

ACI's 4th Advanced Forum on Resolving & Litigating Advertising Disputes

March 12-13, 2015

Navigating the Lanham Act Litigation Frontier-- Determining When To Bring Claims: Fighting For An Injunction; Obtaining Proper Relief

John Froemming

Partner

Jones Day

Chris Cole

Partner

Crowell & Moring

Tweeting about this conference?

#ACIAdDisputes



Threshold Considerations

- Standing post-*Lexmark*
- Potential PR fallout
- Effect of any delay in bringing suit
- Planning out what evidence will be necessary
- Determining where to file
- Whether to seek a PI





#ACIAdDisputes



Statutory standing post-*Lexmark*

- Plaintiff must be within the “zone of interest” protected by the Lanham Act
- Injury to a “commercial interest in reputation or sales”



Statutory standing post-*Lexmark*

- Plaintiff must also show proximate cause
 - Economic or reputational injury flowing directly from the deception “occurs when deception of consumers causes them to withhold trade from the plaintiff”
 - “showing is generally not made when the deception produces injuries to a fellow commercial actor that in turn affect the plaintiff”





#ACIAdDisputes



Effect of any delay in bringing suit

- Rules of thumb:
 - Second Circuit: 3 months
 - Elsewhere: 6 months
- Exceptions:
 - Additional time to test
 - Public health risks
 - Previous administrative proceedings
 - Escalation



Determining Where To File

- Literal falsity implies materiality in 5th but not in the 1st, 2d or 11th Circuits
- SDNY still presumes or readily draws inferences of likely harm from false comparative advertising
- On likelihood of irreparable harm, 9th Cir. has been the toughest; 5th, 2d have been easier



What constitutes proof of irreparable harm?

- False or misleading comparative advertising
- Proof that consumers are in fact being misled
- Proof consumers would stop purchasing plaintiff's product if they formed mistaken belief



Stringency of Irreparable Harm Test in Lanham Act Cases

Circuit	Stringency Scale (1=least; 5=most)
1	3
2	3
3	4
4	2-3
5	1
6	2
7	2
8	2-3
9	5
10	3
11	3-4
DC	3

#ACIAdDisputes



Relief

- Banning the challenged advertising
- Corrective advertising
- Product recalls
- Monetary recovery
- Attorney's fees



Recent Decisions In Which Plaintiff Won

- Literally false comparative advertising where harm is impossible to quantify (*Groupe SEB US*, 3d Cir.)
- Blurring distinctions among parties' products through a comparison chart, asserting inferiority and lack of a feature which exists (*Homeland Housewares*, CD Cal.)



Other Recent Cases

- Agreement to refrain from making the challenged representations does not eliminate likelihood of irreparable harm (*Arborjet*)
- Continued misleading posts, and actual confusion (*Lichtenberg*) or customers doing business with defendant due to false reviews (*Am. Bullion*)



But....



#ACIAdDisputes



Corrective Advertising

- Mandatory injunctions involve a heavier burden
- But some courts have ordered where conduct is extreme
 - E.g., splash screen correction of false or misleading advertising on the Internet
 - Literally false comparative assertions of safety hazard



Product Recalls

- Substantial risk of danger to the public
- Risk of confusion to public and injury to plaintiff greater than burden of recall
- Degree of willfulness



Monetary Recovery

- Disgorgement of defendant's ill-gotten gain
- Plaintiff's lost profits
- Plaintiff's corrective advertising expenditures



Attorney's Fees

- Ltd to “exceptional” cases
- Traditional rule: Willfulness
- *Octane Fitness* (S.Ct. 2014):
exceptional case is one that stands out from others with respect to the substantive strength of a party’s litigating position, or the unreasonable manner in which the case was litigated



Merck Eprova v. Brookstone

- *Trebled damages*: “the ‘intangible benefits’ that accrued to Acella as a result of its Lanham Act violations are thus not fully reflected in a calculation of Merck's damages, the Court will treble the lost profits damages award.”
- *Attorneys fees*: “Acella's false advertising was willful and done in bad faith, as demonstrated by Acella's deliberate deception of the public . . . Moreover, Acella's defense — premised as it was on a post hoc rationalization of its willfully infringing conduct — smacked of disdain for this Court.”



Potential Impact of S.Ct.'s Decision in *POM Wonderful v. Coca-Cola*

- Scope of potential competitor litigants expanded?
- Impact on other industries?
- Intersection of FDA labeling requirements, Lanham Act litigation, and consumer class actions?





POM Wonderful: Expansion of Competitor Litigants?

- Products for which FDA does not pre-clear, or pre-approve labeling
- Could implicate other regulated industries with similar labeling req'ts (*Toddy Gear v. Navarre*)
- Drug advertising (but not labeling)



Good luck in your advertising
litigation!

jfroemming@jonesday.com

ccole@crowell.com

[#ACIAdDisputes](https://twitter.com/ACIAdDisputes)

