat covers of natural sheepskin. Lambskin is defined, inter alia, as fine-grade sheep skin. The board's factual inference is reasonable that purchasers are likely to believe automobile seat covers denominated by the term LAMB or SHEEP are actually made from natural sheep or lamb skins.

(3) Evidence of record shows that natural sheepskin and lambskin is more expensive than simulated skins and that natural and synthetic skins have different characteristics. Thus, the misrepresentation is likely to affect the decision to purchase.

Faced with this prima facie case against registration, Budge had the burden to come forward with countering evidence to overcome the rejection. It wholly failed to do so.

Budge argues that its use of LAMB as part of its mark is not misdescriptive when considered in connection with the text in its advertising, which states that the cover is of "simulated sheepskin."

We conclude that the board properly discounted Budge's advertising and labeling which indicate the actual fabric content. Misdescriptiveness of a term may be negated by its meaning in the context of the whole mark inasmuch as the combination is seen together and makes a unitary impression. *A.F. Gallun & Sons Corp. v. Aristocrat Leather Prods., Inc.* (COPY CALF not misdescriptive, but rather suggests imitation of calf skin). The same is not true with respect to explanatory statements in advertising or on labels which purchasers may or may not note and which may or may not always be provided. The statutory provision bars registration of a mark comprising deceptive matter. Congress has said that the advantages of registration may not be extended to a mark which deceives the public. Thus, the mark standing alone must pass muster, for that is what the applicant seeks to register, not extraneous explanatory statements.

Gallun: 135 USPQ 459 (TTAB 1962)

Budge next argues that no reasonable purchaser would expect to purchase lambskin automobile seat covers because none made of lambskin are on the market. Only sheepskin automobile seat covers are being made, per Budge. Not only was no evidence submitted on the point Budge seeks to make, only statements of Budge's attorney, but also the argument is without substance. The board properly equated sheepskin and lambskin based on the dictionary definition which indicates that the terms may be used interchangeably. In addition, while Budge would discount the evidence presented that bicycle and airline seat coverings are made of lambskin, we conclude that it does support the board's finding that there is nothing incongruous about automobile seat covers being made from lambskin. We also agree with the board's conclusion that any differences between sheepskin and lambskin would not be readily apparent to potential purchasers of automobile seat covers. The board's finding here that purchasers are likely to believe the misrepresentation is not clearly erroneous.

Finally, we note the evidence of Budge's extensive sales since 1974 under the mark. However, it is too well established for argument that a mark which includes deceptive matter is barred from registration and cannot acquire distinctiveness.

None of the facts found by the board have been shown to be clearly erroneous nor has the board erred as a matter of law. Accordingly, we affirm the board's decision that Budge's mark LOVEE LAMB for automobile seat covers made from synthetic fibers is deceptive and is, thus, barred from registration.

2 Certifications

Certifications come in various forms. We start with Lanham Act certification marks (like the Fair Trade mark) because they draw heavily from trademark law. There are also government-administered certifications, some of which are mandatory (like the FCC's equipment labeling rules) and some of which are voluntary (like the USDA's food-grading certifications).

Lanham Act

15 U.S.C. § 1127 [Lanham Act § 45]
Construction and definitions; intent of chapter

The term "certification mark" means any word, name, symbol, or device, or any combination thereof–

(1) used by a person other than its owner, or

(2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this [Act],

to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

Trademark Manual of Examining Procedure

§ 1306.1
Types of Certification Marks

… Based on the statute, there are generally three types of certification marks, that is, those that certify:

1. *Geographic origin*. Certification marks may be used to certify that authorized users' goods or services originate in a specific geographic region (e.g., SUNSHINE TREE for citrus from Florida).

2. *Standards met with respect to quality, materials, or mode of manufacture*. Certification marks may be used to certify that authorized users' goods or services meet certain standards in relation to quality, materials, or mode of manufacture (e.g., approval by Underwriters Laboratories) (UL certifies, among other things, representative samplings of electrical equipment meeting certain safety standards).

3. *Work/labor performed by member or that worker meets certain standards*. Certification marks may also be used to certify that authorized users' work or labor on the products or services was performed by a member of a union or other organization, or that the performer meets certain standards.

§ 1306.01(a)
Use Is by Person Other than Owner of Certification Mark

A certification mark may not be used, in the trademark sense of "used," by the owner of the mark; it may be used only by a person or persons other than the owner of the mark. That is, the owner of a certification mark does not apply the mark to his or her goods or services and, in fact, usually does not attach or apply the mark at all. The mark is generally applied by other persons to their goods or services, with authorization from the owner of the mark.

The owner of a certification mark does not produce the goods or perform the services in connection with which the mark is used, and thus does not control their nature and quality. Therefore, it is not appropriate to inquire about control over the nature and quality of the goods or services. What the owner of the certification mark does control is use of the mark by others on their goods or services. This control consists of taking steps to ensure that the mark is applied only to goods or services that contain the characteristics or meet the requirements that the certifier/owner has established or adopted for the certification.

§ 1306.01(b)
Purpose Is to Certify, Not to Indicate Source

A certification mark is a special creature created for a purpose uniquely different from that of an ordinary service mark or trademark That is, the purpose of a certification mark is to inform purchasers that the goods or services of a person possess certain characteristics or meet certain qualifications or standards established by another person. A certification mark does not indicate origin in a single commercial or proprietary source the way a trademark or service mark does. Rather, the same certification mark is used on the goods or services of many different producers.

The message conveyed by a certification mark is that the goods or services have been examined, tested, inspected, or in some way checked by a person who is not their producer, using methods determined by the certifier/owner. The placing of the mark on goods, or its use in connection with services, thus constitutes a certification by someone other than the producer that the prescribed characteristics or qualifications of the certifier for those goods or services have been met.

Fair Trade USA Farm Workers Standard
Version 1.11 (2014)

The Fair Trade USA Farm Workers Standard takes a development approach in that it differentiates between minimum criteria and progress criteria. Minimum criteria are assessed during the first certification audit and represent minimum practices in social empowerment, economic development, and environmental responsibility. These criteria are met prior to initial certification. Progress criteria are fulfilled after the first year of certification and represent continuous development towards increased social empowerment and economic development as well as best practices in environmental responsibility.
…

ED-CE 1 Conditions of employment, including wages, either meet or exceed the following standards: sector regulations, Collective Bargaining Agreements that are in place with the employer, the regional average minimum wage, and official minimum wages for similar occupations. The employer specifies wages for all functions. …

ED-CE 20 If the company provides the workers with housing, the conditions and the infrastructure of the house must be such as to ensure sanitation, safety, ventilation, reasonable protection from heat and cold, privacy and security. Housing must be provided at reasonable cost. Fire extinguishers are provided and workers should be trained on how to use them. …

SR-ND 1 There is no discrimination, particularly on the basis of race, color, gender, sexual orientation, disability, marital status, family obligations, age, religion, political opinion, union or worker's representative bodies or Fair Trade Committee membership, national extraction or social origin or any other condition that could give rise to discrimination, in: recruitment, promotion, access to training, remu-

Fair Trade Certified certification mark

neration, allocation of work, termination of employment, retirement or other activities. …

ES-AC 1 Materials on the red list (prohibited materials) on the Fair Trade USA Prohibited Materials List (see annex 1) are not used or otherwise sold, handled, or distributed by the company.

ES-AC 2 The decision to use herbicides is based on the presence of weeds and lack of alternative controls. If used, herbicides are only one element of an integrated strategy against weeds, and are only used in spot applications. …

Special Price and Premium Terms

Produce - Banana

At FOB level, prices include the costs for the following packing material:

- standard carton box,
- one plastic per carton box (banavac or polypack),
- pallet,
- edge corners,
- strips,
- up to 3 labels per banana hand

The costs for these standard packing and palletization materials are covered by the exporter. However, the service related to packing (labor costs) of above defined standard packing material is included in the Ex Works prices and provided by the producer. Neither the Ex Works nor the FOB prices include costs for additional or special packing materials such as "clusterbags" or "parafilm" and related services. Costs for those packing materials and any associated labor must be paid on top of the Fair Trade Minimum Prices to producers at Ex Works or FOB level and be defined in the contract. Fair Trade Minimum Prices in any case refer to 18.14 kg of ripened fruit. If boxes with different weight are used, Fair Trade Minimum Prices and Fair Trade Premiums are calculated pro rata.

Jeanne C. Fromer, *The Unregulated Certification Mark(et)*
69 Stan. L. Rev. 121 (2017)

What do a trendy kosher restaurant in SoHo, an independent movie about a serial killer, and a Swiss watchmaker have in common? Each has been excluded by a certifier from employing its legally protected certification mark in ways that seem to run counter to the certification mark's purposes of consumer protection and promotion of competition. Each of these businesses has either been disqualified by a certifier from getting a certification mark or been manipulated by a certifier into securing a certification mark: a kosher food certification withheld from the restaurant until it changed its name; an R movie rating withheld from the independent movie, whose producer claimed the rating was being given to far gorier—yet non-independent—movies; and a withheld geographical certification of SWISS MADE for the watchmaker located in Switzerland and much of whose watches' value – but not all – originates in Switzerland. The inability of each of these businesses to be certified as is – without any clear certification standard or procedural regularity – can have adverse, and sometimes catastrophic, consequences for the businesses, their consumers, and competition writ large.

Because the law allows certification standards to be vague, high-level, and underdeveloped, a certifier can choose to exclude certain businesses inconsistently or arbitrarily, even when these businesses' goods or services would seem to qualify for the certification mark (particularly to consumers). Moreover, certifiers can wield their marks anticompetitively, even when a certification standard is clear and complete. They can do so through redefinition—something certification mark law currently allows without oversight—to ensure that certain businesses' goods or services will not qualify for the mark. Both of these forms of certification mark manipulation undermine the goals of certification marks: (1) to protect consumers by providing them with succinct information – via the marks – on goods' or services' characteristics and (2) to promote competition by ensuring that any businesses' goods or services sharing certain characteristics salient to consumers qualify for a mark certifying those characteristics.

Understanding the FCC Regulations for Low-Power, Non-Licensed Transmitter

Federal Communications Commission Office of Engineering and Technology Bulleting No. 63 (1993)

Low-power, non-licensed transmitters are used virtually everywhere. Cordless phones, baby monitors, garage door openers, wireless home security systems, keyless automobile entry systems and hundreds of other types of common electronic equipment rely on such transmitters to function. At any time of day, most people are within a few meters of consumer products that use low-power, non-licensed transmitters. Part 15 transmitters use very little power, most of them less than a milliwatt. They are "non-licensed" because their operators are not required to obtain a license from the FCC to use them.

So-called because they comply with the rules in 47 C.F.R. pt. 15.

The Federal Communications Commission (FCC) has rules to limit the potential for harmful interference to licensed transmitters by low-power, non-licensed transmitters. The certification procedure requires that tests be performed to measure the levels of radio frequency energy that are radiated by the device into the open air or conducted by the device onto the power lines. results, and some additional information about the device including design drawings.

Certified transmitters also are required to have two labels attached: an FCC ID label and a compliance label. The FCC ID label identifies the FCC equipment authorization file that is associated with the transmitter, and serves as an indication to consumers that the transmitter has been authorized by the FCC. The compliance label indicates to consumers that the transmitter was authorized under Part 15 of the FCC rules and that it may not cause, nor is it protected from, harmful interference.

Required FCC logo

Inspection & Grading of Meat and Poultry: What Are the Differences?

U.S. Department of Agriculture Food Safety & Inspection Service fact sheet (last modified June 3, 2014)

The inspection and grading of meat and poultry are two separate programs within the U.S. Department of Agriculture (USDA). Inspection for wholesomeness is mandatory and is paid for with public funds. Grading for quality is voluntary, and the service is requested and paid for by meat and poultry producers/processors.

Meat that has been federally inspected and passed for wholesomeness is stamped with a round purple mark. The dye used to stamp the grade and inspection marks onto a meat carcass is made from a food-grade vegetable dye and is not harmful. (The exact formula is proprietary/owned by the maker of the dye.)The mark is put on carcasses and major cuts. After trimming, the mark might not appear on retail cuts such as roasts and steaks. However, meat that is packaged in an inspected facility will have an inspection mark which identifies the plant on the label.

"proprietary/owned"?

After meat and poultry are inspected for wholesomeness, producers and processors may request that they have products graded for quality by a licensed Federal grader. The USDA's Agricultural Marketing Service (http://www.ams.usda.gov) is the agency responsible for grading meat and poultry. Those who request grading must pay for the service. Grading for quality means the evaluation of traits related to tenderness, juiciness, and flavor of meat; and, for poultry, a normal shape that is fully fleshed and meaty and free of defects.

USDA inspected mark

USDA grades are based on nationally uniform Federal standards of quality. No matter where or when a consumer purchases graded meat or poultry, it must have met the same grade criteria. The grade is stamped on the carcass or side of beef and is usually not visible on retail cuts. However, retail packages of beef, as well as poultry, will show the U.S. grade mark if they have been officially graded.

"copyrighted"?

The grade symbol and wording are no longer copyrighted; however, according to the Truth in Labeling Law, it is illegal to mislead or misrepresent the shield or wording.

Quality Grades:

- **Prime grade** is produced from young, well-fed beef cattle. It has abundant marbling and is generally sold in restaurants and hotels. Prime roasts and steaks are excellent for dry-heat cooking (broiling, roasting, or grilling).
- **Choice grade** is high quality, but has less marbling than Prime. Choice roasts and steaks from the loin and rib will be very tender, juicy, and flavorful and are, like Prime, suited to dry-heat cooking. Many of the less tender cuts, such as those from the rump, round, and blade chuck, can also be cooked with dry heat if not overcooked. Such cuts will be most tender if "braised" — roasted, or simmered with a small amount of liquid in a tightly covered pan.

USDA Choice grade mark

- **Select grade** is very uniform in quality and normally leaner than the higher grades. It is fairly tender, but, because it has less marbling, it may lack some of the juiciness and flavor of the higher grades. Only the tender cuts (loin, rib, sirloin) should be cooked with dry heat. Other cuts should be marinated before cooking or braised to obtain maximum tenderness and flavor.
- **Standard** and **Commercial grades** are frequently sold as ungraded or as "store brand" meat.
- **Utility**, **Cutter**, and **Canner grades** are seldom, if ever, sold at retail but are used instead to make ground beef and processed products.

3 Geographic Indications

Some countries have *sui generis* systems for protecting *geographical indications*. The United States mostly does not; we protect them primarily – but not exclusively – with trademarks and certification marks.

An underlying question is how terms become geographical designators in the first place. Some arise from local usage over time; others are assigned by official bodies. For two interesting snapshots with occasional parallels to the trademark system, see U.S. Board on Geographic Names, Policies, Principles, Procedures: Domestic Geographic Names (2016), and Margaret A. Corwin, Street-Naming and Property-Numbering Systems (American Planning Association, 1978).

Justin Hughes, *Champagne, Feta, and Bourbon -- The Spirited Debate About Geographical Indications*
58 Hastings L.J. 299 (2006)

The French system of *appellations d'origine contrôlées* (AOC) is founded on the idea of terroir. Terroir has no direct English translation, but the notion behind the Latinate word is simple: the product's qualities *come with the territory*. As one Australian wine critic describes it: "terroir . . . translates roughly as 'the vine's environment[,]' but has connotations that extend right into the glass: in other words, if a wine tastes of somewhere, if the flavours distinctly make you think of a particular place on the surface of this globe, then that wine is expressing its terroir."

Beliefs about terroir run deep in France, but not too deep, for if they did there might not be a justification for the elaborate regulatory structure governing production of AOC foodstuffs. The INAO regulates not just the geographic boundaries for each AOC, but all "conditions of production," including, for wine, the grape varietals, hectare production quotas, natural alcohol content during vinification, permitted irrigation, etc. The *Institut National des Appellations d'Origine* (INAO) regulations for AOC cheese place varying legal requirements on rennet used in coagulation, curd drainage, milk temperature at different points in curing, salting, and the use of lactic proteins.

In contrast to a separate system for protecting appellations, some countries, like the United States, subsume protection of geographical indications under trademark law. This is achieved through the categories of "certification marks" and "collective marks." …

Geographical words in product names (that is, labeling and advertising) have three basic purposes. These are (1) to communicate geographic source, (2) to communicate (non- geographic) product qualities, and (3) to create evocative value. The first of these is simple. "Industria Argentina" or "Made in England" communicate a product's geographic origins. Second, geographic words are often used to communicate product characteristics other than geographic origin. This second use often leads to the geographic words becoming "generic." The word loses its geographic meaning and acquires another meaning based on non-geographic qualities of the product, as when people go into a *restaurant chinois* off the Champs-Elysées or, nine time zones away, Californians order *French fries* with their *hamburger*.

A third, more overlooked, category for use of geographical words in product names is their use for evocative and aesthetic purposes. These are typically uses of words which, in American trademark doctrine, would be "fanciful" or "arbitrary." The evocative value of geographic words is most evident with geographic names of fictional or no-longer existent places: ATLANTIS waterproofing services, POMPEII game machines,23 and SHANGRI-LA hotels.

Armed with this framework, we will see that the classical justification for geographical indications is that they serve a special combination of (1) and (2): to communicate a product's geographical source *and* non-geographic qualities of the product that are related to its geographic origin. This is the idea of terroir: that the *particular geography* produces *particular* product characteristics that cannot be imitated by other regions. The idea of terroir undergirds the European Union claim for stronger protection of geographical indications. This concept helps justify the European Union's demand, since 2004, for the "return" of over forty words that have become generic names for foodstuffs in other countries (e.g., Parmesan cheese, Champagne, Chablis, Gorgonzola cheese, Parma ham, etc.). Although terroir and a claim for a unique communications function for geographical indications is the European Union's public rhetoric, this Article concludes that the European Commission has a simpler goal: control of geographic words for their *evocative value in the marketplace*. The monopoly rents available from exclusive control of this evocative value drive the EU position in the debates over geographical indications.

Trade-Related Aspects of Intellectual Property (TRIPS), Uruguay Round Agreement (1991)

Art. 22
Protection of Geographical Indications

1. Geographical indications are, for the purposes of this Agreement, indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.
2. In respect of geographical indications, Members shall provide the legal means for interested parties to prevent:
   (a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good;
   (b) any use which constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967) [i.e., "in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods"]
3. A Member shall, *ex officio* if its legislation so permits or at the request of an interested party, refuse or invalidate the registration of a trademark which contains or consists of a geographical indication with respect to goods not originating in the territory indicated, if use of the indication in the trademark for such goods in that Member is of such a nature as to mislead the public as to the true place of origin.

Art. 23
Additional Protection for Geographical Indications for Wines and Spirits

1. Each Member shall provide the legal means for interested parties to prevent use of a geographical indication identifying wines for wines not originating in the place indicated by the geographical indication in question or identifying spirits for spirits not originating in the place indicated by the geographical indication in question, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as "kind", "type", "style", "imitation" or the like.
2. The registration of a trademark for wines which contains or consists of a geographical indication identifying wines or for spirits which contains or consists of a geographical indication identifying spirits shall be refused or invalidated, *ex officio* if a Member's legislation so permits or at the request of an interested party, with respect to such wines or spirits not having this origin.

Art. 24
International Negotiations, Exceptions

6. Nothing in this Section shall require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to goods or services for which the relevant indication is identical with the term customary in common language as the common name for such goods or services in the territory of that Member. …

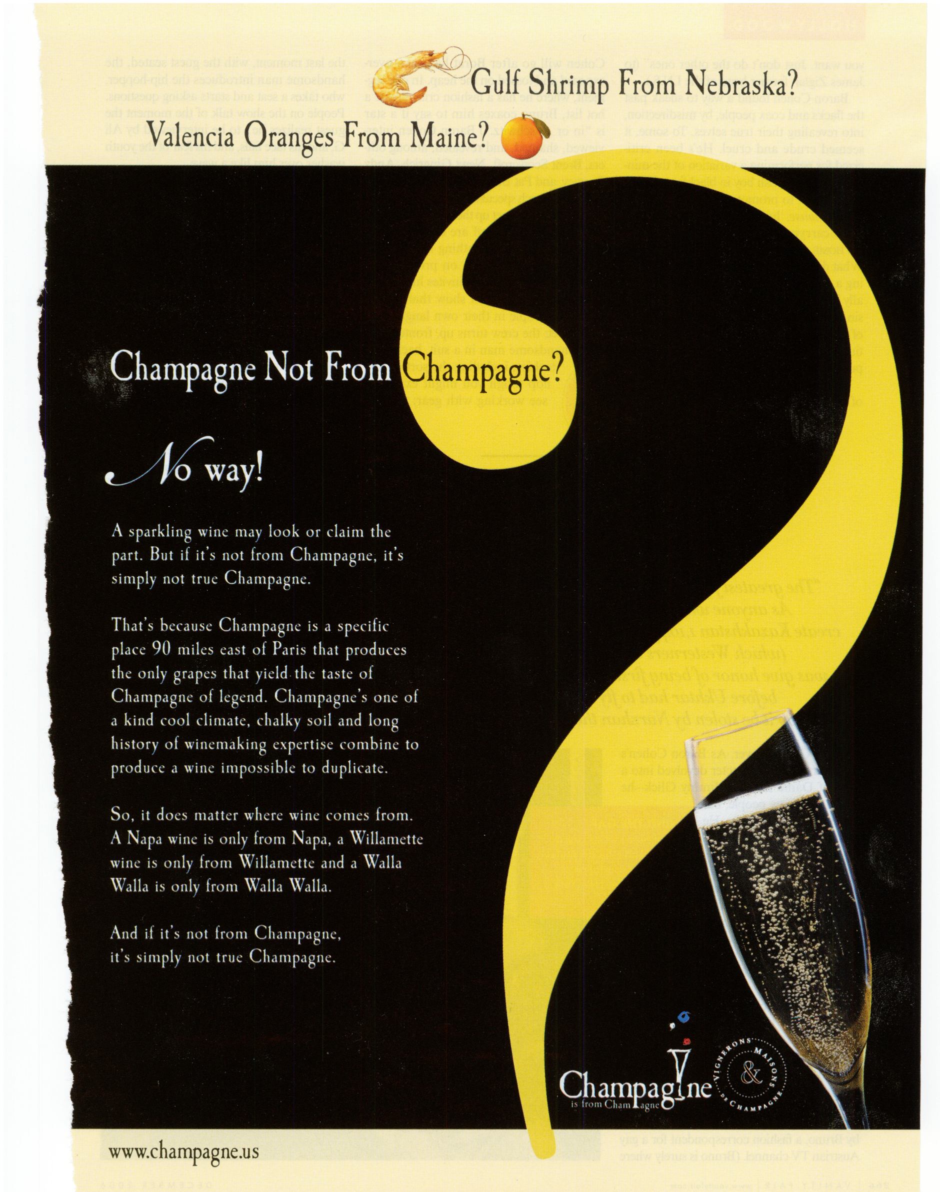
Lanham Act

15 U.S.C. § 1052 [Lanham Act § 2]
Trademarks registrable on principal register …

No trademark … shall be refused registration on the principal register on account of its nature unless it—

(a) Consists of or comprises … a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods …

(e) Consists of a mark which … (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 1054 of this title [pertaining to collective marks and certification marks], (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them, … .



Guantanamera Cigar Co. v. Corporacion Habanos

729 F. Supp. 2d 246 (D.D.C 2010)

This case comes before the Court on cross motions for summary judgment filed by plaintiff Guantanamera Cigar Company's ("GCC") and defendant Corporacion Habanos, S.A. ("Habanos"). Upon reviewing the motions, the Court concludes that the Trademark Trial and Appeal Board ("TTAB") erred as a matter of law in applying the three-part test for primarily geographically deceptively misdescriptive marks, which are barred from registration by the Lanham Act, 15 U.S.C. § 1052(e)(3). Therefore, the Court grants the plaintiff's motion for summary judgment.

I. Factual Background

GCC is a small company based in Coral Gables, Florida. GCC manufactures cigars in Honduras from non-Cuban seeds, then sells and distributes them mainly in the Miami area, as well as other parts of the United States. GCC filed a trademark application for the mark GUANTANAMERA for use in connection with cigars on May, 14, 2001. When translated, "guantanamera" means "(i) the female adjectival form of GUANTANAMO, meaning having to do with or belonging to the city or province of Guantanamo, Cuba; and/or (ii) a woman from the city or province of Guantanamo, Cuba." Many people are also familiar with the Cuban folk song, Guantanamera, which was originally recorded in 1966.

GCC's GUANTANAMERA logo

Habanos's GUANTANAMERA logo

Habanos, jointly owned by the Cuban government and a Spanish entity, manufactures cigars. The Cuban embargo prohibits Habanos from exporting cigars into the U.S. Habanos, however, owns trademarks on many cigar brands outside the U.S., including registrations or applications for GUANTANAMERA in more than 100 countries in the world. On December 29, 1998, Habanos applied for the mark in Cuba, and registered the mark on March 13, 2001. Habanos applied for a U.S. Trademark on April 15, 2002, but its application remains suspended because of GCC's prior application.

Shortly after the TTAB published GCC's application, Habanos filed an opposition, which asserted that GUANTANAMERA was primarily geographically deceptively misdescriptive, and therefore barred from registration. The TTAB agreed and found that GUANTANAMERA was primarily geographically deceptively misdescriptive and that Habanos had standing to oppose registration.

II. Discussion

The TTAB improperly denied registration of GUANTANAMERA for cigars because it used an incorrect legal standard. The TTAB must deny registration of marks "which when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them." 15 U.S.C. § 1052(e)(3). A mark is "primarily geographically deceptively misdescriptive" when:

> (1) the primary significance of the mark is a generally known geographic location, (2) the consuming public is likely to believe the place identified by the mark indicates the origin of the goods bearing the mark, when in fact the goods do not come from that place, and (3) the misrepresentation was a material factor in the consumer's decision.

California Innovations: 329 F.3d 1334 (Fed. Cir. 2003)

In re California Innovations, Inc.. The TTAB cited the proper legal standard, but erred in its application of the third part. The Court reviews the three parts of the test—geographic location, goods-place association, and materiality—as applied by the TTAB.

a. Geographic Location

There is significant evidence in the record to find that Cuba or Guantanamo, Cuba is the primary significance of GUANTANAMERA. The primary significance of a mark is a finding of fact. Guantanamera literally means "girl from Guantanamo." The Plaintiff argues that the primary meaning of GUANTANAMERA is the famous Cuban song by Joseito Fernandez. The TTAB recognized that the folk song's history reinforces the geographic connection to Guantanamo and Cuba. Based on the deferential standard of review, the Court finds that the Plaintiff produced insufficient evidence to disturb the TTAB's factual finding that GUANTANAMERA's primary significance is a geographic location.

b. Goods-Place Association

There is sufficient evidence to find that the consuming public is likely to believe that the Plaintiff's cigars originate from Cuba. If consumers are likely to believe that the place identified on the mark is the origin of the goods, when in fact the goods do not come from that place, the element is satisfied. *See also In re Spirits International N.V.* (leaving the TTAB's analysis of the goods-place association unaltered when the TTAB found that Moscow was well known for vodka). The Federal Circuit characterized this element as a "relatively easy burden of showing a naked goods-place association."

Spirits: 563 F.3d 1347 Fed. Cir. 2009)

The record contains ample evidence that cigar tobacco is produced in the Guantanamo province. There is also ample evidence to support the finding that Cuba is well-known for cigars. The TTAB did not err in finding that the goods-place association was met.

c. Materiality

The TTAB erred as a matter of law in its analysis of materiality. To establish a prima facie case, the TTAB or the opposition must show that a significant portion of the relevant consumers would be materially influenced in the decision to purchase the product or service by the geographic meaning of the mark. Accordingly, the Court holds that Habanos never established a prima facie case for the third part of the test before the TTAB.

In *Spirits*, the TTAB refused to register the mark MOSKOVSKAYA for vodka because it was primarily geographically deceptively misdescriptive. MOSKOVSKAYA literally means "of or from Moscow," but the registrant admitted that the vodka is not manufactured, produced, or sold in Moscow and has no connection to Moscow. The TTAB found that the primary significance of the mark was a generally known geographic location and recognized that Moscow is renowned for vodka. Thus, the first two elements of the test were satisfied. The Court took issue with the TTAB's application of the third element, the materiality requirement.

The TTAB reasoned that because 706,000 people in the United States speak Russian, and because 706,000 is "an appreciable number," the materiality requirement was satisfied. The Court remanded the case without ruling on the merits because the TTAB failed to consider whether Russia speakers were a "substantial portion" of the intended audience. The Court noted that only 0.25% of the U.S. population speaks Russian. To satisfy the materiality requirement, a substantial portion of relevant consumers must be likely to be deceived, not an absolute number or particular segment (such as foreign language speakers).

Here, the TTAB erred as a matter of law in applying the materiality requirement. The TTAB decided this case before the Federal Circuit decided Spirits. The portion of the TTAB's opinion that addressed the materiality factor was only four sentences and did not make any findings regarding a "substantial proportion" of materially deceived consumers. The TTAB stated two reasons why the misrepresentation is material in the minds of consumers: (1) Cuba's "renown and reputation for high quality cigars" and (2) the plaintiff's subjective intent to deceive customers evidenced by previously placing "Guantanamera, Cuba" and "Genuine Cuban Tobacco" on the packaging.

Spirits plainly demands more than a finding of Cuba's reputation for high quality cigars. In Spirits, Moscow's renown reputation for vodka was not enough to affirm the TTAB's legal conclusion; likewise, Cuba's renown reputation for cigars is not enough in this case.

The Court finds the plaintiff's false claims on the packaging equally inadequate to satisfy *Spirits*. First, the registrant's subjective intent provides little, if any, insight into the minds of consumers. Consumers could have numerous reasons as to why they purchase Guantanamera cigars, but without any objective findings, it is difficult to make an accurate conclusion as to whether the geographic misdescription will materially affect a "substantial portion" of consumers. Second, the Court does not consider extraneous and out-dated marketing material particularly relevant in determining a mark's ability to satisfy the § 1052(e)(3) registration bar. The Lanham Act bars registration of marks that are primarily geographically deceptively misdescriptive, not marks that are accompanied by deceptive packaging material. See 15 U.S.C. § 1052.

Habanos attempts to distinguish *Spirits* by asserting that this case meets the "substantial proportion" requirement. It argues that there are millions of Spanish speakers in the U.S., that the English speaking public recognizes "guantanamera" to mean Guantanamo, Cuba, and that GCC targeted Spanish speaking consumers. Nevertheless, this evidence fails to determine that a substantial proportion of the target audience would be deceived into purchasing the cigars because of the false goods-place association. Habanos never introduced evidence that suggested material deception of a substantial proportion of the relevant consuming public.

III. Conclusion

Therefore, this case is remanded to the TTAB so it may apply the proper legal standard to the third part of the test for primarily geographically deceptively misdescriptive terms.

27 C.F.R. Part 5
Labeling and Advertising of Distilled Spirits

27 C.F.R. § 5.31(a)
General

No person engaged in business as a distiller, rectifier, importer, wholesaler, or warehouseman and bottler … shall sell or ship … any distilled spirits in bottles, unless such bottles are marked, branded, labeled, or packaged, in conformity with §§ 5.31 through 5.42 [which require, in pertinent part, that the "class and type of distilled spirits shall be stated in conformity with § 5.22 if defined therein"].

27 C.F.R. § 5.22
The standards of identity

(b) *Class 2; whisky*. – "Whisky" is an alcoholic distillate from a fermented mash of grain produced at less than 190° proof in such manner that the distillate possesses the taste, aroma, and characteristics generally attributed to whisky, stored in oak containers (except that corn whisky need not be so stored), and bottled at not less than 80° proof …

  (6) "Spirit whisky" is a mixture of neutral spirits and not less than 5 percent on a proof gallon basis of whisky, or straight whisky, or straight whisky and whisky, if the straight whisky component is less than 20 percent on a proof gallon basis.

  (7) "Scotch whisky" is whisky which is a distinctive product of Scotland, manufactured in Scotland in compliance with the laws of the United Kingdom regulating the manufacture of Scotch whisky for consumption in the United Kingdom: Provided, That if such product is a mixture of whiskies, such mixture is "blended Scotch whisky"

Notice the tight interleaving of geographic and nongeographic standards.

(d) *Class 4; brandy*. – …

  (9) "Pisco" is grape brandy manufactured in Peru or Chile in accordance with the laws and regulations of the country of manufacture governing the manufacture of Pisco for consumption in the country of manufacture.

(k) *Class 11; geographical designations*. –

(1) Geographical names for distinctive types of distilled spirits (other than names found by the appropriate TTB officer under paragraph (k)(2) of this section to have become generic) shall not be applied to distilled spirits produced in any other place than the particular region indicated by the name, unless (i) in direct conjunction with the name there appears the word "type" or the word "American" or some other adjective indicating the true place of production, in lettering substantially as conspicuous as such name, and (ii) the distilled spirits to which the name is applied conform to the distilled spirits of that particular region. The following are examples of distinctive types of distilled spirits with geographical names that have not become generic: Eau de Vie de Dantzig (Danziger Goldwasser), Ojen, Swedish punch.

(2) Only such geographical names for distilled spirits as the appropriate TTB officer finds have by usage and common knowledge lost their geographical significance to such extent that they have become generic shall be deemed to have become generic. Examples at London dry gin, Geneva (Hollands) gin.

(3) Geographical names that are not names for distinctive types of distilled spirits, and that have not become generic, shall not be applied to distilled spirits produced in any other place than the particular place or region indicated in the name. Examples are Armagnac, Greek brandy, , Jamaica rum, Puerto Rico rum, Demerara rum.

(l) *Class 12; products without geographical designations but distinctive of a particular place*. –

(1) The whiskies of the types specified in paragraphs (b) (1), (4), (5), and (6) of this section are distinctive products of the United States and if produced in a foreign country shall be designated by the applicable designation prescribed in such paragraphs, together with the words "American type" or the words "produced (distilled, blended) in __", the blank to be filled in with the name of the foreign country: Provided, That the word "bourbon" shall not be used to describe any whisky or whisky-based distilled spirits not produced in the United States.

Why is bourbon special?

§ 70b
Misbranded and falsely advertised textile fiber products

Textile Products Identification Act

(b) Except as otherwise provided in this subchapter, a textile fiber product shall be misbranded if a stamp, tag, label, or other means of identification, or substitute therefor authorized by section 70c of this title, is not on or affixed to the product showing in words and figures plainly legible, the following:

(1) The constituent fiber or combination of fibers in the textile fiber product, designating with equal prominence each natural or manufactured fiber in the textile fiber product by its generic name in the order of predominance by the weight thereof if the weight of such fiber is 5 per centum or more of the total fiber weight of the product, but nothing in this section shall be construed as prohibiting the use of a nondeceptive trademark in conjunction with a designated generic name …

(2) The percentage of each fiber present, by weight, in the total fiber content of the textile fiber product …

(3) The name of the manufacturer of the product …

(4) If it is an imported textile fiber product the name of the country where processed or manufactured.

(5) If it is a textile fiber product processed or manufactured in the United States, it be so identified.

Melting Bad Problem, Redux

Blancorp has come to you with a few more ideas for trademarks for its clumpless ice-melter. The product is factory-made in the United States (in Duluth, Minnesota, to be precise). Recall that it mimics the properties of a naturally occurring rock salt from Quebec, Canada. Give your opinion on the following names as trademarks:

- DULUTH
- HAWAIIAN
- ATLANTIS
- QUEBEC SALT
- CANADIAN BLUE

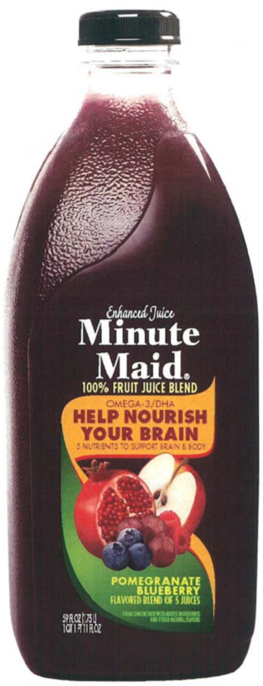
4 Regulation

In addition to the FTC's (and state regulators') general power to prevent deceptive marketing, statutes and regulations sometimes give authoritative meanings to particular terms. This raises two problems of interest. First, when the legislative and executive branches have said what a term means, how much room is there left for the judicial branch to interpret it in a false advertising suit? And second, *can* the government say what words mean?

POM Wonderful LLC v. The Coca-Cola Company
134 S. Ct. 2228 (2014)

Coca-Cola, under its Minute Maid brand, created a juice blend containing 99.4% apple and grape juices, 0.3% pomegranate juice, 0.2% blueberry juice, and 0.1% raspberry juice. Despite the minuscule amount of pomegranate and blueberry juices in the blend, the front label of the Coca-Cola product displays the words "pomegranate blueberry" in all capital letters, on two separate lines. Below those words, Coca-Cola placed the phrase "flavored blend of 5 juices" in much smaller type. And below that phrase, in still smaller type, were the words "from concentrate with added ingredients" — and, with a line break before the final phrase — "and other natural flavors." The product's front label also displays a vignette of blueberries, grapes, and raspberries in front of a halved pomegranate and a halved apple.

POM Wonderful LLC makes and sells pomegranate juice products, including a pomegranate-blueberry juice blend.



Minute Maid "Pomegranate Blueberry" bottle

Alleging that the [Minute Maid] label is deceptive and misleading, POM sued Coca-Cola under § 43 of the Lanham Act. That provision allows one competitor to sue another if it alleges unfair competition arising from false or misleading product descriptions. The Court of Appeals for the Ninth Circuit held that, in the realm of labeling for food and beverages, a Lanham Act claim like POM's is precluded by a second federal statute. The second statute is the Federal Food, Drug, and Cosmetic Act (FDCA), which forbids the misbranding of food, including by means of false or misleading labeling.

21 U.S.C. §§ 331, 343

21 U.S.C. § 343(a)

21 U.S.C § 343(f)

21 U.S.C. § 343(i)

See 21 C.F.R. § 102.33

The FDCA statutory regime is designed primarily to protect the health and safety of the public at large. The FDCA prohibits the misbranding of food and drink. A food or drink is deemed misbranded if, inter alia, "its labeling is false or misleading,", information required to appear on its label "is not prominently placed thereon," , or a label does not bear "the common or usual name of the food, if any there be,". To implement these provisions, the Food and Drug Administration (FDA) promulgated regulations regarding food and beverage labeling, including the labeling of mixes of different types of juice into one juice blend. . One provision of those regulations is particularly relevant to this case: If a juice blend does not name all the juices it contains and mentions only juices that are not predominant in the blend, then it must either declare the percentage content of the named juice or "[i]ndicate that the named juice is present as a flavor or flavoring," e.g., "raspberry and cranberry flavored juice drink."

Unlike the Lanham Act, which relies in substantial part for its enforcement on private suits brought by injured competitors, the FDCA and its regulations provide the United States with nearly exclusive enforcement authority, including the authority to seek criminal sanctions in some circumstances. Private parties may not bring enforcement suits.

Beginning with the text of the two statutes, it must be observed that neither the Lanham Act nor the FDCA, in express terms, forbids or limits Lanham Act claims challenging labels that are regulated by the FDCA.

The structures of the FDCA and the Lanham Act reinforce the conclusion drawn from the text.The Lanham Act and the FDCA complement each other in major respects, for each has its own scope and purpose. Although both statutes touch on food and beverage labeling, the Lanham Act protects commercial interests against unfair competition, while the FDCA protects public health and safety. The two statutes impose different requirements and protections.

The two statutes complement each other with respect to remedies in a more fundamental respect. Enforcement of the FDCA and the detailed prescriptions of its implementing regulations is largely committed to the FDA. The FDA, however, does not have the same perspective or expertise in assessing market dynamics that day-to-day competitors possess. Competitors who manufacture or distribute products have detailed knowledge regarding how consumers rely upon certain sales and marketing strategies. Their awareness of unfair competition practices may be far more immediate and accurate than that of agency rulemakers and regulators. Lanham Act suits draw upon this market expertise by empowering private parties to sue competitors to protect their interests on a case-by-case basis. By serving a distinct compensatory function that may motivate injured persons to come forward, Lanham Act suits, to the extent they touch on the same subject matter as the FDCA, provide incentives for manufacturers to behave well. Allowing Lanham Act suits takes advantage of synergies among multiple methods of regulation. This is quite consistent with the congressional design to enact two different statutes, each with its own mechanisms to enhance the protection of competitors and consumers.

A holding that the FDCA precludes Lanham Act claims challenging food and beverage labels would not only ignore the distinct functional aspects of the FDCA and the Lanham Act but also would lead to a result that Congress likely did not intend. Unlike other types of labels regulated by the FDA, such as drug labels, it would appear the FDA does not preapprove food and beverage labels under its regulations and instead relies on enforcement actions, warning letters, and other measures. Because the FDA acknowledges that it does not necessarily pursue enforcement measures regarding all objectionable labels, if Lanham Act claims were to be precluded then commercial interests – and indirectly the public at large – could be left with less effective protection in the food and beverage labeling realm than in many other, less regulated industries. It is unlikely that Congress intended the FDCA's protection of health and safety to result in less policing of misleading food and beverage labels than in competitive markets for other products.

Rebecca Tushnet, *It Depends on What the Meaning of "False" is: Falsity and Misleadingness in Commercial Speech Doctrine*

41 Loy. L.A. L. Rev. 227 (2007)

A key issue in advertising law is whether regulation of deception can be wholesale or retail. California has a particularly restrictive law that bars labeling products as "Made in U.S.A." unless the overall product and the parts are substantially made in the U.S. In a recent case, a California appeals court sustained this law against a First Amendment challenge. The court ruled that the legislature could determine that, as a general matter, merchandise not meeting the statute's restrictive definition would be deceptively labeled if advertised as "Made in U.S.A." Thus, though the plaintiff had to meet standing requirements showing that he'd been harmed by the misrepresentation, he could rely on the statutory definition to establish that the defendants violated the law by using "Made in U.S.A." and "All American-Made" on products using Taiwanese- made screws and parts sub-assembled in Mexico.

Benson v. Kwikset Corp., 62 Cal. Rptr. 3d 284 (Ct. App. 2007).

To the extent that the law is directed at consumer protection, calibrating it to promote domestic production will be extremely difficult. Producers who could use "Made in U.S.A." if their products had 40 percent or even 10 percent U.S. content might also keep some jobs in the U.S. that would otherwise go overseas. Yet if consumers expect "Made in U.S.A." products to be made entirely or almost entirely of U.S.-made parts, then a label that incentivizes producers to keep some jobs in the U.S. might still be deceptive. Because regulations on the advertising use of particular terms often aim both to protect consumers from deception and to encourage producers to make products with certain components, this problem is a recurrent one. If, however, legislatures choose definitions that protect consumer expectations, the fact that regulations might not be efficient is not a free speech argument against them. The First Amendment is not industrial policy.

By contrast to the California appeal court's deference to legislative judgment, a recent Fifth Circuit case, *Piazza's Seafood World, LLC v. Odom* decided that it was not inherently misleading to label Chinese catfish "Cajun." The Fifth Circuit affirmed the district court's finding that Louisiana's Cajun Statute was an unconstitutional regulation of commercial speech. As a result, a seafood importer was free to use "Cajun" as a trademark for its catfish, even though they

Piazza's Seafood World: 448 F.3d 744, 753 (5th Cir. 2006)

The statute made it a crime to "advertise, sell, offer or expose for sale, or distribute food or food products as 'Cajun', 'Louisiana Creole', or any derivative thereof unless the food or food product ... [was] produced, processed, or manufactured in Louisiana.

are from China, not Louisiana, and even though they are actually of a different species than the domestic fish known as catfish. Despite the widespread success of the proposition that fixing the meaning of geographical indications protects and informs consumers, the Fifth Circuit did not give any weight to the Louisiana legislature's specific judgment about the meaning of "Cajun."

The Cajun case's refusal to accept blanket bans on terms is in tension with the "Made in U.S.A." decision, which accepted a legislative determination that "Made in U.S.A." and similar terms would invariably be misleading unless used according to the statutory definition. Similarly, the Supreme Court, in **??** accepted that "Congress reasonably could conclude that most commercial uses of the Olympic words and symbols are likely to be confusing," which justified upholding a special law giving complete control over commercial uses of the term "Olympic" to the U.S. Olympic Committee, regardless of whether confusion or other harm was shown in a particular case.

These categorical determinations of misleadingness are far from isolated incidents. Regulation-by-definition is common, and requires lawmakers to endorse one meaning at the expense of others. Consider moral and environmental claims such as "dolphin-free tuna": one possible definition of dolphin-free tuna is tuna caught in a net that didn't happen to kill any dolphins. If the net brings up a dolphin, you throw out the whole catch. This understanding of "dolphin-free tuna" doesn't address the fundamental objection that the method of catching the tuna routinely and predictably kills a lot of dolphins. However, it remains the case that the cans of tuna don't have any dolphins in them and did not even need to have dead dolphins picked out of them. Because of likely audience understanding, tuna caught this way is not "dolphin-free." In order to end semantic disputes, Congress passed a law defining dolphin- free tuna.

The Dolphin Protection Consumer Information Act, 16 U.S.C. § 1385(d)

There has also been substantial debate over the proper definition of "organic," an official definition of which has now been adopted by the United States Department of Agriculture ("USDA"). Historically, organic foods faced market difficulties because of a proliferation of standards, which led to consumer suspicion that the organic label was meaningless. Currently, products not meeting USDA standards, but meeting some other definition of "organic," cannot be labeled organic. Organic products must have at least 95 percent organic content, but the remainder can be non-organic if it is on an approved list of ingredients without reasonably available organic substitutes. That list is itself controversial, since interested parties dispute whether or not various ingredients are available in organic form. In addition, "made with organic" is a separate standard, requiring at least percent organic content.

Organic Production and Handling Requirements, 7 C.F.R. §§ 205.200–.299 (2007)

Arguably, this is the case with "natural" claims.

The issue of consumer response to standard-setting is worth further discussion to show just how hard the problem is. By setting a standard, the government establishes what "organic" means. If people misunderstand the term – in other words, if they continue to give a different meaning to it – there is an information problem that leads to inefficient results. If people do not understand the term but nonetheless rely on it, then a key question is whether the government has gotten the social policy producing the underlying definition right. Moreover, the correctness of the government's definition has to be compared to the situation without regulation, in which producers could give the term multiple meanings as long as they were not intentionally fraudulent. If consumers still relied on the term without understanding it or understanding that different producers were using different definitions, the welfare effects would change, but not obviously in any particular direction. To this must be added the likelihood that consumers would discount the term "organic" if they believed it to be self-defined, moderating both the harms and benefits of varying definitions. Only if consumers carefully research multiple meanings of unregulated terms – and only if they do this again and again, for each term that makes a difference to them – can we expect the unregulated market to beat the government systematically in shaping meaning.

Labels can also function as warnings, even without explicit evaluative statements. Dairy producers who use recombinant bovine growth hormone ("rBST", also known as "rBGH") convinced the Second Circuit to strike down a rBST labeling requirement for milk that, they argued, functioned as a scarlet letter. Labeling may encourage otherwise uninterested consumers to think, mistakenly, that rBST involves health risks—they may reason that there would be no label if it didn't make a difference. Thus, Monsanto, the major producer of rBST, resisted labeling and also brought false advertising claims against smaller dairies with non-treated cows who voluntarily labeled their own milk. In addition, Monsanto recently asked the Food and Drug Administration ("FDA") to act against other voluntary labeling. "Not treated with rBST" is a factual statement, but its truth or falsity is not the key question. The dispute is over whether the implications of "not treated with rBST" mislead consumers and distort their purchases.

Int'l Dairy Foods Ass'n v. Amestoy, 92 F.3d 67 (2d Cir. 1996)

Commack Self-Service Kosher Meats, Inc. v. Weiss
294 F.3d 415 (2d Cir. 2002)

Plaintiffs-appellees are Commack Self-Service Kosher Meats, Inc., d/b/a Commack Kosher, an entity in Commack, Long Island engaged in the meat business, and its owners, Brian and Jeffrey Yarmeisch. Over the last sixteen years, the Yarmeisches have been cited for violations of New York's kosher fraud laws on at least four occasions.

[For example,] the Department of Agriculture and Markets inspected Commack Kosher on January 7, 1987, and seized two packages of beef chuck side steaks, each of which was marked "soaked and salted." The Department's "laboratory analysis did not reveal a significantly greater salt content in the outside surface of the steak than in the inside." The Department asserted that "had the steak been properly soaked and salted, the analysis would have indicated that the outside surface of the steak had a measurably higher salt content than the inner part of the meat." The Department therefore concluded that "the defendant's steak was not soaked and salted according to orthodox Hebrew religious requirements and was improperly offered for sale and represented as such." Accordingly, the Department alleged violations of New York Agriculture and Markets Law section 201-a(1), which prohibits the sale of any food product represented to be "kosher" that has not been prepared "in accordance with the orthodox Hebrew religious requirements. The Yarmeisches responded to the claimed violations in a letter dated April 29, 1987, which contained the following explanation of their soaking and salting method:

Leviticus 7:26 prohibits eating blood. Rabbinical authorities generally hold that implementing this commandment requires deveining meat, soaking it in water, salting it to draw out the blood, and then rinsing it.

Cf. State v. Rachleff Kosher Provisions, Inc., 188 A.D.2d 458 (N.Y. App. Div. 1992) (defendant "purchased nonkosher meat which he processed, packaged, and sold as kosher"); *Barghout v. Bureau of Kosher Meat and Food Control*, 66 F.3d 1337 (4th Cir. 1995) (defendant repeatedly "placed kosher hot dogs on a rotisserie next to nonkosher hot dogs," which "allowed grease from the nonkosher meat to contaminate the kosher hot dogs, rendering them nonkosher").

> We take the side steak with the top and bottom fat left on the meat and soak it in water for one half hour, salt for one hour, and then rinse thoroughly. We then proceed to remove the fat and then face the meat (remove dark meat before packaging).
>
> This is the procedure for all meat that is labeled soaked and salted, all of which is done under the direction of Rabbi Berman who has been supervising this establishment for approximately five years.

Rabbi Berman is a rabbi who adheres to the teachings of the Conservative branch of Judaism. The Yarmeisches' letter further explained that they believed their procedures for soaking and salting were in accordance with kosher requirements and requested that the Department "explain how [any problem with their procedures] can be rectified."

The Yarmeisches claimed that by defining "kosher" to mean food that is "prepared in accordance with orthodox Hebrew religious requirements," New York's kosher fraud laws violate the Establishment Clause. In cases involving facial challenges on Establishment Clause grounds, we assess the constitutionality of an enactment by reference to the three factors first articulated in *Lemon v. Kurtzman*: that a challenged law (1) have a valid secular purpose; (2) have a primary effect that neither advances nor inhibits religion; and (3) not foster excessive state entanglement with religion.

Lemon: 403 U.S. 602 (1971)

It appears to us that the challenged laws excessively entangle government and religion because they (1) take sides in a religious matter, effectively discriminating in favor of the Orthodox Hebrew view of dietary requirements; (2) require the State to take an official position on religious doctrine; and (3) create an impermissible fusion of governmental and religious functions by delegating civic authority to individuals apparently chosen according to religious criteria.

The Department argues that the challenged laws do not excessively entangle the government with religion because "no one disputes the meaning of the term 'kosher.'" There is ample evidence in the record to support the opposite conclusion. In a guide to observance of Jewish dietary law, published by the United Synagogue Commission on Jewish Education, author Samuel H. Dresner notes that

> Over the years and in varying locales, rabbinic authorities differed in their interpretations of specific laws of kashrut. To cite a famous example: Sephardic Jews eat rice and legumes on Passover, Ashkenazic Jews do not. Ashkenazic Jews, by and large, do not eat the hindquarters of beef; Sephardic Jews do.
>
> Some of the decisions recorded in this book are not accepted by all authorities on Jewish law, notably decisions about wine, cheese, gelatin, swordfish and sturgeon. This is not a novel situation in the history of Jewish law. There have always been disagreements on various points.

Samuel H. Dresner, *The Jewish Dietary Laws* 55-56 (1982).

We find it indisputable that there are differences of opinion within Judaism regarding the dietary requirements of kashrut. As a result, because the challenged laws interpret "kosher" as synonymous with the views of one branch, those of Orthodox Judaism, the State has effectively aligned itself with one side of an internal debate within Judaism. This it may not do.

In order to assert that a food article does not conform to kosher requirements, New York must take an official position as to what are the kosher requirements. In doing so, the Department must either interpret religious doctrine or defer to the interpretations of religious officials in reaching its official position.

We also find that the challenged laws fail the second prong of the *Lemon* test, which mandates that, to avoid conflict with the Establishment Clause, a principal or primary effect of a challenged law must neither advance nor inhibit religion. The challenged laws violate this prohibition because they (1) have a primary effect that both advances religion, by preferring the dietary restrictions of Orthodox Judaism over those of other branches, and inhibits religion, by effectively prohibiting other branches from using the kosher label in accordance with their religious beliefs, and (2) create an impermissible joint exercise of religious and civic authority that advances religion. We reach this conclusion for reasons similar to those that demonstrate excessive entanglement of government and religion.

Finally, because the secular purpose prong of the *Lemon* test is often easily satisfied, and is uncontested by the parties here, we address it last. The parties here do not dispute that the challenged laws were enacted for the secular purpose of protecting consumers from fraud in the kosher food market.

We agree with the New Jersey Supreme Court that a state has "a valid interest in preventing fraud in the sale of any foods, including kosher foods." *Ran-Dav's County Kosher, Inc. v. State*. This interest in protecting against fraud in the kosher food market extends to the general public. Indeed, Jewish consumers reportedly now make up less than thirty percent of the consumers of kosher food. The remainder are Muslims and others with similar religious requirements, persons with special dietary restrictions, and those who simply prefer food bearing the kosher label as a symbol of purity. The State clearly has a valid secular interest in protecting from fraud all those who choose to consume kosher food products. We do note, however, that the challenged laws imperfectly accomplish this secular purpose because their avowed purpose is amply covered by the existing general fraud laws. For example, section 199-a(1) prohibits any misbranding of food, and therefore would penalize vendors who falsely represented their products to be kosher according to the standard described on the label. In other words, under the general statutory scheme governing fraud in the food industry, the State can prevent fraud in the sale of kosher food in a less restrictive and neutral manner by simply requiring that any vendor engaged in the sale of kosher food state the basis on which the food is labeled kosher. Thus, the valid secular purpose articulated by the State can be accomplished by nondiscriminatory means that do not advance religion.

Ran-Dav's: 608 A.2d 1353 (N.J. 1992)

In *Commack Self-Service Kosher Meats, Inc. v. Hooker*, 680 F.3d 194 (2d Cir. 2012), the court rejected an Establishment Clause challenge by the same plaintiffs against New York's revised kosher certification laws, which require that anyone marketing food as kosher identify the individuals certifying the food as kosher. Certifiers must register with the Department and provide "a statement of such person's qualifications for providing such certification." A casual perusal of the statements on file at the Department's website shows that most of them run to one or sometimes two sentences; they commonly mention the certifier's rabbinical ordination, years of experience performing kosher inspections, and occasionally a bit about the standards applied.

Cf. Wallace v. ConAgra Foods, Inc., 920 F. Supp. 2d 995 (D. Minn. 2013), *rev'd on other grounds*, 747 F.3d 1025 (8th Cir. 2014) (dismissing on Establishment Clause grounds a consumer class action under state consumer protection laws against Hebrew National for calling its hot dogs "100% Kosher" when it allegedly used quotas for how much beef would be certified as kosher, regardless of the cows' status as clean or unclean).

Levy v. Kosher Overseers Ass'n of America, Inc.
104 F.3d 38 (2d Cir. 1997)

Kosher certification marks are used to designate food items that comply with Judaism's strict dietary laws. A kosher certification mark informs the consumer that a certification agency has examined the manufacturing process, the ingredients, and the cleanliness of the production facilities of a product to insure that the product is kosher. Because the various kosher certification agencies employ their own standards for accepting products as kosher, according to their particular interpretation of Judaism's dietary requirements, it is important for a consumer to recognize the marks of the certification agencies that he trusts.

5 Mandatory Disclosures

Regulations sometimes tell companies what they *must* say, rather than what they *must not* say.

American Meat Institute v. Dept. of Agriculture
760 F.3d 18 (D.C. Cir. 2014) (en banc)

7 U.S.C. §§ 1638, 1638a

Congress has required country-of-origin labels on a variety of foods, including some meat products and tasked the Secretary of Agriculture with implementation. [Yadda yadda yadda.] The Secretary responded with a rule in 2013 requiring more precise information — revealing the location of each production step. For example, meat derived from an animal born in Canada and raised and slaughtered in the United States, which formerly could have been labeled "Product of the United States and Canada," would now have to be labeled "Born in Canada, Raised and Slaughtered in the United States."

The plaintiffs, a group of trade associations representing livestock producers, feedlot operators, and meat packers, whom we'll collectively call American Meat Institute ("AMI"), challenged the 2013 rule in district court as a violation of both the statute and the First Amendment. AMI argues that the 2013 rule violates its First Amendment right to freedom of speech by requiring it to disclose country-of-origin information to retailers, who will ultimately provide the information to consumers.

Zauderer: 471 U.S. 626 (1985)

The starting point common to both parties is that *Zauderer v. Office of Disciplinary Counsel of Supreme Court of Ohio* applies to government mandates requiring disclosure of "purely factual and uncontroversial information" appropriate to prevent deception in the regulated party's commercial speech. The key question for us is whether the principles articulated in *Zauderer* apply more broadly to factual and uncontroversial disclosures required to serve other government interests. [The court held that it does.] All told, *Zauderer*'s characterization of the speaker's interest in opposing forced disclosure of such information as "minimal" seems inherently applicable beyond the problem of deception.

In applying *Zauderer*, we first must assess the adequacy of the interest motivating the country-of-origin labeling scheme. AMI argues that, even assuming *Zauderer* applies here, the government has utterly failed to show an adequate interest in making country-of-origin information available to consumers. AMI disparages the government's interest as simply being that of satisfying consumers' "idle curiosity." But here we think several aspects of the government's interest in country-of-origin labeling for food combine to make the interest substantial: the context and long history of country-of-origin disclosures to enable consumers to choose American-made products; the demonstrated consumer interest in extending country-of-origin labeling to food products; and the individual health concerns and market impacts that can arise in the event of a food-borne illness outbreak.

Supporting members of Congress identified the statute's purpose as enabling customers to make informed choices based on characteristics of the products they wished to purchase, including United States supervision of the entire production process for health and hygiene. Some expressed a belief that with information about meat's national origin, many would choose American meat on the basis of a belief that it would in truth be better. Even though the production steps abroad for food imported into the United States are to a degree subject to U.S. government monitoring, it seems reasonable for Congress to anticipate that many consumers may prefer food that had been continuously under a particular government's direct scrutiny.

Some legislators also expressed the belief that people would have a special concern about the geographical origins of what they eat. This is manifest in anecdotes appearing in the legislative record, such as the collapse of the cantaloupe market when some imported cantaloupes proved to be contaminated and consumers were unable to determine whether the melons on the shelves had come from that country. Of course the anecdote more broadly suggests the utility of these disclosures in the event of any disease outbreak known to have a specific country of origin, foreign or domestic.

The record is further bolstered by surveys the Agricultural Marketing Service reviewed, such as one indicating that 71-73 percent of consumers would be willing to pay for country-of-origin information about their food. The AMS quite properly noted the vulnerabilities in such data. Most obvious is the point that consumers tend to overstate their willingness to pay; after all, the data sound possibly useful, and giving a "Yes" answer on the survey doesn't cost a nickel. But such studies, combined with the many favorable comments the agency received during all of its rulemakings, reinforce the historical basis for treating such information as valuable.

The self-evident tendency of a disclosure mandate to assure that recipients get the mandated information may in part explain why, where that is the goal, many such mandates have persisted for decades without anyone questioning their constitutionality. In this long-lived group have been not only country-of-origin labels but also

Fiber content: 16 C.F.R. pt. 303

Clothing care instructions: 16 C.F.R. pt. 423

Ingredients: 21 C.F.R. § 101.4

many other routine disclosure mandates about product attributes, including, for instance, disclosures of fiber content,, care instructions for clothing items, , and listing of ingredients .

AMI does not contest that country-of-origin labeling qualifies as factual, and the facts conveyed are directly informative of intrinsic characteristics of the product AMI is selling. As to whether it is "controversial," AMI objected to the word "slaughter" in its reply brief. Though it seems a plain, blunt word for a plain, blunt action, we can understand a claim that "slaughter," used on a product of any origin, might convey a certain innuendo. But we need not address such a claim because the 2013 rule allows retailers to use the term "harvested" instead, and AMI has posed no objection to that. And AMI does not disagree with the truth of the facts required to be disclosed, so there is no claim that they are controversial in that sense.

We also do not understand country-of-origin labeling to be controversial in the sense that it communicates a message that is controversial for some reason other than dispute about simple factual accuracy. Leaving aside the possibility that some required factual disclosures could be so one-sided or incomplete that they would not qualify as "factual and uncontroversial," country-of-origin facts are not of that type. AMI does not suggest anything controversial about the message that its members are required to express.

National Ass'n of Mfrs. v. Securities and Exchange Commission [I]

748 F.3d 359 (D.C. Cir. 2014)

For the last fifteen years, the Democratic Republic of the Congo has endured war and humanitarian catastrophe. Millions have perished, mostly civilians who died of starvation and disease. Communities have been displaced, rape is a weapon, and human rights violations are widespread.

Armed groups fighting the war finance their operations by exploiting the regional trade in several kinds of minerals. Those minerals—gold, tantalum, tin, and tungsten1—are extracted from technologically primitive mining sites in the remote eastern Congo. They are sold at regional trading houses, smelted nearby or abroad, and ultimately used to manufacture many different products. Armed groups profit by extorting, and in some cases directly managing, the minimally regulated mining operations.

15 U.S.C. §§ 78m(p), 78m note

In 2010, Congress devised a response to the Congo war. Section 1502 of the Dodd–Frank Wall Street Reform and Consumer Protection Act,, requires the Securities and Exchange Commission – the agency normally charged with policing America's financial markets – to issue regulations requiring firms using "conflict minerals" to investigate and disclose the origin of those minerals. [Securities issuers must state in reports to the SEC and on their websites which of their products have "not been found to be 'DRC conflict free.'"]

[The panel struck down the rule as constituting compelled speech. Then *American Meat Institute* overruled *NAM I*. The panel issued the following opinion on rehearing.]

National Ass'n of Mfrs. v. Securities and Exchange Commission [II]
800 F.3d 518 (D.C. Cir. 2015)

"Unncontroversial," as a legal test, must mean something different than "purely factual." Perhaps the distinction is between fact and opinion. But that line is often blurred, and it is far from clear that all opinions are controversial. Is Einstein's General Theory of Relativity fact or opinion, and should it be regarded as controversial? If the government required labels on all internal combustion engines stating that "USE OF THIS PRODUCT CONTRIBUTES TO GLOBAL WARMING" would that be fact or opinion? It is easy to convert many statements of opinion into assertions of fact simply by removing the words "in my opinion" or removing "in the opinion of many scientists" or removing "in the opinion of many experts."

We agree with NAM that the statutory definition of "conflict free" cannot save this law. As NAM forcefully puts it, "if the law were otherwise, there would be no end to the government's ability to skew public debate by forcing companies to use the government's preferred language. For instance, companies could be compelled to state that their products are not 'environmentally sustainable' or 'fair trade' if the government provided 'factual' definitions of those slogans—even if the companies vehemently disagreed that their [products] were 'unsustainable' or 'unfair.' "

In our initial opinion we stated that the description at issue – whether a product is "conflict free" or "not conflict free" – was hardly "factual and non-ideological." We put it this way:

> Products and minerals do not fight conflicts. The label "[not] conflict free" is a metaphor that conveys moral responsibility for the Congo war. It requires an issuer to tell consumers that its products are ethically tainted, even if they only indirectly finance armed groups. An issuer, including an issuer who condemns the atrocities of the Congo war in the strongest terms, may disagree with that assessment of its moral responsibility. And it may convey that message through silence. By compelling an issuer to confess blood on its hands, the statute interferes with that exercise of the freedom of speech under the First Amendment.

We see no reason to change our analysis in this respect. And we continue to agree with NAM that "requiring a company to publicly condemn itself is undoubtedly a more 'effective' way for the government to stigmatize and shape behavior than for the government to have to convey its views itself, but that makes the requirement more constitutionally offensive, not less so."

6 Self-Regulation

The National Advertising Division of the Advertising Self-Regulatory Council runs an ADR system, based entirely on written filings and with decisions within 60 days. Participation is voluntary, and the NAD takes no enforcement actions by itself. Given its subject-matter expertise, the FTC tends to accord the NAD's decisions substantial deference, even though they are not by themselves binding. Another arm of the ASRC, the Children's Advertising Review Unit, operates a similar program under standards that are "deliberately subjective, going beyond the issues of truthfulness and accuracy to take into account the uniquely impressionable and vulnerable child audience."

For more on the NAD, see Jeffrey S. Edelstein, *Self-Regulation of Advertising: An Alternative to Litigation and Government Action*,43 IDEA: J. L & Tech. 509 (2003).

Mead Johnson Nutritionals (Enfamil LIPIL)
Case No. 4822CIII (Feb. 12, 2009)

This is the third compliance report stemming from a challenge in which print, packaging and point of sale advertising claims made by Mead Johnson Nutritionals for its Enfamil LIPIL infant formula were challenged by Abbott Nutrition, a manufacturer of a competing infant formula. The following claims were representative are representative of those at issue: "Enfamil® LIPIL® is the only infant formula shown in independent clinical studies to improve baby's brain and eye development.* [*vs. same routine formula without DHA and ARA. Studied to 18 months.]"; "Enfamil LIPIL* improves mental development by 7 points vs. same formula without LIPIL [† vs. same routine formula without LIPIL. Studied at 18 months for brain and 12 months for eye. Longer term impact not measured.]"; "shown in independent clinical studies to improve baby's brain and eye development" versus unsupplemented Enfamil."

Background

In its underlying decision, NAD recommended that the advertiser either discontinue its "improve brain and eye development" claims—or modify them by making clear that (a) the advertised improvements are limited to only the first 18 months of an infant's life; and (b) the touted "improve[ment]" is with respect to a discontinued, or prior, version of the product. With respect to the consumer-directed coupon featuring a comparison to breastfed babies, NAD recommended that the advertiser either discontinue the advertising, or modify it by making clear that the advertised improvement is not shown at four years, and that the comparison is with respect to the now-discontinued Enfamil product. NAD further recommended that the advertiser make clear that Enfamil Lipil has not been shown to outperform Similac Advance with respect to mental and/or visual development. With respect to the consumer-directed coupon that features a chart that invites consumers to “compare the differences” between Enfamil Lipil and Similac Advance, NAD recommended that the advertiser either discontinue this comparative advertisement, or modify it by removing the comparison to Similac Advance.

With respect to the advertiser’s compositional comparison to median levels of DHA and ARA in breast milk, NAD determined that there was no basis for it to examine this claim anew. With respect to the health-care provider-directed claims, NAD recommended that the advertiser discontinue side-by-side IQ graphs, and modify the materials to ensure that they no longer convey the unsupported message that Enfamil Lipil outperforms Similac with respect to the formulas’ effects on IQ. NAD further recommended that the advertiser discontinue any express or implied claims that based on the four-year data, Enfamil Lipil makes a “difference” (as compared to unsupplemented Enfamil.) Likewise, NAD recommended that the advertiser no longer claim that “new 4-year follow-up data” shows an “impact” of Enfamil Lipil on cognitive development. NAD did find, however, that the advertiser had a reasonable basis to claim a similar performance to breastfed babies at four years. Finally, NAD noted that nothing in this decision prevents the advertiser from presenting health care professionals with clinical results from the Birch four-year data, provided that it is done in an accurate and non-misleading manner.

In June 2008, the challenger contacted the NAD to raise concerns about advertising which it believed did not comply with NAD’s underlying decision. The advertiser explained that all of the website materials submitted by the challenger were printed prior to NAD’s decision and that it had already begun modifying this page prior to the receipt of the challenger’s compliance inquiry. The advertiser notified NAD that the claim, as revised, would now read: “The only infant formula clinically shown to promote baby’s brain and eye development*” “(*Versus prior formulation of same product without DHA and ARA, with improvement demonstrated to 18 months.”) The advertiser further noted that it is in the process of comprehensively reviewing its entire website to ensure all relevant language has been modified and that all new materials would comply with NAD’s decision. Based on the advertiser’s assurances, NAD closed its compliance review.

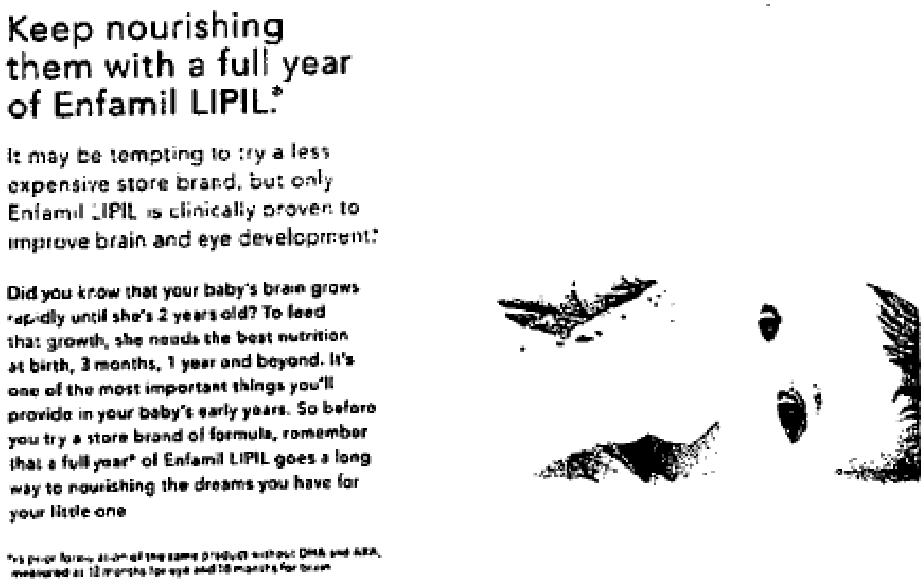
In November 2008, the challenger again contacted NAD about concerns it had about advertising it alleged to be noncompliant with

NAD's decision. The advertiser informed NAD that the professional advertisement in question was distributed in error and will no longer be disseminated. The advertiser noted that it has taken substantial steps to comply with NAD's decision. While expressing its deep disappointment that noncompliant advertising had continued to be disseminated, NAD noted that the current advertisements comply with NAD's recommendations but cautioned that any noncompliant advertisements that are brought to its attention after the issuance of the instant decision will result in an automatic referral to the appropriate government agency for possible law enforcement action pursuant to section 4.1(B) of the NAD/NARB Procedures.

In February 2009, the challenger contacted NAD with concerns it had about advertising for Enfamil LIPIL which it believed contravened NAD's decision.

Decision

NAD is incredulous that after two compliance proceedings, with the second compliance proceeding making explicit that any noncompliant advertising would result in a referral to the appropriate government agency, that the advertiser would disseminate advertising that clearly does not comply with NAD's decision. For example, in its underlying decision, NAD noted that with respect to the consumer-directed coupon that features a chart that invites consumers to "compare the differences" between Enfamil LIPIL and Similac Advance, NAD recommended that the advertiser either discontinue this comparative advertisement or modify it by removing the comparison to Similac Advance. In one of the current advertisements, the advertiser features the claim "Enfamil LIPIL is now clinically shown to support cognitive development* and immune balance†" next to which is a chart with one column for Similac Advance and one for Enfamil LIPIL and has a check mark for Enfamil Lipil and "NO" for Similac for, among other things, "Only Enfamil LIPIL has been shown in published independent clinical studies to improve BRAIN and EYE development*" The faint asterisks refer to a inconspicuous disclosure to the left of the claim and chart which states "vs. the prior version of the product without DHA and ARA with improvement shown to 18 months." This advertisement does not comply with NAD's decision, and NAD need look no further to determine noncompliance. The self-regulatory process cannot function properly when advertisers state, on the one hand, that they respect the process and will comply with NAD's decision, and then do the opposite. Accordingly, NAD has no choice but to refer this matter to the appropriate government agency for possible law enforcement action pursuant to section 4.1(B) of the NAD/NARB Procedures.



CARU Press Release

May 29, 2007

The Children's Advertising Review Unit (CARU) of the Council of Better Business Bureaus, Inc., has recommended that Lego Systems Inc., maker of the Lego Racers: Crash Collection line of playsets, modify advertising to make it clear to the child audience that the toys sold do not make sounds.

Broadcast advertising for Lego Racers: Crash Collection came to the attention of CARU, the children's advertising industry's self-regulatory forum, through CARU's ongoing monitoring efforts.

Commercials for the playsets feature two children playing with LEGO pull-back motor racers. A voice-over states that the toys are "built to crash." When the cars hit each other, loud crashing noises are heard and a voice-over screams "CRASH" in a long, drawn-out manner while a bubble visual of the word "CRASH" appears on the screen in large, cartoon-like letters. The commercial features numerous loud crash scenes, with the cars hitting each other and various other objects. On impact, in addition to the sounds synchronized with the collision and the video and audio supers, special effects dramatize the cars breaking apart and pieces flying off in slow-motion.

Still from challenged Lego Racers ad

CARU was concerned that the synchronization of the "crashing" sound effects accompanying the colliding of the cars could potentially mislead children into believing that the toys were equipped with sound-effects equipment. CARU was also concerned that, because the toys do not have any sound capabilities, the commercials would create unrealistic performance expectations that children would not be able to duplicate.

In order to avoid potentially misleading the child audience, CARU recommended that the advertiser modify the commercial. CARU further recommended that the advertiser include scenes of real action play without special effects, which would serve to demonstrate how much noise the toys do make.

The company, in its advertiser's statement, said that it is a strong supporter of CARU and "appreciates the opportunity to participate in the self-regulatory process."

"LSI will continue to remain sensitive to CARU's concerns and do its best to follow the Guidelines in future advertisements. LSI does not plan to appeal this decision," the company said.

7 Problems

Scavenger Hunt Problem

Find as many of the following as you can in the wild:

- An advertisement containing non-actionable puffery
- A literally false advertisement
- An advertisement that is not literally false but is misleading
- An establishment claim (bonus point if it is unsubstantiated)
- A registered certification mark
- A regulatory certification mark
- A deceptive trademark (not necessarily registered)
- A food label regulated by the FDA under the FDCA, together with a citation to the *specific* section in the Code of Federal Regulations that governs the label. Highlight the portion of the label that is required by the regulation you cite.
- An endorsement on social media containing an advertising disclosure.
- An endorsement on social media *not* containing an advertising disclosure, but which should have had one
- An advertisement directed at children that is misleading under the standards applied by CARU

You are allowed *one* entry per category. All your submissions should be examples you are comfortable having shown in class.

You get one point for each one you find on the Internet, and two points for each one you find offline (submit a photo). You get a bonus point for each of your entries that is unique, i.e., no one else in the class submitted it. Whoever gets the highest score will win bragging rights and a prize of negligible value.

problems/fortunetelling