Katten

KATTISON AVENUE

Advertising Law Insights From Madison Avenue and Beyond

Summer 2021 | Issue 6

Letter From the Editor

This Spring has brought a sense of optimism, and a taste of normalcy, as the days lengthen and vaccinations around the country increase. In this issue of *Kattison Avenue*, we examine two hot topics in advertising law: the use of dark patterns on the internet and the meteoric rise in popularity of Non-Fungible Tokens. We also consider a number of recent cases, including a brand new lawsuit by an established street artist claiming that Puma North America infringed his registered trademark, which acts as a cautionary reminder to all businesses that incorporate contemporary, graffiti-like imagery into their fashions and advertising campaigns; a recent federal court victory by Katten, highlighting the risks in promoting a competitor's bankruptcy filing in an advertising campaign; and a fresh Supreme Court ruling on the Federal Trade Commission's right to seek equitable monetary relief in federal court. Finally, look inside for a summary of the new waiver released by the Screen Actors Guild-American Federation of Television and Radio Artists and the Joint Policy Committee for engaging social media influencers who produce their own content. We wish our readers continued good health and safety throughout the remainder of the season and the opportunity to enjoy some warmer weather!

Jessica G. Kraver

Dark Patterns Come to Light in California Data Privacy Laws

by Jeremy Merkel

Imagine this scenario: You are navigating through a website or watching an in-app ad, when suddenly you are redirected to a subscription page, even though you have no interest in the product being marketed to you. Later on, you come across a platform that you actually want to use, but in order to do so, you are required to sign up for a seven-day free trial. Unbeknownst to you, after the free trial period ends, you are charged a subscription fee. When you try to cancel the subscription, the website or app forces you to click through multiple screens, scroll through numerous panes, and check several boxes to do so. Instead of going through the arduous process, you abandon the task and continue paying for the subscription.

If these online experiences sound familiar to you, you are one of countless consumers who has been a victim of a dark pattern.

What are Dark Patterns?

Dark patterns are features of interface design deployed by websites or apps for the purpose of influencing users' online behavior and tricking them into making decisions they may not make otherwise, which benefits the business in question. While the tactics are not always as insidious as the name suggests and may not have malicious intent, they are generally carefully crafted based on human psychology, often to coerce and manipulate.

Harry Brignull, the UK-based user experience designer who coined the term "dark patterns" in 2010, describes different types of dark pattern tactics that are commonly used across the internet. Some examples include (1) price comparison prevention, where a retailer makes comparing the prices of different products so difficult that you cannot make an informed decision; (2) misdirection, where the UX design purposefully focuses your attention on one thing in order to distract you from something else; (3) "confirmshaming," the act of guilting you into opting-in to a service or providing information; (4) disguised ads, which are advertisements that are disguised as other content or navigation in order to get you to click on them; and (5) the infamous "roach motel," where you can easily sign up for a service, but the business makes it unreasonably complicated to cancel.

When it comes to the roach motel, as the saying goes, "roaches check in, but they don't check out." Drawing upon this allegory, researchers from the Norwegian Consumer Council (Forbrukerrådet) studied Amazon's use of dark patterns to manipulate users into continuing their Amazon Prime subscriptions, even when they intended to cancel, and published their findings in a report in January.[1] The conclusions served as the basis for a complaint by the internet privacy watchdog, the Electronic Privacy Information Center (EPIC), to the Office of the Attorney General of the District of Columbia, alleging that Amazon's use of dark patterns constitutes an unfair and deceptive trade practice in violation of the D.C. Consumer Protection Procedures Act and the Federal Trade Commission Act.[2]

While calls for regulatory investigations and public reproach (for example, Brignull's website, www.darkpatterns.org, exposes companies that employ dark patterns on its "Hall of Shame") aim to enjoin businesses from profiting off dark patterns and inflict reputational damage on them, US laws have not specifically addressed dark patterns, until now.

The California Consumer Privacy Act (CCPA) and California Privacy Rights Act (CPRA)

As is often the case with consumer protection, California is the first state to regulate dark patterns. Regulations approved in March by California's Office of Administrative Law amended the existing CCPA regulations by banning the use of dark patterns to subvert or impair the process for consumers to opt-out of the sale of personal information. As former California Attorney General Xavier Becerra noted in one of his final press conferences as the state's top law enforcement official, "these protections ensure that consumers will not be confused or misled when seeking to exercise their data privacy rights." The final regulations offered a few illustrative examples of the confusing or excessive designs that are prohibited[3]:

1. The business's process for submitting a request to opt-out can't require more steps than the business's process for a consumer to opt-in to the sale of personal information after having previously opted out. The number of steps for submitting a request to opt-out is measured from

In This Issue

when the consumer clicks on the "Do Not Sell My Personal Information" link to completion of the request. The number of steps for submitting a request to opt-in to the sale of personal information is measured from the first indication by the consumer to the business of their interest to opt-in to completion of the request.

2. A business can't use confusing language, such as double-negatives (e.g., "Don't Not Sell My Personal Information"), when providing consumers the choice to opt-out.

3. Except as permitted under the regulations, a business can't require consumers to click through or listen to reasons why they should not submit a request to opt-out before confirming their request.

4. The business's process for submitting a request to opt-out cannot require the consumer to provide personal information that is not necessary to implement the request.

5. When a consumer clicks the "Do Not Sell My Personal Information" link, the business shall not require the consumer to search or scroll through the text of a privacy policy or similar document, or webpage to locate the mechanism for submitting a request to opt-out.

Like other violations under the CCPA, businesses that use dark patterns in violation of the regulations have a 30-day cure period to revamp their website or app design. Failure to comply may result in civil penalties brought by the California Attorney General under the CCPA and unfair competition laws.

The CPRA, approved by California voters last November and set to take effect January 1, 2023, goes a step further than the CCPA to affirmatively regulate dark patterns, stating that "consent obtained through dark patterns does not constitute consent"[4] and defines a dark pattern as "a user interface designed or manipulated with the substantial effect of subverting or impairing user autonomy, decision-making, or choice, as further defined by regulation."5 The rules that could clarify which dark patterns negate consent will be determined by the new California Privacy Protection Agency that is set to convene later this year.

(Failed) State and Federal Bills

Beyond California, privacy bills that would have regulated dark patterns have failed to mobilize. The third iteration of the Washington Privacy Act (S.B. 5062), which included a similar provision to the CPRA, failed to advance before the end of Washington's legislative session. Likewise, a bi-partisan bill introduced in 2019 by Senators Mark Warner and Deb Fischer, the Deceptive Experiences To Online Users Reduction (DETOUR) Act, would have banned internet platforms with more than 100 million users from using any tactics (though it did not refer to them as "dark patterns") that trick users into providing their personal information. The bill never received a vote in the Senate.

Federal Trade Commission (FTC) Enforcement

A recent statement by FTC Commissioner Rohit Chopra signaled that the Commission may be shifting towards a more activist approach for stamping out the use of dark patterns. Acknowledging that the Commission's "whack-a-mole" strategy on hot-button issues like fake reviews, digital disinformation and data privacy may have fallen short of its intended objectives, Commissioner Chopra called on the Commission to deploy all the tools at its disposal in pursuing businesses that

trick and trap consumers through dark patterns.[6] The FTC's enforcement actions against businesses using dark patterns saw the culprits incorporating other unlawful practices that are addressed by existing federal laws. Examples include the Restore Online Shoppers' Confidence Act,[7] which requires clear and conspicuous disclosures of key terms and "simple mechanisms" to stop recurring charges, as well as a statute that digital marketers may be all too familiar with, the CAN-SPAM Act, which prohibits deceptive header information and requires marketers to provide email recipients a simple way to opt out of future emails.[8]

Further signaling its commitment to protecting consumers from online manipulation, on April 29, the FTC hosted a multi-disciplinary workshop entitled, "Bringing Dark Patterns to Light." Among the topics covered, panelists discussed the factors and incentives that give rise to dark patterns, the effects that dark patterns have on consumer choices and behavior regarding privacy, purchasing, and content selection, and how educational, technological, and self-regulatory solutions have the potential to mitigate dark patterns' effects. The workshop also delved into more nuanced discussions, such as research findings on consumers' reactions to graduated levels of dark patterns aimed at manipulating them into paying for unwanted identity theft protection services, and how minority communities and minors are particularly susceptible to dark patterns.

What's Next for Dark Patterns?

While the concept of dark patterns isn't new or novel, the CCPA, CPRA, and FTC have resurrected it as an issue of substantial regulatory risk. For businesses maintaining an interactive website or app, being cognizant of the design elements that could be considered dark patterns, with a particular emphasis on features that collect personal information or attempt to obtain user consent, is a logical place to begin assessing compliance. Businesses may also, as part of their own privacy-by-design programs, allow key user interface areas or information collection mechanisms to be reviewed by a neutral personnel or a third party auditor. Monitoring legal developments, like the CPRA's rulemaking proceedings, could be helpful for businesses in preparing for dark pattern regulations. Until then, streaming the FTC's workshop on dark patterns is a great place to start.

(1) Forbrukerrådet, *You Can Log Out, but You Can Never Leave* (Jan. 14, 2021), https://fil.forbrukerradet.no/wp-content/uploads/2021/01/2021-01-14-you-can-log-out-but-you-can-never-leave-final.pdf.

(2) *In the Matter of Amazon.com, Inc.*, EPIC Complaint, Office of the Attorney General for D.C., February 23, 2021, https://epic.org/privacy/dccppa/amazon/EPIC-Complaint-In-Re-Amazon.pdf.

(3) Cal. Code Regs. Tit. 11, Div. 1, Chap. 20 § 999.315(h).

(4) Cal. Civ. Code § 1798.140(h)

(5) Cal. Civ. Code § 1798.140(l).

(6) Statement of Commissioner Rohit Chopra Regarding Dark Patterns in the Matter of Age of Learning, Inc. *Commission File Number 1723186*, September 2, 2020.

(7) 15 U.S.C. §§ 8401–05.

(8) 15 U.S.C. § 7704(a).

Another Artist, Another Retailer, Another Claim of Appropriation

By David Halberstadter

Over the course of several issues of Kattison Avenue, we have been reporting on the increase in litigation commenced by artists against retailers — clothing brands, automotive brands, and food and beverage chains — for the alleged copying of their distinctive artwork in fashion designs and marketing campaigns. So-called "street artists" — many of whom started out illegally "tagging" subway cars, bridges and overpasses but have since acquired a level of legitimacy — are largely responsible for this recent trend. More often than not, their lawsuits have asserted claims of copyright infringement, either because their works were incorporated into the design of apparel or other merchandise, or because photographs of their publicly viewable works were included in advertising materials. (Read "[Gambling With Graffiti: Using Street Art on Goods in Advertising Comes With Significant Risks]" in the Summer 2020 issue of *Kattison Avenue* and "[The North Face's 'FUTURELIGHT' Apparel Line is Alleged to Infringe Upon Graffiti Artist's Name and Distinctive 'Atom Design']" in the Spring 2021 issue of *Kattison Avenue*).

The plaintiff, Christophe Roberts, in a newly filed federal lawsuit, *Roberts v. Puma North America, Inc.*, however, is an established artist (though he does have a great deal of street credibility). And his claim is not for copyright infringement but for the alleged infringement of his registered trademark by Puma North America, Inc., which Roberts claims is using his distinctive mark "in large national ad campaigns targeting its products to National Basketball League consumers." *Roberts v. Puma North America, Inc.*, Case No. 21-cv-2559 (S.D.N.Y. Filed March 25, 2021).

Roberts is a recognized "multidisciplinary" artist who works in sculpture, graphic design and painting. He has received commissions from a number of high profile clients, and his works have been exhibited at numerous venues and events, including Lyons Wier Gallery in New York, NBA Allstar Week in Chicago, NBA Art Week in Vancouver, Widen+Kennedy in Portland, New Gallery of Modern Art in Charlotte, Long View Gallery in Washington, D.C., Mocada Museum in Brooklyn, and Royal Ontario Museum in Toronto.

Roberts is particularly well-known for a series of sculptures that he created using recycled Nike shoeboxes. He is featured on Nike's website and at the retailer's flagship store in New York City, as well as at Staples Center in Los Angeles. Because of this, Roberts is also renowned among "sneakerheads," or individuals who collect and trade sneakers as a hobby and who, typically, are knowledgeable about the history of athletic shoes. (For more information, visit https://en.wikipedia.org/wiki/Sneaker_collecting.)

According to Roberts' complaint, he uses a mark, which he refers to as the "Roar" mark, as his "brand image" and "calling card." It consists of a hand-drawn outline of a set of jagged teeth:

The "Roar" mark is registered with the United States Patent and Trademark Office. Roberts alleges that he uses this mark widely, not only in connection with his artwork and art installations but also on social media and in connection with the sale of branded t-shirts, jackets, hats, posters and pins.

According to Roberts, beginning on or around June 2018, Puma started publicly using the Roar mark on merchandise and in the marketing and promotion of Puma merchandise. Specifically, Puma is alleged to have wrongfully appropriated Roberts' "Roar" mark by extensively incorporating a similar calligraphic ink outline and contoured depiction of teeth in various lines of its apparel and other goods. Roberts seeks, among other relief, a permanent injunction prohibiting Puma's use of the "Roar" mark, a court order that all of Puma's merchandise, signage, advertising, labels and packaging that bear the "Roar" mark be destroyed and unspecified damages, including the disgorgement by Puma of any profits attributable to its use of the "Roar" mark.

On April 14, Roberts filed a motion for a temporary restraining order and preliminary injunction to prohibit Puma's continued use of its allegedly infringing design on apparel and in marketing and advertising during the pendency of the litigation. On

Sample Images of Roberts' Mark:

April 20, Puma opposed Roberts' motion, arguing that a preliminary injunction is inappropriate because, among other things, it purportedly developed its teeth designs as part of "a continued focus on feline imagery, which has become closely associated with the brand known by its world-famous leaping cat logo." According to Puma, the "designers involved in this project did not know Roberts, did not know of his art, and did not copy his work, but instead developed their own different and unique take on feline teeth."

The court heard arguments on the motion on April 26 but has not yet issued a ruling. Because the decision whether to grant a preliminary injunction involves a judicial assessment of Roberts' probability of succeeding on the merits of his claims (and Puma's defenses), this ruling could have a profound impact on the course of the litigation. But, once again, a retailer's creative decisions have, at a minimum, exposed the company to substantial litigation costs and, potentially, far more significant consequences. It is a reminder to all businesses that seek to generate "street cred" by incorporating contemporary imagery (such as graffiti-like elements) into their fashions and advertising campaigns that they should proceed with caution and have experienced counsel assess the legal risks before proceeding.

Sample Images of Puma's Design:

Side-by-Side Comparisons of Roberts' Mark and Puma's Design:

NFTs: Brands and Advertisers Should Grasp the Basics Before Digitally Diving In

By Matthew Hartzler

With digital versions of pizza slices, collectible corporate mascots, and dancing animated tacos, marketers are seeking to capitalize on the non-fungible token (NFT) trend by capturing consumer attention and connecting with their fans.[1] Business analysts see opportunity from new revenue streams in the digital space.[2] But brands should know that in this new field, there are no legal "silver bullets" established to ensure a risk-free foray into this latest online fascination. Instead, best practices are making sure that marketing executives and their legal advisors understand the foundational principles of NFTs before deciding to get involved.

Picking the Right Partner

An NFT allows a creator to take a particular creative work and sell a unique and digitally traceable ownership claim to it. The caveat in the process is in creating the NFT — called "minting" — which allows the original creator of the work to significantly limit the subsequent NFT owner's ability to distribute, reproduce or create a derivative work from the underlying property. To overly simplify, ownership of an NFT often merely grants bragging rights, rather than transferring substantive intellectual property rights. Those exact rights granted are often determined by the terms of service drafted by the platform used to mint the NFT. Accordingly, brands should closely compare the terms of service between minting platforms to pick their partner of choice.

Though brands may only be interested in granting buyers bragging rights, how each platform deals with those rights varies. For example, the NBA's Top Shot platform allows fans of the basketball league to purchase and collect video "moments" of dunks and top plays; it is their digital take on traditional trading cards with fans trading these moments via an online marketplace.[3] The NBA platform's terms of use prevent modification of the clips in any way, bar commercial use entirely, and even include a clause preventing the moments from being used alongside anything that could be considered hateful or violent.[4] The terms for SuperRare — a minting platform popular with established companies — contain many of the same restrictions. But, with a goal of protecting both the moral rights of artists and a brand's connection to the works minted, the terms also prevent the NFT owner from doing anything to "falsify, misrepresent, or conceal the authorship of the Work."[5] One of the earliest platforms prevents commercial use of the work by the NFT owner but only to the extent that the commercial use creates revenues greater than $100,000 per year.[6] Each platform is different, and the number of minting websites online increases each day.

For brands entering this marketplace, using their legal teams collaboratively to find their platform partner of choice is a must. The protections each brand will want are likely to vary, but the platform selected should, at a minimum, have terms to prevent the misuse of trademarks and service marks, bar the creation of derivative works and prevent further commercial use.

Choosing What to Mint

After deciding on a platform, knowing what to mint safely is a critical element to risk mitigation. Brands and their legal teams should conduct a full analysis of their rights regarding each of the works minted. Though this may appear to be a traditional intellectual property analysis, there are a litany of unsolved questions with such a new digital product.

For example, *TIME* magazine is minting covers as collectible artworks, but as of May 2021, the magazine has only made illustrative works available.[7] Often, all rights, title and interests in and to artwork, such as illustrations, done in-house or under a work-for-hire scheme are fully assigned in favor of the magazine publisher. The same is not as likely to be true for an image licensed from a photographer or photo agency. Further, *TIME*'s illustrations do not depict popular figures as of yet, forestalling any possibility of a right of publicity claim. An image of a public figure on a magazine cover may often be acceptable under a newsworthiness standard.[8] Courts have yet to consider whether the minting of an NFT amounts to more of a merchandise sale: a commercial use that raises more concerns for likeness appropriation.

Brands that aim to mint NFTs containing intellectual property licensed or acquired from others should re-examine their rights anew by reviewing agreements to determine the scope of licensed rights. With this novel digital product, there are no clear assumptions about what would, or would not, be covered, necessitating additional legal review.

Protecting Future Buyers

The appeal of buying an NFT is that the "bragging rights" granted are recorded on the blockchain: a distributed public ledger that tracks transfers between users to guarantee authenticity. NFTs can be sold from user to user without worries that a fake has entered the marketplace. The decentralized nature of the NFT's "on the chain" ledger makes disrupting an owner's legitimate claim to a digital work nearly impossible.

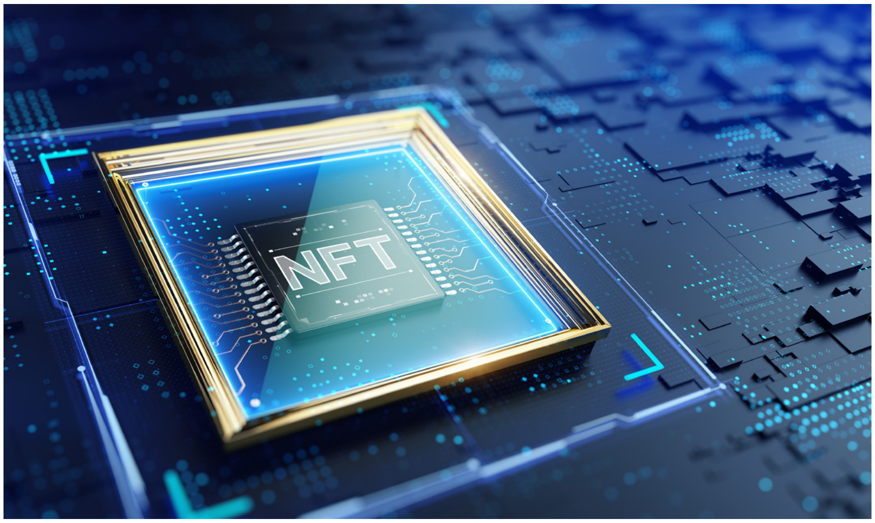
However, copies of the actual digital works — as in the actual JPEG, PNG, .mov files — are not also replicated on the same distributed network. Although this might sound ideal from an exclusivity perspective, this creates challenges for keeping these images and videos around in perpetuity. The files in question are likely hosted by the platform displaying the work, which can go out of business and fail to continue to pay for server storage. When the web address pointing at a digital work no longer functions decades after its initial sale, it is not clear how the NFT would still hold value.

Brands may want to understand how these files are stored and distributed by the applicable platform. They can ensure access in the future through a distributed file sharing network: some point to networks like the InterPlanetary File System (IPFS) as a solution, but experts have already identified limitations of even these platforms in covering all NFT works forever.[9] At a minimum, organizations might consider putting their own retention measures in place to ensure the original files are not lost to time. Even if organizations are not obligated under the terms of service to provide such files, verifying future access may be an insurance policy to forestall possible legal action.

Patrons of the Digital Arts

When reading headlines with big dollar signs, businesses can feel as though they are missing out on a valuable revenue stream, but brands should appreciate the more humble origins of NFTs before getting into the market.

For generations, patrons investing in the physical paintings and sculptures of living artists helped these creators earn a living and continue to produce work. But digital artists have had difficulty establishing a similar revenue stream. Despite the US Court of



Appeals for the Second Circuit's rejection of a "digital first sale" principle,[10] the inherent reproducibility of the internet era can render investment in a digital file meaningless with a simple "ctrl + c." NFTs provide a solution. They allow a buyer to know they have certain exclusive rights to the underlying work. Although the work itself might be duplicated and shared widely, only the NFT owner can claim those sole bragging rights and point to the public blockchain ledger to definitively prove they "own" the digital copy of the work.

This creation has been a boon to the artistic community.[11] Fans of an independent musician or a digital artist can become patrons by buying exclusive rights. In this way, NFTs function similarly to the way creators have found success through Patreon, a platform that allows fans to support their favorite YouTubers or podcasters with a nominal monthly subscription in return

for bonus content or exclusive discussion boards.[12] Additionally, smart contracts embedded in the NFT can be set up to require royalty payments to be paid to the creator upon resale, similar to France's droit de suite or the Artist Resale Right in the United Kingdom, further supporting living artists.

With that background, brands should seek authentic and meaningful ways to use NFTs to engage with consumers, as the (growing) NFT community is built upon a foundation of supporting creatives. Additionally, the amount of electricity and computer power required to keep many NFTs' blockchain running has raised concerns about its impacts on climate change, leading to some public blowback. Combined, the potential for public relations missteps or failing to actually connect with NFT consumers are outcomes companies should consider before launching.

All of that said, the NFT marketplace has become big business for brands with established followings. As of March, the rabid basketball fans in the NBA's Top Shot system have spent more than $230 million buying and trading NFTs. Brands with existing fan bases or those with sound rights to creative works that mesh with current NFT markets should consider whether now is the time to get in the NFT game.

(1) "Why Taco Bell, Charmin, and Pizza Hut are Trying to Sell You NFTs," *Marker* (Mar. 19, 2021), https://marker.medium.com/why-taco-bell-charmin-and-pizza-hut-are-trying-to-sell-you-nfts-99a3a4cfc2f3.

(2) Daniel Roberts, "Mark Cuban Explains NFTs: Get Over the Lack of Physical Ownership," *Decrypt* (Mar. 5, 2021), https://decrypt.co/59817/mark-cuban-explains-his-obsession-with-nft-collecting.

(3) "Next Level NBA Collectibles," *NBA Top Shot*, https://nbatopshot.com/info-graphic (as of May 1, 2021).

(4) "Terms of Use," *NBA Top Shot*, https://nbatopshot.com/terms (last updated Mar. 10, 2021).

(5) "SuperRare Terms of Service," *SuperRare*, https://www.notion.so/SuperRare-Terms-of-Service-075a82773af34aab99dde323f5aa044e (last updated Apr. 11, 2011).

(6) "CryptoKitties Terms of Use," *CryptoKitties*, https://www.cryptokitties.co/terms-of-use (last updated Nov. 11, 2018).

(7) "Time," *SuperRare*, https://superrare.co/time (as of May 1, 2021).

(8) For discussion on the outer bounds of newsworthiness, see *Booth v. Curtis Publishing Co.*, 15 A.D.2d 343 (N.Y. 1962).

(9) Victor Tangermann, "NFTs Have a Huge Persistence Problem," *Futurism* (Mar. 17, 2021), https://futurism.com/nfts-have-huge-persistence-problem.

(10) *Capitol Records, LLC v. ReDigi Inc.*, 910 F. 3d 649 (2d Cir. 2018).

(11) Anna Bauman, Jonathan Chang, & Meghna Chakrabarti, "How Non-Fungible Tokens Are Digitally Disrupting The Future Of Art," *On Point* (March 16, 2021), https://www.wbur.org/onpoint/2021/03/16/how-non-fungible-tokens-could-alter-the-future-of-digital-art.

(12) "These Top Patreon Creators Earn More Than $200,000 a Year," *Patreon* (Dec. 10, 2020), https://blog.patreon.com/top-patreon-creators.

Does Section 13(b) of the Federal Trade Commission Act Allow the Federal Trade Commission to Seek Equitable Monetary Relief in Federal Court? Supreme Court Rules 'No'

By Kristin Lockhart

In *AMG Capital Management v. FTC*, the Supreme Court unanimously held that Section 13(b) of the FTC Act does not permit the FTC, in federal court actions, to seek equitable monetary relief. 141 S. Ct. 1341 (2021). However, the FTC still can seek monetary relief pursuant to other sections of the Act.

In *AMG Capital Management v. FTC*, petitioner AMG Capital Management (AMG) offered borrowers short-term payday loans. In marketing these loans, it misled customers by suggesting that they would only need to make a single payment on a loan. This was misleading because customers who did not opt-out of the automatic renewal of such payments would continue to be charged the initial payment amount on their loans. As a result of these deceptive practices, AMG accrued more than $1.3 billion in deceptive charges.

The Federal Trade Commission (FTC) filed suit in federal court against AMG under Section 5(a) of the Federal Trade Commission Act (the Act) (see 15 U. S. C. § 45(a)(1)). Relying on Section 13(b), the FTC sought a permanent injunction and requested that the court order monetary relief in the form of restitution and disgorgement of AMG's ill-gotten profits. The district court granted the FTC's request for monetary relief. AMG appealed, arguing that Section 13(b) did not authorize courts to grant, or for the FTC to receive, monetary relief. The US Court of Appeals for the Ninth Circuit affirmed the district court's decision, relying on precedent that supported the interpretation of Section 13(b) as authorizing courts to grant monetary relief to the FTC. AMG sought and was granted certiorari by the US Supreme Court.

The Court reversed, finding that Section 13(b) does not authorize the FTC to seek monetary relief from companies engaged in deceptive trade practices. In a unanimous opinion, the Court agreed that Section 13(b) cannot be read as authorizing equitable monetary relief, such as the restitution and disgorgement of profits that the FTC sought here. Instead, the Court interpreted the language of Section 13(b) to have its plain meaning — that courts can only grant the FTC an injunction in a civil action, where proper.

Upon its creation, the FTC was only entitled to bring enforcement actions through administrative proceedings. Decades later, Congress enacted Section 13(b) of the FTC Act, which permitted the FTC to bring an enforcement action in federal court and seek temporary and permanent injunctive relief. What followed was a series of decisions interpreting the newly-added section to mean that federal courts adjudicating FTC actions were not limited to granting equitable relief in the form of injunctions but rather could use the full range of their equitable powers to also award other types of equitable relief, such as restitution and disgorgement of profits. In its decision, the Supreme Court rejected this precedent, finding that, when read together with other sections of the Act, the relief available in Section 13(b) was meant to be an exclusive list of options that only concerned "prospective injunctive relief" and not "retrospective monetary relief."

Although the decision ends the ability for the FTC to seek monetary relief under Section 13(b), it did not result in a blanket prohibition of the FTC's ability to seek some form of monetary relief. As part of its analysis, the Court recognized that other provisions of the Act specifically authorize the FTC to seek certain forms of monetary relief. For example, the FTC can still seek monetary relief under Section 19 of the Act, which permits federal courts to issue orders "redress[ing] injury to consumers," such as a "refund of money," but only after the FTC initiates an administrative proceeding, obtains a cease and desist order in such proceeding, and petitions the federal court to enforce that order under Section 19(d).

SAG-AFTRA and the JPC's New Influencer Waiver

By Alexandra Caleca

As the influencer marketing industry is set to grow to approximately $13.8 billion in 2021,[1] and COVID-19 has undeniably impacted how (and from where) many traditional performers engage on social media, an industry response appeared inevitable. The Screen Actors Guild-American Federation of Television and Radio Artists (SAG-AFTRA) and the Joint Policy Committee (JPC) have recently agreed to a new waiver to clarify how union advertisers and agencies address contracts with social media influencers who produce their own content (Influencer Waiver).[2]

The Influencer Waiver, which is subject to the SAG-AFTRA Commercials Contract (Commercials Contract), was released following SAG-AFTRA's publication of an Influencer-Produced Sponsored Content Agreement (Influencer Agreement),[3] which affords creators of sponsored content the opportunity to qualify for SAG-AFTRA membership like any other commercial performer and to, therefore, be eligible for retirement and health benefits based on their covered earnings.

The Influencer Waiver covers audiovisual content that is "self-produced by an Influencer to promote an advertiser's product or service created only for digital distribution on the Influencer's and/or agency's and/or advertiser's website, on social media and/or on YouTube" and does not cover content that is "written, filmed or produced by any party engaged by the advertiser or agency (other than the Influencer) (i.e., production company, ad agency, PR firm, etc.)." While the advertiser or agency may provide the influencer with certain notes, suggested messaging, or other general guidance relating to the content to be produced, the Influencer Waiver does not extend to scripted content.

Accordingly, the Influencer Waiver provides a way for agencies and advertisers that are signatories or JPC authorizers with respect to the SAG-AFTRA Commercials Contract to engage influencers under a union-approved arrangement. Though the JPC and SAG-AFTRA each reserve all rights regarding the definition of a "commercial," and whether all or any influencer-produced sponsored content is a "commercial" as defined under the Commercials Contract, the key provisions of the Influencer Waiver can be summarized as follows:

- **Compensation.** The influencer's compensation may be freely bargained.
- **Pension and Health Contributions.** While the Pension and Health contribution rate is the same as under the SAG-AFTRA Commercials Contract at 19 percent (18.5 percent for JPC authorizers), the allocation of the compensation for "Covered Services" (the influencer's on-camera and/or voiceover services) is increased to 20 percent. The parties may negotiate how the contribution will be deducted from or paid in addition to the gross compensation, so long as the compensation and contribution amounts are clearly and separately stated in the contract.
- **Use in Other Media.** If the producer wants to use the influencer-produced content on any other channel, platform or medium, such as on television or for industrial use, the producer must notify the influencer of such intended use. If the producer actually uses such content on another channel, platform or medium that is covered by another SAG-AFTRA collective bargaining agreement, then the producer must pay the influencer no less than the full use fees for the applicable medium. In addition, any television use requires the influencer's prior consent.
- **Maximum Period of Use.** The maximum period of use (MPU) is one year from the first posting date. Any use past the MPU must be negotiated with the influencer. However, if the content appears on a social media platform, website or YouTube after the expiration of the MPU but is not relevant to any current campaign and remains in the feed on the original posting date, the producer does not need to make any additional payment but must remove the content should the influencer request it.
- **Required Notice to Influencer.** At or before the time of engagement, the producer must notify the influencer that the producer intends to use the Influencer Waiver.
- **Prohibitions.** Content may not contain stunts or hazardous/dangerous conditions and may not contain nudity or sexually explicit content (except to the extent necessary to demonstrate the advertiser's product or service).

Introducing the Influencer Waiver and the Influencer Agreement are important steps by SAG-AFTRA to embrace the evolving landscape and simultaneously preserve its relevance in an advertising industry increasingly focused on leveraging influencer content. By clarifying and simplifying the terms under which influencer content can be produced, a streamlined path for both advertisers and influencers to conduct influencer campaigns under the union's jurisdiction appears to have arrived.

(1) https://influencermarketinghub.com/influencer-marketing-benchmark-report-2021/

(2) http://www.jointpolicycommittee.org/wp-content/uploads/2021/03/SAG-AFTRA-2021-Waiver-for-Influencer-Produced-Sponsored-Content.pdf

(3) http://www.jointpolicycommittee.org/wp-content/uploads/2021/03/2021-Influencer-Produced-Sponsored-Content-Agreement.pdf

Your Competitor Files for Bankruptcy: to Promote It, or Not to Promote It?

By Michael Justus

It may be tempting to launch an advertising campaign trumpeting your competitor's bankruptcy filing to win over customers, potential customers and others. But a recent federal court decision highlights the significant risk in doing so.

On April 8, the US Bankruptcy Court for the Southern District of New York awarded communications and software company Windstream Holdings, Inc. and its subsidiaries (Windstream) more than $19 million in compensatory sanctions for violations of the Bankruptcy Code by competitor Charter Communications Inc. and Charter Communications Operating, LLC (together, Charter). The Court held that Charter engaged in a false advertising campaign designed to capitalize on Windstream's Chapter 11 bankruptcy in an effort to take Windstream customers and damage Windstream's brand, reputation and business.

The Court found that Charter's mailings to Windstream customers in its direct-mail advertising campaign were designed to appear as if they were coming from Windstream. For example, the outer envelopes stated, "Important Information Enclosed For Windstream Customers" and did not identify Charter as the sender. The Court also found that Charter's mailings were intended to mislead Windstream customers into thinking that Windstream was going out of business because of its Chapter 11 filing and that Windstream customers needed to switch service to Charter. Among other things, the mailings stated that Windstream customers should "switch to" Charter to "ensure" that they are "not left without vital Internet and TV services."

The Court found that Charter was liable for four separate categories of damages: "(1) lost profits from customers who switched to Charter as a result of the campaign, (2) the cost of corrective advertising to maintain customers, (3) the cost of a promotional campaign to recover market share. . ., and (4) the fees and expenses of outside counsel and [Windstream's] expert witness. . . ." In total, the Court awarded sanctions of $19,184,658.30, which is understood to be the largest compensatory sanction ever awarded by a bankruptcy court for violation of the automatic stay. The Court also decided that Charter's wrongful conduct was sufficient to justify the equitable subordination of Charter's proofs of claim (in the aggregate amount of $16,974,706) against certain of the Windstream debtors.

This decision underscores the significant risk in promoting a competitor's bankruptcy filing in an advertising campaign — including the risk of substantial monetary awards under the Bankruptcy Code.

Note: *Katten represents Windstream in this matter. The case has been covered in major news outlets such as [The Wall Street Journal] and [Law360]. A subscription may be needed to view both articles.*

Doron S. Goldstein
Partner
Co-Chair, Advertising, Marketing & Promotions
doron.goldstein@katten.com

Kristin J. Achterhof
Partner
Co-Chair, Advertising, Marketing & Promotions
kristin.achterhof@katten.com

Katten's IP Practice

Some of the most recognized companies in the world rely on Katten to safeguard and build value in their IP portfolios. From trademark clearance and transactional due diligence to portfolio exploitation, enforcement and litigation, we enhance the global commercial value of intellectual property and brands.

Katten

For more information, contact: Jessica Kraver
Partner | Intellectual Property Department | Katten Muchin Rosenman LLP
+1.212.940.6523 | jessica.kraver@katten.com | 575 Madison Avenue | New York, New York 10022

CENTURY CITY | CHARLOTTE | CHICAGO | DALLAS | LONDON | LOS ANGELES | NEW YORK | ORANGE COUNTY | SHANGHAI | WASHINGTON, DC