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When Your Trademark Is A False Advertisement

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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.

"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

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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").

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

[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 …

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 though 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

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.).

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.

[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).