

Your Trademark Could Be A False Advertisement

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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:

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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.

- 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
- 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

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.).

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

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).

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.

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).