Advertising Law

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In This Issue

Suit Challenging LEED Certification Dismissed

A U.S. District Court judge dismissed a lawsuit alleging that the U.S. Green Building Council violated the false advertising provision of the Lanham Act because the plaintiffs – a building professional, an architect, and an engineer – were not competitors and lacked standing to bring the suit without a demonstration of a damaged commercial interest.

The suit was originally filed by Henry Gifford, a self-proclaimed “energy efficiency maven” and mechanical systems designer, who claimed that the Council, which governs LEED certification, made false claims that the rating system saves energy in buildings.

The Council moved to dismiss, arguing that Gifford – and the other plaintiffs who joined the suit – could not establish standing.

Analyzing two possible means of standing under the Lanham Act – the “strong categorical” and the “reasonable commercial interest” tests – the court agreed. Although neither test requires that the litigants be direct competitors, the court said the Second Circuit has “frequently stressed the importance of competition between litigants” in Lanham Act suits. Accordingly, U.S. District Judge Leonard Sand concluded that:

> “Plaintiffs cannot establish standing under either test. Plaintiffs plainly do not compete with [the Council] in the certification of ‘green’ buildings or the accreditation of professionals. Rather, they purport to compete with [the Council] in what they call the ‘market for energy efficient building expertise.’ This broad label does little to obviate the clear difference between the two ‘products.’ . . . While some of plaintiffs’ competitors in their individual fields may be LEED certified, plaintiffs and [the Council] ‘operate in different arenas.’

The court further said that the plaintiffs’ allegation that LEED has

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Practice Area Links

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Upcoming Events

September 13-15, 2011
2011 ERA D2C Convention
Topic: "Tools and Metrics for Developing a Truly Integrated Marketing Campaign"
Speaker: Linda Goldstein
Las Vegas, NV
For more information

September 21, 2011
ABA Forum on the Entertainment & Sports Industries Webinar
Topic: "Addressing Intellectual Property Issues in Entertainment Transactions"
Speaker: Ken Kaufman
For more information

October 26-27, 2011
ACI Social Media, Business Technology and the Law Conference
Topic: "You Better Disclose That: Ensuring that Your Company is Closely Adhering to the FTC's Endorsement and Testimonial Guidelines"
Speaker: Marc Roth
New York, NY
For more information

November 14-16, 2011
PMA Marketing Law Conference
Topic: "What's New in the Game Today - New Twists on Traditional Sweeps, Contests and Promotions," Linda Goldstein; "The Perils of Partners - Affiliate/Advanced Consent Marketing," Marc Roth; "Courting Disaster - Mock Trial of Promotional Mishaps," Chris Cole
Chicago, IL
For more information

Awards

Recognized for Excellence in the areas of Advertising, Marketing and Media subsumed their professional roles was "entirely speculative."

"Because there is no requirement that a builder hire LEED-accredited professionals at any level, let alone at every level, to attain LEED certification, it is not plausible that each customer who opts for LEED certification is a customer lost to plaintiffs," the court said.

To read the dismissal order in *Gifford v. U.S. Green Building Council*, click here.

Why it matters: The suit received a great deal of publicity when originally filed, as it represented a challenge to the burgeoning green construction movement and dominance of the LEED certification system. By dismissing their Lanham Act claims with prejudice, the court's decision was a sharp rebuke to the plaintiffs.

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Second Circuit Upholds $1.9 Million Judgment Against Marketer Of Weight Loss Products

The Second Circuit affirmed summary judgment and a $1.9 million award to the Federal Trade Commission in a suit the agency brought against Bronson Partners and its principals over two weight loss products, the Bio-Slim Patch and Chinese Diet Tea.

The FTC filed suit alleging that the defendants engaged in deceptive advertising. The defendants conceded liability with regard to the Bio-Slim Patch and a U.S. District Court judge granted summary judgment to the FTC regarding the Chinese Diet Tea.

The court then awarded the agency $1.9 million, the amount equal to the defendants' revenues from the products, plus interest.

The defendants appealed, arguing that the court lacked the power to award a monetary judgment, which alternatively should have been reduced by its $1.2 million marketing expenses, that included postage, storage, and advertising.

But the Second Circuit disagreed, ruling that the FTC Act Section 13(b) empowers a court to award ancillary equitable measures – including disgorgement of wrongfully obtained funds.

Although the statute's express text refers only to injunctive relief, the court said that because Section 13(b) invokes the equitable jurisdiction of the court, a "money judgment is thus permitted as a form of ancillary relief. Once its equitable jurisdiction has been invoked, 'the court has the power to decide all relevant matters in dispute and to award complete relief.' "

Classifying the district court's monetary judgment as equitable disgorgement, the court said the amount was also calculated correctly. Further, to allow the defendant a deduction for the amount it spent on fraudulent advertisements would be "equivalent to an armed robber's seeking to deduct the cost of his gun from an award of restitution," the court said, affirming the award.

Noting that Bronson did not maintain separate records to identify which of its proceeds were tied to a specific product (of which it had more than 60), the court said the defendant submitted to the district court its overall expenses and losses, but not an itemized accounting for the two diet products at issue.

To read the court's decision in *FTC v. Bronson Partners*, click here.

Why it matters: While the power of a district court to award remedies other than a permanent injunction under Section 13(b) of the FTC Act was a matter of first impression for the Second Circuit, the court cited several other federal courts of appeal that had reached similar conclusions, including the Fifth, Seventh, Eighth, Ninth, Tenth, and Eleventh Circuits.

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CVS Reaches $2 Million Settlement With California DAs

CVS Pharmacy settled with three district attorney's offices in California, by agreeing to pay more than $2 million over claims that prices scanned at the register during checkout did not match the advertised sales prices.

District Attorneys in Los Angeles, Riverside, and Ventura counties filed suit against CVS, alleging that the Rhode Island-based company violated state consumer protection laws.

According to the DAs, beginning in 2006, the company failed to provide a discount for items that were advertised as being on sale and routinely charged consumers more than the advertised sales price.

Under the terms of the settlement, the company admitted no wrongdoing and said that going forward it will guarantee $2 off an item if the customer is charged more than the advertised price.

In addition, CVS agreed to change its advertising practices and will carry out weekly in-store inspections to verify pricing accuracy.

The company also agreed to pay more than $2 million in the form of $1.2 million in civil penalties, $420,000 for investigative costs, $300,000 to the state Department of Measurement Standards, and $100,000 to a state fund that pays for enforcement of consumer protection laws, the Consumer Protection Trust.

Why it matters: In a statement, a spokesperson for CVS said that the settlement resolved "allegations that some prices scanned at the register during checkout did not match the advertised sales price. The agreement formalizes the auditing practices and employee training program we put in place to ensure that our prices are accurate."

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Google, DOJ Settle Over Canadian Pharmaceutical Ads For $500 Million

Google will pay $500 million to the U.S. Department of Justice for allowing Canadian-based pharmacies to advertise prescription drugs to Internet users in the United States. Prior to 2009, Google allegedly allowed Canadian pharmacies to

purchase AdWords ads for pharmaceutical items that were viewable by American consumers.

The company was aware as early as 2003 that the shipment of prescription drugs from Canada to the United States violated the Food, Drug and Cosmetic Act and the Controlled Substances Act, the DOJ said. While the company took steps to block online pharmacies in countries other than Canada from advertising in the United States, Google permitted Canadian pharmacies to continue, the agency alleged, and was aware that American consumers were purchasing drugs from the Canadian pharmacies.

According to the DOJ, Google even provided customer support to some of the Canadian pharmacies between 2003 and 2009, by providing assistance in placing and optimizing their AdWords advertisements.

Furthermore, Google was allegedly on notice that the Canadian pharmacies sold prescription drugs based on an "online consultation" rather than a valid prescription.

"This settlement ensures that Google will reform its improper advertising practices with regard to these pharmacies while paying one of the largest financial forfeiture penalties in history," Deputy Attorney General James F. Cole said in a statement about the case.

The payment represents a forfeiture of Google's gross revenue from the online Canadian pharmacies that used the program and the revenue from sales those pharmacies made to U.S. residents.

Google acknowledged that it improperly assisted Canadian online pharmacy advertisers targeting those in the United States and accepted responsibility for its conduct, according to the DOJ. The company is also subject to compliance and reporting requirements.

To read the DOJ's statement on the Google case, click here.

Why it matters: The DOJ said the Google investigation began after the agency apprehended a fugitive who had used the AdWords program to advertise drugs for sale while hiding in Mexico. After the fugitive began cooperating with law enforcement, the agency established its own undercover Web sites in order to advertise drugs using the AdWords program. Despite the settlement, Google's legal woes aren't over – one week after the settlement was announced, an investor filed a federal lawsuit against the company and its directors, alleging the defendants breached their fiduciary duty to shareholders by facilitating the illegal import of prescription drugs into the country through the AdWords program.

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Trademark Disputes: Louboutin Appeals, Hells Angels Sue

After a federal court judge denied an injunction to shoemaker Christian Louboutin, which was seeking to bar Yves Saint Laurent from selling heels with red soles, Louboutin has appealed to the Second Circuit. Louboutin had sought an injunction and damages, arguing that YSL's use of a red sole on several pairs of high-end shoes violated its trademark

registration and took advantage of its "instantly recognizable" mark.

U.S. District Court Judge Victor Marrero disagreed and ruled that the Lanham Act did not allow a designer to trademark a color, which serves an "ornamental and aesthetic" function in the fashion industry.

But the court denied a motion for a preliminary injunction and indicated that had YSL filed a motion for summary judgment, Judge Marrero would have cancelled Louboutin's trademark.
Despite the statutory presumption that a federally registered trademark is valid, the court said that Louboutin's claim to "the color red" was "overly broad and inconsistent" with the scheme of trademark registration under the Lanham Act.

"Placing off limit signs on any given chromatic band by allowing one artist or designer to appropriate an entire shade and hang an ambiguous threatening cloud over a swath of other neighboring hues, thus delimiting zones where other imaginations may not veer or wander, would unduly hinder not just commerce and competition, but art as well."

On August 10, Louboutin filed notice of its appeal to the Second Circuit. While the case is on appeal, Judge Marrero said he would wait to decide whether to cancel Louboutin's trademark.

In other trademark news, the Hells Angels filed a federal lawsuit in California alleging that a designer and several retailers, including Amazon, are illegally manufacturing and selling items that infringe the club's trademarks.

At issue: a white, short-sleeved T shirt that reads "My Boyfriend's A Hells Angel" on the front and features a pair of wings on the back. The shirt infringes the biker club's three registered trademarks in violation of the Lanham Act, according to the complaint.

The suit seeks the recall and destruction of the T-shirts, an injunction against the defendants from using the Hells Angels marks, and trebled monetary damages.

To read the complaint in *Louboutin v. Yves Saint Laurent*, click here.
To read the court's order denying an injunction, click here.
To read the complaint in *Hells Angels v. Wildfox*, click here.

Why it matters: The Louboutin case has been closely watched by members of the fashion industry, and we will continue to follow the suit as it progresses through the federal appellate court. The Hells Angels suit serves as a reminder to use caution when attempting to emulate any of the biker group's marks, as it jealously guards its rights. It has previously filed suits against entities as varied as Saks Fifth Avenue and designer Alexander McQueen over the club's "death head" mark on rings and clutch purses, and Marvel Entertainment over a comic book featuring the Hells Angels. "We bring these lawsuits from time to time not just to punish but to educate," Hells Angels attorney Fritz Clapp told the *LA Times*. "Somebody thought erroneously that Hells Angels is a generic term."

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“Mundane” Tweets Limit Publicity Right Claims

Gilbert Arenas failed in his attempt to obtain an injunction to stop the airing of reality TV show *Basketball Wives: Los Angeles* featuring his ex-fiancée and mother of his four children.

NBA star Arenas filed suit against the production company behind the VH1 reality show, seeking to halt its airing because it allegedly violated his right of publicity and diluted his trademark.

But a federal judge disagreed.

U.S. District Court Judge Dolly M. Gee ruled that Arenas’ claims were blocked by the First Amendment – in part because of his own sharing of “mundane” details of his life via Twitter.

While Judge Gee said that on-air conversations about Arenas or future promotional materials for the show would constitute the use of his identity as a celebrity, she ruled that the First Amendment protected the defendant.

“It appears that any references in [the show] to Arenas will be incidental to the show’s plot as a whole. At its core, the show is about the women who have or have had relationships with basketball players rather than the players themselves. Thus, the show appears to be transformative,” the court said.

Further, despite Arenas’ argument that a discussion of his family life wasn’t a matter of public concern, the NBA star’s use of Twitter to talk about “mundane occurrences” to his tens of thousands of followers belied that argument, the judge ruled, citing examples like “don’t u hate waking up doing the same thing…wash face…brush teeth…pee…take shower (well sum of us)…put on clothes…eat…etc.”

The court also said Arenas was unlikely to succeed on his trademark infringement claim, given that his ex-fiancée had a nominative fair use to talk about her relationship with him, which in no way would suggest his endorsement of the show.

In addition, given Arenas’ own past, the court said he was unlikely to suffer irreparable harm in the absence of an injunction. Judge Gee cited a “treasure trove” of newspaper articles about and tweets by Arenas that convinced her that his reputation “will suffer no serious blow if [the show] airs as scheduled. For example . . . it is difficult to see how an association with ‘cat fights’ will tarnish Arenas’ reputation when he has been publicly associated with potential gunfights,” the court said, noting a well-publicized incident where Arenas pulled a gun on a teammate over a gambling debt in the locker room.

Judge Gee denied Arenas’ motion for an injunction and granted the defendant’s anti-SLAPP motion, dismissing Arenas’ right of publicity claim.

To read the order denying an injunction in *Arenas v. Shed Media*, click here.

Why it matters: Arenas’ complaint represented yet another step in the recent trend of celebrities trying to broaden their right of publicity. While the court recognized that mention of Arenas on the reality show would implicate his celebrity, he was not able to overcome the production company's First Amendment defense. And the court was quick to note that Arenas' own behavior – in particular, his activity on Twitter – undermined his claims by drawing attention to his activities, placing him in the public eye.

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Status Update: Facebook Settles With Parody Site

Facebook and parody site Lamebook have settled their respective suits against each other, with Lamebook keeping its name and continuing operations.

When Lamebook – a site dedicated to making fun of things posted on Facebook – launched with a logo similar in style to the social networking site, Facebook sent cease and desist letters. Lamebook responded by filing a suit seeking a ruling that it did not infringe Facebook's marks and was an obvious parody; Facebook retorted with its own suit alleging trademark infringement.

Facebook argued that Lamebook's logo utilized white lowercase letters against a blue background in a nearly identical font, placed in similar spots on the site's pages. Consumer confusion was enhanced by similar functionality on the sites, as Lamebook allows users to "like" posts and encourages users to post status updates and create profiles, according to Facebook's complaint.

In its suit, Facebook sought trebled damages under the Lanham Act and the cancellation of Lamebook's domain name registration.

But the parties quietly reached a settlement under which Lamebook agreed to drop its attempts to trademark its name and added a disclaimer to its site, which reads: "This is an unofficial parody and is not affiliated or associated with, or endorsed or approved by, Facebook."

In a joint statement, the parties said they were "now satisfied that users are not likely to be confused."

"We are pleased to arrive at an agreement that protects Facebook's brand and trademark and allows for Lamebook's continued operation," the companies said in the statement.

To read the complaint in *Facebook v. Lamebook*, click here.

Why it matters: Despite the settlement, Facebook is still dealing with similar suits against site Teachbook, a site for teachers (Teachbook has filed a motion to dismiss that suit, brought in Illinois federal court) as well as porn sites FacebookOfSex.com and Faceporn.com.

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Nutella, Kashi Face Suits Over Healthful Marketing

Two companies are facing litigation over the healthful marketing of their food products. In a suit against Nutella claiming the hazelnut spread is "the next best thing to a candy bar", the plaintiffs recently survived a motion to dismiss.

A federal judge ruled that the plaintiffs provided sufficient examples that Ferrero, the maker of Nutella, had engaged in a long-term advertising campaign that claimed the spread was healthful and nutritious.

Ferrero argued that its nationwide television commercials had only aired since 2009 and that the plaintiffs failed to provide sufficient details about the advertising campaign and how they relied upon it.

But U.S. District Court Judge Marilyn L. Huff said the plaintiffs' complaint claimed that Ferrero's campaign encompassed various forms of media – not just television – and "provides each of the specific statements from the advertising campaign that they challenge and how they are deceptive."

Therefore, the plaintiffs met the federal pleading requirements, the court said, and the case could continue.

Also, a new class action lawsuit was filed against parent company Kellogg Co. over its Kashi brand health food products, which are marketed as natural and unprocessed.

The plaintiffs in the suit claim that more than a dozen Kashi products advertised as "all natural" or made with "nothing artificial" in fact contain numerous unnaturally processed and synthetic ingredients.

While the company attempted to cultivate a "health and socially conscious image," it was actually inserting "a spectacular array" of unnaturally processed and synthetic ingredients like bromelain and malic acid into its purportedly "all natural" foods, according to the complaint.

The unnatural substances used by Kashi are not simply trace ingredients, the suit contends, but in some of the products at issue constitute primary ingredients.

Plaintiffs claim that Kashi made additional false representations on products that they could reduce cholesterol, support healthy arteries, or promote healthy blood pressure.

For example, the complaint cites the label on Heart to Heart products, which says the oatmeal and cereals contain green tea, white tea, and grape seed. "Instead, these products contain the unnatural substances decaffeinated green tea extract, decaffeinated white tea extract, and grape seed extract, a chemical preservative that the FDA has expressly refused to declare as generally safe as a direct food ingredient," according to the complaint.

Filed in California federal court, the suit seeks restitution, injunctive relief, and punitive damages.

To read the judge's order in *In re Ferrero Litigation*, click here.

To read the complaint in *Bates v. Kashi Co.*, click here.

Why it matters: Companies making health and nutrition claims face a rising number of consumer class actions, especially over the phrase "all natural." In addition to Kashi, companies like Snapple and Ben & Jerry's have faced similar suits. While the Nutella suit moves forward, Judge Huff did note that some of Ferrero's arguments were better suited for a class certification or summary judgment motion, specifically the issue of what constitutes a “long-term” advertising campaign and whether the plaintiffs can establish actual reliance on the company’s representations.

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DISH Network Settles With Vermont Over Letter

DISH Network has agreed to pay $125,000 to the state of Vermont to resolve a complaint filed by the state Attorney General over a letter the company sent to subscribers that was allegedly unfair and deceptive.

In July 2010, the satellite TV provider sent letters to 310 Vermont subscribers that the replacement of their equipment was “necessary” and “free,” urging consumers to “Please read immediately to avoid service interruption” and “Urgent Action Required.”

The company also required some customers who responded to the letter to enter into a 24-month contract before they received the upgrade, the state alleged.

While the consumers who received the letter required an equipment upgrade at some point in the future to continue to receive HD channels, none needed it immediately, DISH acknowledged, and some consumers didn’t need the equipment for up to 18 months.

Under the settlement, DISH agreed to pay $125,000 and agreed to clearly and conspicuously disclose all material terms of offers and representations in advertisements, as well as comply with the Federal Trade Commission’s guidelines on using the term “free.”

Attorney General William Sorrell said that terms like “urgent” and “free” “have significant meanings” under Vermont’s Consumer Fraud Act.

“Using such language to trigger unnecessary action by Vermont consumers won’t be tolerated,” Sorrell said in a statement about the settlement.

To read the complaint in *Vermont v. DISH Network*, click here.

To read the settlement and consent decree, click here.

Why it matters: The settlement was DISH Network’s second with the state of Vermont in the last two years. In July 2009, the company paid Vermont $125,000 as part of a $5.9 million settlement with 45 states over charges that it violated telemarketing laws, failed to adequately disclose terms and conditions of service to consumers, didn’t tell consumers when their purchased or leased satellite equipment was previously used, and advertised prices without disclosing rebates and making price comparisons to materially different goods and services.

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