Advertising Law @ manatt

September 10, 2010

In This Issue

SPECIAL FOCUS:
"How to Win Jury Trials in Trademark and False Advertising Cases": An Interview with Tom Morrison

While many lawsuits involving trademarks, trade dress and false advertising move forward as bench trials, recent court decisions suggest that there are several circumstances where a jury trial is necessary.

To speak to these important developments, Manatt partner Tom Morrison will join The Honorable Paul G. Gardephe (S.D.N.Y) and Paul A. Lee, Special Counsel, Trademarks, Time Inc., in a special lunchtime presentation called "How to Win Jury Trials in Trademark and False Advertising Cases" at Manatt's New York office. This event – co-hosted with the Association of Corporate Counsel (ACC) – will be held on Tuesday, September 21st from 12:30 – 2:00 pm. In advance of this occasion, our newsletter editors checked in with Tom to discuss why this topic is particularly timely for practitioners as well as to hear a bit about his fellow presenters.

Editors: Please tell us about the focus of your event, "How to Win Jury Trials in Trademark and False Advertising Cases." Why is this topic so significant at this time?
Morrison: Historically, most trademark and false advertising cases resulted in bench trials, either at the preliminary injunction or trial on the merits stage. But as injunctions have become harder to obtain in light of the Supreme Court's decision in *e-Bay*, more cases in these two fields are proceeding as damages cases. Companies must therefore be prepared to entrust their fate to a jury, rather than a judge.

Editors: When companies are facing a jury trial in trademark or false advertising cases, what typically is (or should be) their biggest concern?
Morrison: The most important consideration is whether your position in the litigation will resonate with a jury, which will try to do "the right thing." If your position in the litigation lacks jury appeal, you want to settle, but if you cannot achieve a reasonable settlement, you must find an angle that will appeal to a jury.

Editors: Are there instances where companies may prefer to try a case before a jury?
Morrison: Trademark and false advertising cases are good cases to try to a jury. Most jurors can easily relate to the issues involved and find the subject of the trial interesting. So, if you have a good case, you should have no fear of trying it to a jury.

Editors: Who do you expect would benefit most from attending this session?
Morrison: Any corporate counsel who deals with litigation should find this program interesting. But the program should be of particular interest to counsel who deal with trademark and advertising issues.

Editors: We see that you'll be joined by The Honorable Paul Gardephe of the U.S. District Court for the Southern District of New York and Paul Lee, trademarks special counsel for Time Inc. What an impressive lineup! What is it about their combined expertise that you believe will be most valuable to the audience?
Morrison: Judge Gardephe has seen litigation from all three perspectives: as the head of litigation at Time Inc.; as a litigation partner at Patterson Belknap; and now as a federal judge in the Southern District of New York. Mr. Lee is head of trademarks at Time Inc. and brings an in-house perspective to the subject. I am thrilled to be joining Judge Gardephe and Mr. Lee on September 21st. We are looking forward to participating in an informative, engaging session that we believe will provide a number of practical takeaways for our attendees.

For more information, or to register for this event, please click here.

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FTC to Release Green Guides in Coming Weeks

Recent reports suggest that the Federal Trade Commission will release the new Green Guides within the next few weeks – the first guidelines on environmental marketing in the last 12 years.

The Guides for the Use of Environmental Marketing Claims apply to all environmental marketing, with guidance on specific claims such as "ozone safe" and "recycled content." The Guides were originally issued

UPCOMING EVENTS

September 14, 2010
WOMMA's Best Practices in Ethical and Effective WOM and SM Marketing Webinar
Topic: "The Ins and Outs of Proper Disclosure"
Speakers: Tony DiResta
For more information

September 15, 2010
PRSA Pittsburgh Professional Development Day
Topic: "FTC Regulations Affecting Social Media Outreach"
Speakers: Tony DiResta
Pittsburgh, PA
For more information

September 21-23, 2010
2010 ERA D2C Convention
Topic: "Best Practices in Advance-Consent Marketing"
Speaker: Linda Goldstein
Las Vegas, NV
For more information

September 24, 2010
ACI Conference
Topic: "Sweepstakes, Contests, and Promotions"
Speaker: Linda Goldstein
New York, NY
For more information

October 7, 2010
WOMMA's Talkable Brands

in 1992 and updated in 1996 and 1998.

During the process of reviewing the current Guides, the FTC held three workshops focusing on topics that will likely be addressed by the new Guides, including the marketing of carbon offsets and renewable energy certificates; green packaging claims such as "recyclable" and "biodegradable" as well as new terms not currently addressed by the Guides; and environmental claims about textiles, building products, and buildings.

Experts predict that the new Guides will certainly result in increased enforcement and litigation; the FTC has already brought seven actions addressing environmental advertising since President Barack Obama took office. During President George W. Bush's eight years, the agency didn't bring any.

Recent enforcement actions include a warning letter sent to 78 retailers – including Target – cautioning the companies that they could be breaking the law by selling clothing and other textile products labeled and advertised as "bamboo" that were actually made of manufactured rayon fiber.

To read the current FTC Green Guides, click here.

Why it matters: The new Guides could have a dramatic effect on the advertising of environmentally friendly products. The guidelines were set to be released by the end of the summer, and an FTC spokesperson confirmed that the agency is on schedule. Once the regulations are released, they will be published in the *Federal Register* for a public comment period before they become final.

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Literal Falsity Doesn't Result in Permanent Injunction

A federal court judge denied a permanent injunction to Schering-Plough in its suit against Neutrogena alleging that Neutrogena violated the Lanham Act, even though the judge granted partial summary judgment on the grounds that the sunscreen advertisements in question were literally false.

U.S. District Court Judge Sue L. Robinson ruled that Neutrogena's ads were literally false because the company used the term "Helioplex" to describe a system with specific ingredients: avobenzone, diethylhexyl-2,6-napthalate ("DEHN"), and oxybenzone.

Schering-Plough filed suit claiming that the ads violated the Lanham Act because Neutrogena substituted DEHN with a different agent in its Ultra Sheer Dry-Touch Sunblock SPF 100+ sunscreen, and failed to notify consumers of the change in active ingredients while continuing to use the Helioplex mark.

Exchange

Topic: "Legal Rapid Fire Panel with the FTC"

Speaker: Tony DiResta

New York, NY

For more information

October 17-20, 2010

SOCAP International Annual Conference

Topic: "The FTC's Efforts to Regulate Social Media Marketing and Privacy: The Impact on Customer Care Professionals"

Speaker: Tony DiResta

San Francisco, CA

For more information

October 19, 2010

2010 PMA Digital Marketing Summit

Topic: "Legal POV on Social Media Marketing"

Speaker: Linda Goldstein

New York, NY

For more information

November 17-19, 2010

WOMMA Summit 2010: Creating Talkable Brands – Next Practices & Best Practices

Topic: "FTC Regulations and Privacy"

Speaker: Tony DiResta

Las Vegas, NV

For more information

November 18-19, 2010

When Judge Robinson agreed, the company then sought a permanent injunction against Neutrogena. But relying upon the recent U.S. Supreme Court decision *eBay v. MercExhange*, Judge Robinson said the plaintiff was not entitled to a presumption of harm simply because there had been a finding of literal falsity. Instead, the traditional analysis for injunctive relief must still be satisfied – a four-factor test where the plaintiff must show irreparable harm, the inadequacy of legal remedies, that the balance of hardships between the parties requires an injunction, and that the public interest would be served – and Schering-Plough failed to meet its burden, she ruled.

To read the order in *Schering-Plough Healthcare Products, Inc. v. Neutrogena*, click here.

Why it matters: Advertisers should take note that harm cannot be presumed upon a showing of literal falsity. The decision was a victory for Neutrogena, but the company could still face a permanent injunction if Schering-Plough can satisfy the four-factor test.

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FDA Releases Guidance for Menu Labeling

The Food and Drug Administration issued guidance for chain restaurants that must comply with the health care reform law to post the calorie content of their menu items at the point of purchase.

Section 4205 of the Patient Protection and Affordable Health Care Act amended the Food, Drug, and Cosmetic Act to add new labeling requirements for chain restaurants with 20 or more locations doing business under the same name and offering substantially the same menu items. The law applies to menus and menu boards, including drive-through menu boards and self-service food, such as vending machines and salad bars.

Under the law, food retailers must declare the number of calories each standard menu item provides as it is typically prepared, and must present the required calorie information in terms of suggested caloric intake in the context of an overall diet.

The preliminary draft was released August 24 by the Office of Nutrition, Labeling, and Dietary Supplements in the Center for Food Safety and Applied Nutrition at the FDA.

The question-and-answer-style guidance clarifies some issues, noting that Internet and take-out menus are covered under the law if they are used as "the primary writing from which a consumer makes a selection," and defining "custom orders" (an order prepared specifically for an individual customer, such as a Cobb salad without the bacon)

32nd Annual Promotion Marketing Law Conference

Topic/Speaker: "To Tweet or Not to Tweet: How to Stay Current as Technology Changes the Game," Linda Goldstein

Topic/Speaker: "Negative Option/Advance Consent/Affiliate Upsells," Marc Roth

Topic/Speaker: "Children's Marketing," Christopher Cole

Chicago, IL

For more information

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Our Practice

Whether you're a multi-national corporation, an ad agency, a broadcast or cable company, an e-commerce business, or a retailer with Internet-driven promotional strategies, you want a law

which aren't covered under the law. The FDA is still seeking comment on several issues, however.

While the law clearly applies to grocery stores with cafes and food courts, the agency noted that some grocery stores without in-store restaurants may still have "facilities that offer foods that could be consumed immediately or could be purchased as traditional grocery items for future consumption, such as in-store bakeries, salad bars, pizza bars, or delicatessens." The FDA is seeking comment on the types of facilities that should be included for grocery stores as well as convenience stores.

The agency is also seeking comment on whether disclosure of nutrient content information will be required for "variable menu items," such as pizzas prepared based on the toppings listed on the menu.

To read the draft guidance, click here.

Why it matters: In addition to the issues on which the agency is seeking comment, the FDA indicated that it will be making further tweaks to the guidance. It declined to require a succinct statement of suggested daily caloric intake until the final rule is issued. The agency also noted it does not plan to begin enforcement immediately upon the issuance of final guidance. The "industry may need additional guidance from FDA and time to comply with the provisions of section 4205," the FDA noted, and said it plans to refrain from initiating enforcement action. The agency also asked for comments on when the appropriate time period for enforcement after the issuance of final guidance should begin, anticipating issuing final guidance in December 2010.

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Madonna, George Lucas in Trademark Suits

Two new trademark infringement suits were recently filed involving celebrities.

Clothing company L.A. Triumph filed suit against Madonna and her recently launched Material Girl brand fashion line, arguing that her use of the "Material Girl" mark infringed its registered trademark and that consumer confusion has already occurred.

In the second suit, George Lucas's Lucasfilm alleged that software maker Jedi Mind, Inc., was illegally using the "Jedi" marks to sell a wireless headset that claims it can detect brain waves to allow users to run software or play games using their thoughts.

In California federal court, L.A. Triumph claims that it began selling a "Material Girl" line of clothes for teens in nationwide department stores in 1997, while Madonna's line – which her 13-year-old daughter, Lourdes, helped produce – just launched in August. The company even

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filed a trademark registration with the state of California, according to the complaint. L.A. Triumph is seeking a declaration that it has senior rights to the "Material Girl" mark as well as actual damages and any profits attributable to Madonna's use of the mark.

In the second suit, *Star Wars* mastermind George Lucas challenged a company that attempted to sell software that allegedly allowed users to control their computers with their thoughts. Lucasfilm Ltd. filed suit in early August against Jedi Mind, Inc., a company that offers "computer applications, controlled by a wireless technology which is in turn controlled directly by the user's mind, without the need for a joystick, Wii or other physically manipulated control device," according to the complaint.

Noting that the Jedi mark has been "known globally for almost 35 years as a reference to the powerful, knowledgeable, brave and (usually) good-hearted science fiction warriors known as Jedi knights," Lucasfilm sought $5 million and treble damages for trademark infringement.

Despite Lucasfilm sending two cease and desist letters, Jedi Mind, Inc., began offering three products for sale in July: "Master Mind," "Jedi Mouse," and "Think Tac Toe."

The Force was apparently with Lucasfilm, which already received a permanent injunction against Jedi Mind, preventing it from using any of the production company's trademarks – including Jedi, The Force, and Jedi Mind Trick – and mandating that it change the name of the company and its products. Further, U.S. District Court Judge Charles R. Breyer ordered existing infringing materials to be destroyed, possession of the company's domain name turned over to Lucas, and that the defendants pay $250,000 in damages.

To read the complaint in *L.A. Triumph v. Madonna*, click here.

To read the injunction in *Lucasfilm v. Jedi Mind, Inc.*, click here.

Why it matters: The lawsuits are a reminder that celebrities with intellectual property rights can find themselves on either side of the bar.

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