

***BASICS OF IP ISSUES IN
ADVERTISING***
RELEVANT MATERIALS

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Basics of IP Issues in Advertising

- When creating or using advertising materials, such material, or any of its individual components, may be subject to intellectual property and other related rights owned or controlled by third parties.
- IP issues in advertising can arise from a variety of sources. The main IP rights that are most often implicated by creating or using advertising materials that may be subject to third-party rights are trademark and copyrights.

- **Trademarks**

- A form of intellectual property used to identify the source or origin of a product or service, and can be any kind of identifier, including:
 - Brand names, business names, logos, product names, slogans, sounds, colors, certain product designs and trade dress
- When considering whether an advertisement has infringed the trademark of another, courts evaluate whether the advertisement caused consumer confusion. The Lanham Act prohibits the use of "false designations of origin" in connection with goods, services, or their containers that may cause confusion, a mistake, or deception regarding:
 - The affiliation, connection, or association of the maker with another person.
 - The origin, sponsorship, or approval of the maker's goods, services, or commercial activities.
- A license or permission for use of a third-party mark may be unnecessary if the use qualifies as trademark fair use, including certain:
 - Uses of the designation in a descriptive (non-trademark) sense.
 - Nominative uses. For example, in editorial reporting to identify the third party or its product or service.
 - Comparative advertising uses.
 - For comparative advertising uses, also ensure that the third-party mark:
 - Appears only to the extent necessary to reference the competing product or service.
 - Is used properly, including without modification, alteration, or exaggeration.

- Any use of third-party marks should not:
 - Be deceptive or false.
 - The FTC considers an advertisement to be deceptive if:
 - It includes a representation, omission, or practice that is likely to mislead the consumer acting reasonably in the circumstances.
 - The representation, omission, or practice is likely to affect the consumer's conduct or decision regarding a product or service.
 - The advertiser does not possess a reasonable basis, or substantiation, for believing any representations it makes are true when the representations are made.
 - Under the Lanham Act, liability may arise if an advertisement claim is:
 - Factually false or the necessary implication of the claim is false.
 - Literally true or ambiguous, but is likely to deceive consumers because of an implied message.
 - Expressly or implicitly suggest that your product or service is associated with the third-party brand.
 - Suggest any endorsement.
 - Create confusion as to source with other materials included in the work.
 - Disparage or tarnish the mark or brand owner
- **Copyright**
 - **What is copyright?**
 - Copyright is a form of intellectual property that gives certain exclusive rights to authors of original creative works, for a limited time.
 - Author rights include (i) the right to reproduce; (ii) the right to create derivative works (i.e. sequels, translations etc.); (iii) the right to control distribution; (iv) the right to perform; and (v) the right to

display. In some countries, moral rights are important. These are rights to protect the reputational value of creative works.

- To be eligible for copyright protection, creative works must be (i) original (independently created by an author/authors); (ii) creative (the required level is creativity is minimal); and (iii) fixed in a tangible medium (which could be paper, canvas, stone, film, digital files, video or audio files of various kinds...)
- **What are some examples of creative works protected by copyright?**
 - Written works, such as novels, screenplays and computer programs, but also advertising and marketing copy.
 - Author JD Salinger filed a lawsuit against the author of a sequel to *Catcher in the Rye*, titled *60 Years later: Coming Through the Rye* <https://www.wsj.com/articles/BL-LB-13627>
 - Audiovisual works such as films and videogames.
 - Author Stanley Rader filed a lawsuit in 1981, claiming that the George Lucas and Steven Spielberg film *Raiders of the Lost Ark* infringed the copyright of a novel/screenplay called *Ark*. <https://www.nytimes.com/1981/07/09/movies/suit-on-ark-charges-stealing-from-a-novel.html>.
 - Drawings, paintings, sculptures.
 - Photographer Lynn Goldsmith, who took a picture of the musician Prince, later licensed the image to Vanity Fair magazine for one-time use as an artist's reference for an illustration. Andy Warhol, the artist, then used Goldsmith's image to create an artwork called *Orange Prince*. When Vanity Fair re-used the artwork in a 2016 commemorative issue, it paid the Andy Warhol Foundation, but not Goldsmith, who sued. The case reached the Supreme Court. https://www.supremecourt.gov/opinions/22pdf/21-869_87ad.pdf
 - Architectural works.
 - An architecture student who had showcased a design at Yale sued the architect who created the design for One World Trade Center's Freedom Tower. https://www.architectmagazine.com/practice/too-close-for-comfort_o

- In France, filmmakers depicting the Eiffel Tower during the day need not pay, but the right to capture night footage requires payment of a fee because of rights in the various illuminations. <https://www.tou Eiffel.paris/en/business/use-image-of-eiffel-tower>
 - Songs and musical compositions.
 - Famous disputes have involved Chuck Berry and the Beach Boys (Sweet Little Sixteen vs. Surfin' USA) and Queen and David Bowie vs. Vanilla Ice (Under Pressure vs. Ice Ice Baby). <https://www.rollingstone.com/politics/politics-lists/songs-on-trial-12-landmark-music-copyright-cases-166396/>
 - Note music rights are complex, involving multiple rightsholders: author of musical composition, author of specific performance recorded, author of lyrics...
 - Dance choreography.
 - In *Horgan v. MacMillan, Inc.*, the holder of ballet choreographer George Balanchine's estate sued Macmillan Publishers for depicting his choreography in a book about *The Nutcracker*. <https://itsartlaw.org/2024/07/22/dancing-with-rights-analyzing-copyright-for-choreographic-works-in-the-united-states/>
- **What is not protected by copyright?**
 - Ideas that are not expressed in tangible form
 - Facts
 - Names
 - Titles
 - Data
 - Lists of ingredients. (Note, however, that any original presentation of non-copyrightable material – such as a text accompanying a list of ingredients in a cookbook – may be protectable.)
- **How long does copyright protection last?**
 - Generally: life of the author, plus 70 years.

- Some exceptions for earlier works, due to changes in copyright law that occurred in the 20th century.
- **Does a work need to be registered to have copyright protection?**
 - Today, copyright protection is automatic from the moment an original work is created. No registration is required, though there are advantages to registration.
- **What is “fair use”?**
 - Fair use is a defense to copyright infringement, based on some combination of four factors:
 - the purpose and character of the disputed use;
 - the nature of the copyrighted work;
 - the amount and substantiality of the copyrighted work used; and
 - the effect of the use upon the potential market for the copyrighted work.
- **Where do copyright concerns arise in advertising materials?**
 - Written texts or scripts.
 - Reposted or republished material on social media platforms.
 - Photographs and videos (including, potentially, photos and videos in which certain artworks or buildings are visible).
 - Voice recordings.
 - Drawings and other graphics.
 - Music: songs, lyrics, recordings.
 - Any reference to existing creative material, whether used as “inspiration” or cited explicitly.
- **What is rights clearance in copyright?**
 - The review of materials in their entirety and in terms of their individual elements, to identify potential risks of copyright infringement claims, and proactively seek permissions where applicable.

- **Additional considerations:**
 - Unfair Competition Laws prohibit:
 - False Advertising
 - Under **Lanham Act**, plaintiff has the burden to prove, among other things, that the challenged trademark or trade name deceives or has a tendency to deceive a substantial portion of relevant consumers (and resulting harm/damage)
 - In many cases, plaintiffs must submit consumer survey evidence to show consumer deception
 - Remedies in Lanham Act cases may include temporary and permanent injunctions, damages, profits, corrective advertising, and/or attorneys' fees and costs
 - State consumer protection laws vary but have similar standards
 - Deceptive packaging
 - Dishonest promotions / sweeps and contests
 - “Free” claims and “negative options”
 - “Health” claims / Green and environmental claims
 - Industrial Design
 - Computer-generated graphic symbols, screen displays and webpages can be protected by industrial design law
 - Privacy Rights
 - Right of Privacy
 - Right of Publicity
 - Defamation Claims
 - For right of privacy, permission is generally required if the use implicates any of the personal privacy protections.
 - For right of publicity, permission is generally required:
 - For persons identified in a commercial work.

- Where persons are identifiable in noncommercial works, if the works are used for commercial purposes, for example, film clips.
- **Forums for challenges**
 - Competitor challenges in **federal court** under Section 43(a) of the Lanham Act
 - Consumer class-action lawsuits, or challenges by state attorneys general, in **state or federal court** under state deceptive trade practice and unfair competition laws
 - Competitor challenges or monitoring actions before the National Advertising Division of the Council of Better Business Bureaus (**NAD**)
 - Before **NAD**, advertiser is responsible for *all reasonable interpretations of its claims*, even if deceptive interpretation was not intended by the advertiser.
 - Unlike in Lanham Act cases, **advertisers (defendants) bear the initial burden** to prove that they have a reasonable basis for their claims, i.e., that the claims are truthful, non-misleading, and substantiated.
 - If a mark is found deceptive, remedies at NAD are limited to a “recommendation” that the advertiser modify or discontinue its deceptive mark. But if the advertiser ignores NAD’s “recommendation,” NAD may refer the matter to FTC or other regulatory agency.
 - NAD reports a very high rate of compliance.
 - Despite usual “reverse burden” procedure at NAD, when it comes to trademarks or trade names, NAD has *traditionally* required the **challenger to provide extrinsic evidence** (e.g., consumer surveys) showing that consumers are deceived.
 - NAD has also stated that reasonable consumers understand the hyperbolic nature of many trademarks and trade names.
 - But NAD decisions have been trending towards a stricter standard:
 - **A product name change can be required even in the absence of extrinsic evidence of consumer confusion, if the product name itself conveys a message that is false or misleading.**
 - Regulatory challenges brought by the Federal Trade Commission (**FTC**)
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- Trademark registration / opposition proceedings at the **USPTO** and **TTAB**
- **Television network** challenges
- International Trade Commission (**ITC**) Section 337 investigations
- Examples and Types of IP issues that may be implicated in advertisements:
 - A photograph may:
 - be subject to a third-party copyright in the photo itself;
 - show a landmark, potentially implicating trademark rights;
 - show a person, potentially implicating privacy and publicity rights;
 - include a logo protected by trademark rights; and
 - show artwork protected by a separate third-party copyright.
 - A book may be:
 - be subject to a third-party copyright in the work, as a whole;
 - evoke, be based on, or incorporate themes from other works protected by a separate third-party copyright;
 - include quote or excerpts from other works protected by a separate third-party copyright; and
 - show illustrations, photographs, or other still visual elements protected by a separate third-party copyright.
 - A sound recording:
 - has copyright protection in the sound recording itself;
 - has separate copyright protection in the musical work or composition; and
 - may incorporate samples or other separately owned sound recordings.

- A film or television clip may be subject to:
 - a third-party copyright in the work, as a whole;
 - separate third-party copyrights in the concept, the screenplay or teleplay, still images, and music;
 - separate third-party rights of publicity, for example, actors and other individuals appearing in the work;
 - Separate third-party rights of privacy, for example, depictions of matters concerning a person's private life; and
 - separate third-party trademark rights, for example, brands, product placements or logos displayed in the clip.

Your Trademark Could Be A False Advertisement

(June 2, 2015, 10:36 AM EDT)

Proper trademark clearance searches prevent headaches.[1] Many brand owners use trademark counsel to clear new marks with respect to traditional trademark concerns like inherent distinctiveness and likelihood of confusion with prior marks. But some clearance opinions ignore trademark law's unassuming neighbor in the Lanham Act: false advertising.

Trademarks (e.g., brand names, product names, slogans) and trade names must abide by the same general laws against false and misleading advertising as traditional "advertisements" like television commercials and magazine ads. In fact, false advertising disputes target trademarks and trade names more often than some realize.

Trademarks and trade names may be challenged as false or misleading in any of the following scenarios, among others:[2]

1. Competitor challenges in federal court under Section 43(a) of the Lanham Act;[3]
2. Consumer class actions under state deceptive trade practice and unfair competition laws;
3. Competitor challenges before the National Advertising Division of the Council of Better Business Bureaus;[4]
4. "Monitoring" actions initiated by NAD on its own against advertisers; and
5. Regulatory challenges brought by the Federal Trade Commission under Section 5 of the FTC Act.[5]

Under the Lanham Act, the plaintiff must prove, among other things, that the challenged trademark or trade name deceives or has a tendency to deceive a substantial portion of the relevant consumers.[6] In many cases, plaintiffs must submit consumer survey evidence to show consumer deception. Remedies in Lanham Act cases may include temporary and permanent injunctions, damages, profits, corrective advertising, and attorneys' fees and costs. Below are some examples of cases addressing whether marks are false or misleading under the Lanham Act:

- Mylanta Night Time Strength — The Third Circuit affirmed the grant of a preliminary injunction against the mark "Mylanta Night Time Strength" on the basis that the mark necessarily implied a false message that the over-the-counter heartburn product was specially formulated for nighttime relief, or that the product provided all-night relief.[7]
- Breathasure — The Third Circuit affirmed the grant of a permanent injunction against the mark "Breathasure," holding that the product name deceptively assured its users that they would have fresh breath after using the product, despite having no scientific substantiation to support that assurance.[8]
- Polysaphire — The Second Circuit held that the mark "Polysaphire" was facially false as a product name for a polycrystalline aluminum oxide orthodontic bracket.[9]
- Creamo Oleomargarine — The U.S. Supreme Court held that the product name "Creamo Oleomargarine" was deceptive for an oleomargarine product that did not contain cream as a primary ingredient.[10]



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- Ricelyte — The Seventh Circuit held that the mark "Ricelyte" for an oral electrolyte maintenance solution was literally false where the product did not contain powdered whole rice.[11]
- Ace Con Blanqueador ("Ace with Whitener") — The First Circuit held that, at the pleading stage, plaintiff stated a claim that the product name "Ace con Blanqueador" ("Ace with Whitener") was literally false for liquid detergent that may have included a "color enhancer" rather than a "whitening agent." [12]
- America's Favorite Pasta — The Eighth Circuit held that the slogan "America's Favorite Pasta" was nonactionable puffery.[13]
- Barbecue Beans — The Seventh Circuit held that the product name "Barbecue Beans" was not deceptive for a product containing three types of beans but no meat.[14]

Similar standards control under many analogous state deceptive trade practices and unfair competition statutes. Below is an example of a recent class action targeting a trademark under such state laws:

- Tito's Handmade Vodka — A pending consumer class action alleges that the "Tito's Handmade Vodka" mark is deceptive because the vodka is not made by hand but rather through a mechanized process.[15]

For challenges before NAD, an advertiser is responsible for all reasonable interpretations of its claims, even if a deceptive interpretation was not intended by the advertiser. Unlike in Lanham Act cases, advertisers (defendants) at NAD bear the initial burden to prove that they have a reasonable basis for their advertising claims, i.e., that the claims are truthful, nonmisleading and substantiated. When it comes to trademarks or trade names, however, NAD typically requires the challenger to provide extrinsic evidence (e.g., consumer surveys) showing that consumers are deceived. NAD has also stated that reasonable consumers understand the hyperbolic nature of many trademarks and trade names. If a mark is ultimately found deceptive, remedies at NAD are limited to a "recommendation" that the advertiser modify or discontinue its deceptive claim.[16] The following are examples of NAD decisions addressing trademarks or trade names:

- America's Newest Network — NAD recommended that Sprint discontinue use of the slogan/theme "America's Newest Network," holding that it could mislead reasonable consumers into believing that Sprint's network is superior to, or more technologically advanced than, competitors' networks.[17]
- Costco Wholesale — NAD declined to recommend discontinuation or modification of the trade name "Costco Wholesale," on the basis that Costco was not a wholesaler and its prices were not wholesale prices, where the challenger did not submit extrinsic evidence showing that consumers were misled by the name and the advertiser submitted evidence that its prices were similar to or lower than wholesale prices in many instances.[18]
- Never Snore — NAD declined to recommend discontinuation or modification of the product name "Never Snore," on the basis that the name deceptively promised a cure for snoring, where the challenger did not submit extrinsic evidence showing that consumers were misled by the name.[19]

The federal government also polices deceptive trademarks and trade names. Specifically, FTC may exercise its broad authority under Section 5 of the FTC Act to challenge any "unfair and deceptive acts and practices," including deceptive marks. Remedies under the FTC Act include legally binding cease-and-desist orders, civil monetary penalties, consumer refunds, corrective advertising and modification of future advertising. Some examples of enforcement actions against marks and trade names are as follows:

- Stabilizer — FTC ordered that the seller of an automobile shock absorber cease use of "Stabilizer" in its trade name and product name because it deceived consumers into believing that the shock absorber was an effective safety device and/or gave drivers more control over their cars.[20]
- Continental Six Month Floor Wax — The Second Circuit upheld FTC's order requiring a seller of floor wax to delete the wording "Six Month" from its "Continental Six Month Floor Wax" product name because consumers were likely to mistakenly believe based on the name that the product would last for six months, and the product was incapable of doing so.[21]
- Gold Tone Studios — The Second Circuit upheld FTC's order requiring a photographic business to cease use of the wording "Gold Tone" in its "Gold Tone Studios" trade name because it was not "substantially engaged in" finishing photographs using the gold tone finishing process.[22]

Not all potentially false or misleading trademarks, of course, will be challenged by competitors, consumers, or regulators. But even if use of a potentially false or misleading mark goes unchallenged, the brand owner may still find itself unable to register the mark with the U.S. Patent and Trademark Office.

The Lanham Act prohibits registration of marks that are, for example, "deceptive," "deceptively misdescriptive" and/or "geographically deceptive." Deceptive marks falsely describe, or mislead as to, the material content of a product or service.[23] Deceptively misdescriptive marks convey an immediate idea of an ingredient, quality, characteristic, function, or feature of the goods or services with which they are used, and that idea is false or misleading.[24] Geographically deceptive marks falsely describe, or mislead as to, the geographic origin of the products or services.[25] Examples of marks refused by the PTO on such grounds are listed below:

- Organic Aspirin — Held deceptive and deceptively misdescriptive for a dietary supplement that did not contain acetylsalicylic acid.[26]
- Lovee Lamb — Held deceptive for seat covers not made of lambskin.[27]
- White Jasmine — Held deceptive for tea that did not include white tea.[28]
- Super Silk — Held deceptive for clothing made of "silk-like fabric." [29]
- Napa Valley Mustard Co. — Held geographically deceptive for mustard that did not originate in Napa Valley, California.[30]
- Titanium — Held deceptively misdescriptive of recreational vehicles that did not contain titanium.[31]

As is apparent from the examples listed above, your trademark could indeed be a false advertisement if it deceives consumers regarding the qualities or characteristics of your product or service. Challenges to trademarks and trade names can come in several different contexts under several different legal standards with a variety of possible remedies. It is certainly something worth considering in the brand clearance process — perceptive counsel attuned to these risks can step in to prevent unnecessary headaches.

And on the flip side, brand owners may find it fruitful to view competitors' trademarks and trade names through this same lens.

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[1] Maybe proper clearance searches could actually prevent headaches, but I don't mean that as a representation of fact subject to false advertising laws—it's non-actionable puffery!

[2] Advertising challenges may also arise in other contexts, including television network challenges, lawsuits brought by state attorneys general, and International Trade Commission (ITC) Section 337 investigations.

[3] 15 U.S.C. § 1125(a).

[4] NAD is an advertising industry self-regulatory body that provides a mechanism for quasi-administrative adjudication of advertising disputes involving national advertising. See www.ascreviews.org/category/nad. There are significant differences between NAD challenges and federal lawsuits, including different burdens of proof on various issues.

[5] 15 U.S.C. § 45.

[6] Generally, to prove a claim for false advertising under the Lanham Act, a plaintiff must establish that: (1) the defendant has made false or misleading statements of fact concerning his product or another's; (2) the statement actually or tends to deceive a substantial portion of the intended audience; (3) the statement is material in that it will likely influence the deceived consumer's purchasing decisions; (4) the advertisements were introduced into interstate commerce; and (5) there is some causal link between the challenged statements and harm to the plaintiff. Different standards and presumptions may apply depending on whether a claim is literally false, false by necessary implication, or literally true but misleading.

[7] *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharmaceuticals Co.*, 290 F.3d 578 (3rd Cir. 2002).

[8] *Warner-Lambert Co. v. Breathasure, Inc.*, 204 F.3d 87 (3rd Cir. 2000).

[9] *Johnson & Johnson v. GAC International, Inc.*, 862 F.2d 975 (2nd Cir. 1988).

[10] *Brougham v. Blanton Mfg. Co.*, 249 U.S. 495 (1919).

[11] *Abbott Laboratories v. Mead Johnson & Co.*, 971 F.2d 6 (7th Cir. 1992).

[12] *Clorox Company Puerto Rico v. Proctor & Gamble Commercial Co.*, 228 F.3d 24 (1st Cir. 2000).

[13] *American Italian Pasta Co. v. New World Pasta Co.*, 371 F.3d 387 (8th Cir. 2004).

[14] *Hesmer Foods, Inc. v. Campbell Soup Co.*, 346 F.2d 356 (7th Cir. 1965).

[15] *Gary Hofmann v. Fifth Generation Inc.*, No. 3:14-cv-02569 (S.D. Cal.).

[16] NAD does not issue legally binding injunctions like a court, but rather it "recommends" that advertisers modify or discontinue false or misleading claims. If the advertiser ignores NAD's "recommendation," however, NAD may refer the matter to FTC for enforcement. NAD reports a very high rate of compliance using this system.

[17] *Sprint Corporation (Spring Wireless Services)*, NAD Case Report No. 5812 (February 2015). NAD did not specifically address whether "America's Newest Network" was a trademark.

[18] *Costco Wholesale Corporation (Costco Wholesale)*, NAD Case Report No. 3912 (March 2002).

[19] *IGIA (Never Snore)*, NAD Case Report No. 3968 (October 2002).

[20] *In the Matter of Brown Auto Stabilizer Co. et al.*, 81 F.T.C. 745, 1972 WL 128851 (Nov. 3, 1972).

[21] *Continental Wax Corp. v. Federal Trade Commission*, 330 F.2d 475 (2nd Cir. 1964).

[22] Gold Tone Studios, Inc. v. Federal Trade Commission, 183 F.2d 257 (2nd Cir. 1950).

[23] See TMEP 1203.02 regarding "deceptive" marks under Section 2(a) of the Trademark Act, 15 U.S.C. §1052(a).

[24] See TMEP 1209.04 regarding "deceptively misdescriptive" marks under Section 2(e)(1) of the Trademark Act, 15 U.S.C. §1052(e)(1).

[25] See TMEP 1210.05 regarding "geographically deceptive" marks under Section 2(e)(3) of the Trademark Act, 15 U.S.C. §1052(e)(3).

[26] Bayer Aktiengesellschaft v. Stamatios Mouratidis, TTAB Opp. No. 91185473 (TTAB May 21, 2010).

[27] In re Budge Mfg. Co., 857 F.2d 773, 8 USPQ2d 1259 (Fed. Cir. 1988), aff'g 8 USPQ2d 1790 (TTAB 1987).

[28] In re White Jasmine LLC, 106 USPQ2d 1385 (TTAB 2013).

[29] In re Phillips-Van Heusen Corp., 63 USPQ2d 1047 (TTAB 2002).

[30] In re Beaverton Foods, Inc., 84 USPQ2d 1253 (TTAB 2007).

[31] Glendale Int'l Corp. v. United States Patent & Trademark Office, 374 F. Supp. 2d 479, 486, 75 USPQ2d 1139, 1144 (E.D. VA 2005).

When Your Trademark Is A False Advertisement

By **Mike Justus** (April 13, 2018, 11:49 AM EDT)

This article follows up on my 2015 Law360 article "**Your Trademark Could Be A False Advertisement**" regarding false advertising challenges to brand names and trademarks. The original version detailed the various forums and different legal tests for such challenges, and provided case law examples. This article builds on the original and jumps straight into discussion of recent legal trends in this area.

False advertising issues continue to plague brand names and trademarks in a variety of forums and contexts. Trademarks, trade names, product names, slogans, and even certification marks regularly face false advertising challenges, which allege, for example, that a mark deceives consumers regarding the nature or characteristics of the product. The following legal trends are instructive for trademark and advertising counsel.



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"Selfie Certification" Marks

The Federal Trade Commission frequently takes action against deceptive certification marks "awarded" by an advertiser (or its affiliates) to itself — cleverly dubbed "selfie certifications" or "selfie seals." In fact, the FTC's Business Blog named this issue one of ten "consumer protection topics of note from 2017." [1] For example, the FTC challenged two trampoline companies' use of seals stating "Trampoline of the Year Award" granted by a purportedly independent group called Trampoline Safety of America. [2] The problem? The trampoline companies were allegedly behind that purported third-party safety group, and "awarded" this seal to themselves. Other recent examples include FTC challenges to Benjamin Moore's "Green Promise" logo, [3] Moonlight Slumber's "Green Safety Shield," [4] NextGen Nutritionals' "Certified Ethical Site" seal, [5] and Bollman Hat Company's "American Made Matters" seal. [6]

In addition to potentially violating advertising laws, "selfie certifications" also cannot obtain protection as registered certification marks under the Lanham Act, which prohibits self-certification by the owner of a certification mark. [7]

The takeaway: Stick to use of seals, awards and certification marks lawfully received from independent third parties under objective criteria.

Product Names Allegedly Conveying Health Claims

Federal courts, the Trademark Trial and Appeal Board and the National Advertising Division of the Council of Better Business Bureaus each recently addressed whether product names convey false or misleading health claims. Examples include:

- "Diet Coke" — Putative consumer class action filed in California federal court alleging that the "Diet Coke" mark deceived consumers into believing that the product would assist in weight loss. The court dismissed the case, holding that "reasonable consumers would understand that Diet Coke merely deletes the calories usually present in regular Coke, and that the caloric reduction will lead to weight loss only as part of an overall sensible diet and exercise regimen dependent on individual metabolism." [8] The plaintiff filed a notice of appeal to the Ninth Circuit on March 2, 2018.
- "Diet Dr. Pepper" — The same lead plaintiff as in the Diet Coke case above filed a similar putative class action against Dr. Pepper Snapple Group alleging that the "Diet Dr. Pepper" mark deceives consumers regarding weight loss benefits. On March 30, 2018, the court likewise dismissed this case on similar grounds, but with leave to amend the complaint. [9]

- "Plazma" — In May 2017, the TTAB affirmed refusals of the marks "Plazma" and "Plazma Reactive Pump" for dietary and nutritional supplements on deceptiveness grounds because the products did not actually contain "plasma protein" — a known ingredient in nutritional supplements with supposed health and training benefits.[10]
- "Fungi-Nail" — The NAD recommended that the advertiser discontinue use of the trade name and product name "Fungi-Nail Toe & Foot" because it conveys the unsubstantiated claim that the product effectively treats toenail fungus. The advertiser refused to comply with the NAD's recommendation, and on Jan. 9, 2018, the NAD referred the matter to the FTC and the U.S. Food and Drug Administration for further review.[11]

The takeaway: Product names may convey advertising claims, and should be evaluated as such by counsel — keeping in mind that advertisers may be held responsible for all reasonable interpretations of claims, even if such interpretations are not intended.[12] Counsel should pay special attention to marks that potentially convey health claims, such as weight-loss and disease claims, which can be lightning rods for legal issues and may be subject to heightened substantiation requirements.[13]

Slogans as Advertising Claims

Slogans or "taglines" naturally attract advertising legal challenges because, by their very nature, they typically make or imply some claim about the company or its products. But does such "claim" rise to the level of an advertising claim subject to advertising laws (as opposed to nonactionable puffery),[14] and if so, is it false or misleading under such laws? Several recent court cases addressed those questions, including:

- "Australian For Beer" — A putative consumer class action was filed in New York federal court against MillerCoors in 2015 alleging that the slogan "Australian for beer" used for Foster's beer deceived consumers into wrongly believing that the beer was brewed in Australia. The court dismissed the case with leave to amend, holding that consumers could not be deceived because the product labels clearly disclosed the brewing locations in Georgia and Texas.[15] The plaintiff voluntarily dismissed the complaint in June 2017.
- "Built Ford Tough" — A putative consumer class action was filed in New York federal court alleging that Ford Motor Company's "Built Ford Tough" slogan affirmatively misrepresented the durability and quality of Ford F-150 trucks, because plaintiff allegedly experienced issues with the door latches on his truck. In July 2017, the court dismissed the claim, holding that the slogan was nonactionable puffery.[16]
- "Fresh. Local. Quality." — A trade secret misappropriation and false advertising case was filed in Utah federal court by Bimbo Bakeries against a competitor, alleging in relevant part that the "local" portion of competitor's slogan "Fresh. Local. Quality." deceived consumers in markets (including Utah) where the bread was actually baked out-of-state. In March 2018, the court entered judgment on a jury verdict in favor of Bimbo Bakeries on the advertising claim, finding that the competitor's false advertising of the bread as "local" was willful, and awarding over \$8 million in profits.[17]

The takeaway: Perhaps the most obvious false advertising risk in the trademark family, slogans will continue to attract scrutiny under advertising laws. Importantly, slogans do not automatically constitute nonactionable puffery merely because they are catchy. Counsel responsible for legal clearance of slogans should undertake advertising claim and substantiation review (in addition to trademark clearance).

No Brand or Brand Owner Spared

As shown above, even high-profile and established trademarks (e.g., "Diet Coke," "Built Ford Tough") may fall victim to false advertising challenges. Additional recent examples of high-profile challenges include:

- "Tito's Handmade Vodka" — A putative consumer class action was filed in New York federal court in 2015 alleging that the "Tito's Handmade Vodka" mark is deceptive because the vodka is not made by hand but rather through a mechanized process. The court rejected plaintiff's bid for class certification in September 2017, which typically prompts settlement discussions. The case settled at mediation in March 2018 on undisclosed terms.[18]
- Subway "Footlong" — Putative consumer class actions were filed across the U.S. (combined in Wisconsin federal court in 2013) alleging that Subway's "Footlong" sandwiches did not actually measure to 12 inches in length.[19] The district court approved a settlement providing for \$525,000 in fees to class counsel and incentive awards to named plaintiffs, along with a four-year injunction requiring Subway to implement safeguards to ensure that its sandwiches measured 12 inches long. On appeal from a class member objecting to the settlement, the Seventh Circuit reversed, stating that the settlement was "no better than a racket" and that the case "should have been dismissed out of hand." [20] On remand in 2017, according to court records, the plaintiffs voluntarily dismissed their claims shortly after service of a Rule 11 motion from Subway's counsel, perhaps based on the appellate court's strong criticism of the claims.
- McDonald's "Extra Value Meals" — A putative consumer class action was removed to Illinois federal court alleging that McDonald's "Extra Value Meals" product name deceived consumers into wrongly believing that the cost of such meals was less than the aggregate cost of their individual components purchased a la carte. The court dismissed the complaint in April 2018, holding that the point-of-purchase menu boards at McDonald's restaurants provided consumers with "a straightforward, price-to-price comparison" that "would unequivocally dispel any misleading inference that could be drawn from the name 'Extra Value Meal.'" [21] In other words, consumers could not be deceived because they could do the math.

The takeaway: No brand or brand owner is safe. In fact, the more prominent the brand, the more attention it may receive from the plaintiffs bar, regulators and others. And while less-meritorious claims may be quickly dealt with, even settling or winning the case at an early stage carries significant costs (monetary, distraction, publicity, or otherwise). So even for established brand owners, it pays to anticipate these issues as discussed further below.

Best Practices

Counsel should educate clients regarding the risks posed by trademarks under false advertising laws, both to highlight the potential need for advertising clearance for new marks, and to help prevent surprise from unexpected challenges to established marks. As with clearance of other types of advertising claims, counsel should work with the business to analyze marks for any express or reasonably implied claims, and determine whether such claims are substantiated under applicable legal standards. Keep in mind that puffery can be counsel's best friend.

It may also be wise to review existing and potential insurance policies for coverage of advertising and intellectual property claims. Coverage disputes frequently turn on the meaning of defined terms within the policy such as "advertising injury." [22]

And, taking the offensive, brand owners may find it useful to also view competitors' trademarks through the false advertising lens.

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[1] See, e.g., <https://www.ftc.gov/news-events/blogs/business-blog/2017/12/2017-consumer-protection-year-review>.

[2] See <https://www.ftc.gov/news-events/blogs/business-blog/2017/05/ftc-bounces-claims-independent->

trampoline-review-sites.

[3] See <https://www.ftc.gov/news-events/blogs/business-blog/2017/07/paint-settlements-suggest-caution-broad-brush-voc-safety>.

[4] See <https://www.ftc.gov/news-events/blogs/business-blog/2017/09/ftc-says-company-didnt-have-support-organic-mattress-claims>.

[5] See <https://www.ftc.gov/news-events/blogs/business-blog/2017/11/nextgens-ad-claims-isnt-it-ironic>.

[6] See <https://www.ftc.gov/news-events/blogs/business-blog/2018/01/making-made-usa-claims-hang-your-hat-accuracy>.

[7] 15 U.S.C. § 1064 (providing for cancellation of certification mark registration where the owner "engages in the production or marketing of any goods or services to which the certification mark is applied").

[8] *Becerra v. The Coca-Cola Company*, No. 3:17-cv-05916 (N.D. Cal. Feb. 27, 2018).

[9] *Becerra v. Dr. Pepper Snapple Group Inc.*, 3:17-cv-05921 (N.D. Cal. March 30, 2018).

[10] *In re Monsterops LLC*, Serial Nos. 86295483 and 86295490 (May 15, 2017) [non-precedential].

[11] *Kramer Laboratories, Inc. (The Original Fungi-Nail Toe & Foot Brand)*, NAD Case Report No. 6141 (Dec. 19, 2017); see <http://www.asrcreviews.org/nad-refers-advertising-for-fungi-nail-products-to-ftc-for-further-review-after-company-declines-to-comply-with-nad-recommendations/>.

[12] See, e.g., FTC Policy Statement on Deception, available at https://www.ftc.gov/system/files/documents/public_statements/410531/831014deceptionstmt.pdf.

[13] See, e.g., <https://www.ftc.gov/news-events/blogs/business-blog/2015/12/5-principles-help-keep-your-health-claims-healthy>.

[14] Puffery refers to obviously exaggerated claims that reasonable consumers would not take seriously, e.g., "America's Favorite Pasta." *American Italian Pasta Co. v. New World Pasta Co.*, 371 F.3d 387 (8th Cir. 2004). But context matters. Puffery can be transformed into an actionable claim by the overall context of the ad. See, e.g., *Pizza Hut, Inc. v. Papa John's Int'l Inc.*, 227 F.3d 489 (5th Cir. 2000) ("Better Ingredients ... Better Pizza" slogan was puffery in isolation, but was transformed into actionable claim in context of advertisements touting freshness and superiority of ingredients).

[15] *Nelson v. MillerCoors, LLC*, No. 15-cv-7082, 2017 WL 1403343 (E.D.N.Y. March 31, 2017).

[16] *Kommer v. Ford Motor Co.*, No. 1:17-cv-00296 (N.D.N.Y. July 28, 2017).

[17] *Bimbo Bakeries USA, Inc. v. Sycamore*, No. 13-cv-00749, 2018 WL 1578115 (D. Utah March 29, 2018).

[18] *Singleton v. Fifth Generation, Inc.*, No. 5:15-cv-00474 (N.D.N.Y.).

[19] *In Re: Subway Footlong Sandwich Marketing and Sales Practices Litigation*, No. 2:13-md-02439 (E.D. Wisc.).

[20] *In Re: Subway Footlong Sandwich Marketing and Sales Practices Litigation*, No. 16-1652 (7th Cir. Aug. 25, 2017).

[21] *Killeen v. McDonald's Corp.*, 2018 WL 1695366, No. 17 CV 874 (N.D. Ill. Apr. 6, 2018).

[22] See, e.g., *Vitamin Health, Inc. v. Hartford Casualty Insurance Co.*, No. 15-10071 (E.D.Mich. May 9, 2016) (granting summary judgment to insurer and holding that "advertising injury" covered by the policy included claims relating to slander, libel, or disparagement, but not the false advertising claims at issue).

Debunking the Fashion Industry's 'Three Change' Rule

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As designers move from brand to brand with growing frequency, so does an industry "rule" that is as false as it is prevalent. While it is common practice for designers to look to a variety of sources for "inspiration," the line between legal inspiration and illegal infringement is thin and not a straightforward formula. The reference to "inspiration" is common in, for example, developing fabric designs, ornamentation, marketing materials, promotional campaigns and product configurations. Whether dressed up as the "Three Change Rule," the "Five Change Rule" or the "20% Rule," there simply is no "rule," and any designer who relies on the common misconception that making a set number of changes will circumvent infringement puts their business at risk.

The consequences of potential lawsuits include the risk of business disruption and responsibility for disgorging profits or paying damages, and negative public perception in our increasingly social media-oriented world. Not only will the purchasing public recognize studied changes to another's property, but judicial tribunals will not dispose of infringement claims by counting the number of changes made to the underlying "inspiration."

What Are the Proper Legal Standards?

Trademark and Trade Dress. Proprietary rights are those that belong to its creator, differentiating that creator and creation from others and are protected by law. Several legal theories might protect one or more aspects of an item (simultaneously or alternatively). Brand names, logos or symbols that indicate the source of a product are trademarks. Distinctive design elements that are uniquely associated with a particular brand (i.e., those that have attained "secondary meaning") constitute trade dress. Commonly, the standard trademark rights associated with brand indicia work hand-in-hand with the combination of elements that constitute trade dress. Both are protected under the Lanham Act.

To establish a claim of infringement under the Lanham Act, a plaintiff must establish, first, that its claimed mark is valid, and second, that the defendant's use of the same or a similar mark is "likely to confuse consumers" as to the source, origin, sponsorship or approval of the defendant's products.

The requisite criteria for determining likelihood of confusion was established in *In re E. I. du Pont de Nemours & Co.*, where the U.S. Court of Customs and Patent Appeals weighed the individual factors and cautioned that "[t]here is no litmus rule which can provide a ready guide to all cases." 476 F.2d 1357, 1361 (C.C.P.A. 1973) (emphasis added). Each trademark tribunal has developed a multi-factor test for determining likelihood of confusion. Although the individual factors and the weight accorded each factor varies, the following are key considerations in any likelihood of confusion determination relating to registrability before the Trademark Trial and Appeal Board (TTAB):

- The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression.
- The relatedness of the goods or services as described in the application and registration(s).

The Second Circuit developed the "Polaroid factors," a series of factors set out in the case by which the name was derived in 1961: *Polaroid v. Polarad Elecs.*, 287 F.2d 492 (2d Cir. 1961). The following factors are balanced in evaluating whether use of one mark is likely to be confused with another:

- Strength of the plaintiff's mark.
- Degree of similarity between the marks.
- Proximity of the products.
- Likelihood that the prior owner will bridge the gap and enter the defendant's market.
- Actual confusion.
- Defendant's good faith in adopting the mark.
- Quality of the defendant's product.
- Sophistication of the buyers.

Ultimately, the determinant is whether there is a likelihood of confusion in the mind of an appreciable number of "reasonably prudent" purchasers. Tribunals have developed many definitions of how this purchaser makes his or her selections in the marketplace. The Second Circuit considers the "general impression of the ordinary purchaser, buying under the normally prevalent conditions of the market and giving the attention such purchasers usually give in buying that class of goods." *W.W.W. Pharmaceutical v. Gillette*, 984 F.2d 567, 575, 25 U.S.P.Q. 2d 1593, 1599 (2d Cir. 1993). Interestingly, the fact that buyers of fashion items may be brand conscious and brand loyal can cut both ways. The Second Circuit recognized that just because high-quality designer goods may have sophisticated and brand conscious buyers does not necessarily mean that those people are not likely to be confused by imitations. Rather, these buyers are those who are most likely to notice branding or trade dress embellishments, may spot them in an imitation and incorrectly assume that there is an affiliation or collaboration between the manufacturers. *Coach Leatherware v. Ann Taylor*, 933 F.2d 162, 18 U.S.P.Q. 2d 1907 (2d Cir. 1991).

Balancing likelihood of confusion factors is not a precise science. A prudent evaluation cannot be boiled down to a deliberate number of changes to inspirational source materials. On a technical note, it bears mentioning that causes of actions in each case based on the elements of likelihood of confusion include claims for false designation of origin and false or misleading representations or descriptions of fact under §43(a) of the Lanham Act, as well as passing off, reverse passing off, misappropriation, unfair competition, and unfair trade practices under state common and statutory law. Fashion brands may also assert these causes of action to address the sale of "knock-offs" under circumstances that falsely express or imply that allegedly copied goods are the company's authentic designs.

Copyright. Copyright protects original, creative works fixed in a tangible form. For example, fabric prints may be subject to copyright, as can certain jewelry designs and three dimensional elements incorporated into a product such as a clasp or belt buckle. Copyright protection does not extend to "useful articles," but a feature of the design of a useful article may be eligible for copyright protection if, when identified and imagined apart from the useful article, it would qualify as a pictorial, graphic, or sculptural work on its own or when fixed in some other tangible medium.

The U.S. Copyright Act confers upon a copyright holder the exclusive right to reproduce, distribute, import and publically display the copyrighted work. Assuming that a valid copyright exists, in order to prove infringement, a plaintiff must show: (1) that the defendant copied the plaintiff's protected work, and (2) that the copying was sufficiently extensive that the resulting product is "substantially similar" to the copyrighted work. Substantial similarity is determined under the "ordinary observer" test (just as confusing similarity under the Lanham Act is evaluated by the "ordinary purchaser"), i.e., whether an ordinary reasonable person would conclude that a protectable expression was unlawfully appropriated by taking material of both substance and value.

Apparent variations, however, are usually insufficient to defeat a claim of copyright infringement when the overall visual impressions are essentially the same. In fact, the Second Circuit, after reviewing a "lengthy" list of differences between two sweater patterns, stated: "These differences in detail, while requiring considerable ink to describe, do little to lessen a viewer's overwhelming impression that the [defendant's]

sweaters are appropriations of the [plaintiff's] sweaters." *Knitwaves v. Lollytogs*, 71 F.3d 996, 1004 (2d Cir. 1995) (emphasis added). Ultimately, the court determined that an ordinary observer would find the "total concept and feel" of the sweaters to be overwhelmingly similar. *Id.* Obvious studied changes have been viewed by legal tribunals negatively.

Looking Forward

It is important to grasp the difference between legal inspiration and illegal infringement. As the Second Circuit has noted, "[the] intent to compete by imitating the successful features of another's product is vastly different from the intent to deceive purchasers as to the source of a product." *Streetwise Maps v. VanDam*, 159 F.3d 739, 745, 48 U.S.P.Q. 2d 1503 (2d Cir. 1998). Circumventing this potentially actionable and deceptive intent, however, is not achieved by adhering to a fictional, albeit convenient, "rule" governing proportionate changes.

This "rule" is not based in law. Rather, fashion industry professionals must assess any "likelihood of confusion" or "substantial similarity" rather than focusing on making studied modifications to an inspirational item.

No brand is immune from potential claims. Increased education, careful consideration and specialized legal review will allow brand owners to develop strategies to minimize the threat of infringement actions. We advise clients with a fashion-friendly version of the cardinal rule: If it would bother you, then it would bother someone else. Though fashion may move fast, there is simply no fast "rule" to avoid potential infringement, and in the end, there is no replacement for originality.

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