I. INTRODUCTION

False advertising is prohibited by federal statute. The Lanham Act § 43(a), as amended in 1989, provides:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities, . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.


Claims for false advertising under the Lanham Act § 43(a) may be brought in either federal or state court. 28 U.S.C. § 1338(a). Because the vast majority of false advertising cases are brought in federal court, state courts generally look to federal case law for guidance regarding the interpretation of Lanham Act § 43(a).

False advertising may also be actionable under state law to the extent that it violates a specific state statute or amounts to fraud or unfair competition. Note that some states have statutes and regulations prohibiting untrue, deceptive or misleading advertising, which are enforced by the Attorney General and do not provide a private right of action for damages. In order to assert a false advertising claim under some state statutes for unfair competition, in addition to proving the elements of false advertising under Lanham Act § 43(a), a plaintiff may also have to prove that the defendant knew or should have known that its statement was false or misleading. People ex. rel. Bill Lockyer v. Freemont Life Ins. Co., 128 Cal. Rptr. 2d 463, 467-68 (Cal. Ct. App. 2002) (addressing claims for deceptive marketing techniques under California Bus. and Prof. Code 17500); Gillette Co. v. Norelco Consumer
II. ELEMENTS OF FALSE ADVERTISING

In order to prevail on a false advertising claim under the Lanham Act, a plaintiff must prove:

1. The defendant made a false or misleading statement in a commercial advertisement about its own or the plaintiff’s product;
2. The deception is material (i.e., it is likely to influence the purchasing decision);
3. The statement actually deceives or has the tendency to deceive a substantial segment of its audience;
4. The defendant placed the statement into interstate commerce; and
5. The plaintiff has been or is likely to be injured as a result of the statement, either by direct diversion of sales to the defendant or by a lessening of goodwill associated with the plaintiff’s products.


In some circuits, the order of the second and third elements is reversed, but the test is otherwise identical. United Indus. Corp. v. Clorox Co., 140 F.3d 1175, 1180 (8th Cir. 1998); Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, 1139 (9th Cir. 1997); Johnson & Johnson-Merck Consumer Pharm. Co. v. Rhone-Poulenc Rorer Pharm., Inc., 19 F.3d 125, 129 (3d Cir. 1994).

A. False or misleading statements

In order to prevail on the first prong of the false advertising test, a plaintiff must demonstrate that the defendant’s statement was either literally false, or literally true or ambiguous but likely to mislead or confuse consumers. Time Warner Cable, Inc. v. DIRECTV, Inc., 497 F.3d 144, 153 (2d Cir. 2007); Scotts Co. v. United Indus. Corp., 315 F.3d 264, 272-73 (4th Cir. 2002); Cashmere & Camel Hair Mfg. Inst. v. Saks Fifth Ave., 284 F.3d 302, 311 (1st Cir. 2002), cert. denied, 537 U.S. 1001 (2002); Am. Council of Certified Podiatric Physicians & Surgeons v. Am. Bd. of Podiatric Surgery, Inc., 185 F.3d 606, 614 (6th Cir. 1999); United Indus. Corp. v. Clorox Co., 140 F.3d 1175, 1180 (8th Cir. 1998); Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, 1139 (9th Cir. 1997); BASF Corp. v. Old World Trading Co., 41 F.3d 1081, 1088-89 (7th Cir. 1994); Johnson & Johnson-Merck Consumer Pharm. Co. v. Rhone-Poulenc Rorer Pharm., Inc., 19 F.3d 125, 129 (3d Cir. 1994).

A statement can be literally false either on its face or by necessary implication. A statement is false by necessary implication if, when considered in the context in which it is presented, it implies a false message which would be recognized by the audience as readily as if it had been explicitly stated. Time Warner Cable, Inc. v. DIRECTV, Inc., 497 F.3d 144, 153, 158 (2d Cir. 2007); Scotts Co. v. United Indus. Corp., 315 F.3d 264, 274 (4th Cir. 2002); Cashmere & Camel Hair Mfg. Inst. v. Saks Fifth Ave., 284 F.3d 302, 315 (1st Cir. 2002), cert. denied, 537 U.S. 1001 (2002).

Some courts refer to statements that are literally true but likely to mislead and confuse consumers as “impliedly false” or “implicitly false.” Despite the closeness of the terminology, such statements must be distinguished from statements that are literally false by necessary implication. Cashmere & Camel Hair Mfg. Inst. v. Saks Fifth Ave., 284 F.3d 302, 315 (1st Cir. 2002), cert. denied, 537 U.S. 1001.
(2002) (explaining distinction); *Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 274 (4th Cir. 2002); *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997).

If the statement can reasonably be interpreted in more than one way, and one of those ways is not literally false, then the statement cannot be literally false. *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 158 (2d Cir. 2007); *Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 275-76 (4th Cir. 2002); *Clorox Co. Puerto Rico v. Proctor & Gamble Commercial Co.*, 228 F.3d 24, 35 (1st Cir. 2000).

Although a statement may be found false or misleading by implication, the greater the degree to which the consumer is required to integrate the components of the advertisement in order to draw the false conclusion, the less likely it is that falsity will be found. *Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 274 (4th Cir. 2002); *Clorox Co. Puerto Rico v. Proctor & Gamble Commercial Co.*, 228 F.3d 24, 35 (1st Cir. 2000); *United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1181 (8th Cir. 1998).

Visual images as well as words can be false or misleading under Lanham Act § 43(a). *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 159 (2d Cir. 2007); *United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1180-81 (8th Cir. 1998).

**B. Commercial advertising or promotion**

By its express terms, Lanham Act § 43(a)(1)(B) applies only to “commercial advertising or promotion.” When confronted with statements that appear in forms other than traditional advertisements, some courts have applied a four-part test to determine whether a statement constitutes commercial advertising or promotion. The statement must be:

1. Commercial speech;
2. By a defendant who is in commercial competition with plaintiff;
3. For the purpose of influencing consumers to buy defendant’s goods or services; and
4. Disseminated sufficiently to the relevant purchasing public to constitute “advertising” or “promotion” within the industry, regardless of whether the representations are made in a “classic advertising campaign” or more informal types of “promotion.”

*Podiatrist Assoc., Inc. v. La Cruz Azul de Puerto Rico, Inc.*, 332 F.3d 6, 19 (1st Cir. 2003) (noting that “this test bears the imprimatur of several respected circuits”); *Seven Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1384 (5th Cir. 1996) (finding sales presentations to constitute commercial advertising or promotion); *but see First Health Group Corp. v. BCE Emergis Corp.*, 269 F.3d 800, 803 (7th Cir. 2001) (expressing doubts as to test).

If the statement is not conveyed to the purchaser prior to the actual purchase, it will not constitute “advertising or promotion” within the meaning of the statute. *Brown v. Armstrong*, 957 F. Supp. 1293, 1302 (D. Mass. 1997), *aff’d* 129 F.3d 1252 (1st Cir. 1997) (statements contained in videotape products were not advertising or promotion); *Gillette Co. v. Norelco Consumer Prods., Co.*, 946 F. Supp. 115, 134-35 (D. Mass. 1996) (statements contained in product package inserts were not advertising or promotion); *Marcyan v. Nissen Corp.*, 578 F. Supp. 485, 506-07 (N.D. Ind. 1982) (user manual did not constitute advertising).
C. Establishment claims

An “establishment” claim is a statement claiming that tests or studies prove a certain fact. In order to prove that an establishment claim is false or likely to mislead, the plaintiff may show that either (1) the defendant’s tests were not sufficiently reliable to conclude with reasonable certainty that they support the claim; or (2) the defendant’s tests, even if reliable, did not support the proposition asserted by the defendant. *United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1181-82 (8th Cir. 1998); *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997); *BASF Corp. v. Old World Trading Co.*, 41 F.3d 1081, 1090 (7th Cir. 1994).

D. Proof of consumer reaction


If the statement is literally true but likely to mislead and confuse consumers, the plaintiff must present evidence that consumers were actually misled or confused. *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 153 (2d Cir. 2007); *Cashmere & Camel Hair Mfg. Inst. v. Saks Fifth Ave.*, 284 F.3d 302, 311 (1st Cir. 2002), cert. denied, 537 U.S. 1001 (2002); *Am. Council of Certified Podiatric Physicians & Surgeons v. Am. Bd. of Podiatric Surgery, Inc.*, 185 F.3d 606, 614 (6th Cir. 1999).

As a general rule, the plaintiff must show how consumers actually reacted, as opposed to how they could have reacted, to the statement. Evidence of consumer reaction is most often presented through consumer surveys. *Clorox Co. Puerto Rico v. Proctor & Gamble Commercial Co.*, 228 F.3d 24, 33, 36 (1st Cir. 2000); *Am. Council of Certified Podiatric Physicians & Surgeons v. Am. Bd. of Podiatric Surgery, Inc.*, 185 F.3d 606, 616 (6th Cir. 1999); *Johnson & Johnson-Merck Consumer Pharm. Co. v. Rhone-Poulenc Rorer Pharm., Inc.*, 19 F.3d 125, 129-30 (3d Cir. 1994).

If the defendant made the accused statements in bad faith or with intent to harm the plaintiff, many courts will not require evidence of consumer reaction and will instead apply a presumption that consumers have been misled. *Cashmere & Camel Hair Mfg. Inst. v. Saks Fifth Ave.*, 284 F.3d 302, 316 (1st Cir. 2002), cert. denied, 537 U.S. 1001 (2002); *Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 281 (4th Cir. 2002); *United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1183 (8th Cir. 1998).

Courts often do not require survey evidence at the preliminary injunction stage, if there is other evidence that consumers have been misled. *Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 276 (4th Cir. 2002); *United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1183 (8th Cir. 1998).
III. USE OF SURVEYS TO ESTABLISH CONSUMER REACTION

A. Purpose of surveys

As discussed above, if the statement at issue is literally true, but in context has a tendency to mislead or deceive the public, the plaintiff must present evidence that a substantial proportion of consumers were actually misled. This is often done through consumer surveys.

A properly conducted consumer survey may yield a certain level of “deception” which, if favorable to its case, can be used by the plaintiff to establish that the defendant’s message has deceived consumers. Courts have found rates as low as 15% to be sufficient to establish consumer deception. *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm. Co.*, 290 F.3d 578, 594 (3d Cir. 2002) (15% rate sufficient to establish actual deception or at least a tendency to deceive substantial portion of intended audience; and noting that the Second Circuit has even found that a 7.5% rate of confusion could suffice); *Johnson & Johnson-Merck Consumer Pharm. Co. v. Rhone-Poulenc Rorer Pharm., Inc.*, 19 F.3d 125, 133-34 (3d Cir. 1994) (7.5% rate not sufficient to show that a substantial portion of the intended audience was deceived); *Merisant Co. v. McNeil Nutritionals, LLC*, 515 F. Supp. 509, 526 (E.D. Pa. 2007) (noting that courts have accepted levels of 15%-20% as sufficient to establish deception); *JTH Tax, Inc. v. H & R Block E. Tax Servs., Inc.*, 128 F. Supp. 2d 926, 938-39 (E.D. Va. 2001) (22% deception rate was substantial and sufficient).

B. Admissibility of surveys

Surveys in false advertising cases are generally given evidentiary weight so long as they are properly designed and are conducted in a fair and objective manner in accordance with generally accepted survey principles, such as by using filter questions to screen out consumers who did not receive any message from the advertisement and therefore distort the results, and avoiding the use of leading or suggestive questions. *McNeil-PPC, Inc. v. Pfizer Inc.*, 351 F. Supp. 2d 226, 249 (S.D.N.Y. 2005); *CKE Rest. v. Jack In The Box, Inc.*, 494 F. Supp. 2d 1139, 1144 (C.D. Cal. 2007); see also *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1143 n.8 (9th Cir. 1997) (survey evidence admissible as long as it is conducted according to accepted principles).

Courts often turn to the Federal Judicial Center’s *Manual For Complex Litigation* for guidance on proper survey methodology for purposes of determining admissibility and weight. *Schering Corp. v. Pfizer Inc.*, 189 F.3d 218, 224-25 (2d Cir. 1999). According to the *Manual*, factors used to determine if a survey meets generally recognized statistical standards include whether the “universe” was properly defined, whether a representative sampling of that universe was selected, whether the data gathered were accurately reported and analyzed in accordance with accepted statistical principles, whether the survey questions were clear and not leading, whether the survey was conducted by qualified people who followed accepted interview procedures, and whether objectivity was ensured throughout the process. *Manual For Complex Litigation, Fourth* § 11.493.

An improperly designed or executed survey may be given little or no weight, as outlined in the cases discussed below. While technical deficiencies ordinarily go to a survey’s weight and not admissibility, a survey may be so flawed that it should be completely excluded under Federal Rule of Evidence 702 and the principles set forth in *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579 (1993), and *Kumho Tire Co. Ltd. v. Carmichael*, 526 U.S. 137 (1999). *AstraZeneca LP v. TAP Pharm. Prods. Inc.*, 444 F.
Supp. 2d 278, 293 (D. Del. 2006) (excluding false advertising survey under Rule 702 due to flaws in question design).

C. Survey design and administration

A false advertising survey should be designed to replicate true marketplace conditions and the manner in which a consumer would actually encounter the defendant’s advertising message. This may require that respondents be shown the entirety—and not merely a portion—of the defendant’s advertisement or product packaging at issue. Scotts Co. v. United Indus. Corp., 315 F.3d 264, 280 (4th Cir. 2002) (stimulus comprised of defendant’s product packaging folded up to reveal only an isolated portion of what the consumer would encounter in the marketplace weakened survey’s relevance and credibility). In certain situations it may be appropriate or even necessary to allow the respondent to continue to see the stimulus for the duration of the survey. Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm. Co., 129 F. Supp. 2d 351, 364 (D.N.J. 2000) (rejecting defendant’s argument that plaintiff’s survey was flawed because the product was left out during the entire interview, as such method actually replicated the actual marketplace conditions).

A survey expert will frequently utilize a “control” to account for extraneous factors (or “noise”) that may affect the results of the survey. In the context of a false advertising survey to test consumers’ reaction to a particular message, the control provides a measure of the degree to which a respondent is likely to give an answer not as a result of the allegedly deceptive message, but because of other factors such as prior knowledge or a pre-existing belief about what the advertisement is trying to communicate. The control is designed to identify the percentage of respondents who would have perceived a deceptive message irrespective of the accused statement. When a control is used, the rate of deception generated by the control “cell” will be subtracted from the rate of deception generated by the test cell, to determine the net rate of deception. Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P., 292 F. Supp. 2d 594, 601 (D.N.J. 2003); Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm. Co., 129 F. Supp. 2d 351, 365 n.10 (D.N.J. 2000).

McNeil-PPC, Inc. v. Pfizer Inc., 351 F. Supp. 2d 226, 249 (S.D.N.Y. 2005), provides a useful discussion of a control. The plaintiff’s survey showed that 50% of consumers shown the defendant’s advertisement took away the message that you could use defendant’s product as a substitute for dental floss. The plaintiff’s control showed that 19% of consumers who did not recall seeing defendant’s advertisement at issue had a pre-existing belief that defendant’s product could be used as a substitute for dental floss. The net rate of consumers who took the accused message away from defendant’s advertisement, therefore, was 31%.

The failure to utilize an appropriate control can lead to a finding that the survey is unreliable and entitled to little or no weight. McNeil-PPC, Inc. v. Pfizer Inc., 351 F. Supp. 2d 226, 253 n.21 (S.D.N.Y. 2005) (rejecting defendant’s expert’s opinion based in part on a survey utilizing a control found to be ineffective for conveying a similar message to that being tested by the main test cell); Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P., 292 F. Supp. 2d 594, 601 (D.N.J. 2003) (discrediting plaintiff’s survey for not adequately controlling for consumers’ pre-existing beliefs, and noting that survey experts often create new advertisements or alter existing ones to develop an appropriate control).
Courts are fairly consistent in their view that a well-designed false advertising survey should first ask “communication” questions to determine what messages the respondents received from the advertisement. Such questions are designed to separate or “filter” out those respondents who received a message from the ad from those respondents who received no message at all. The survey will then ask those respondents who did receive a message from the advertisement “comprehension” questions to determine what message was received or what they thought the message meant. *Johnson & Johnson-Merck Consumer Pharm. Co. v. Rhone-Poulenc Rorer Pharm., Inc.*, 19 F.3d 125, 134-35 (3d Cir. 1994); *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm. Co.*, 129 F. Supp. 2d 351, 364 (D.N.J. 2000).

The format of the questions that are asked to test the message received by the consumer is also critical to a survey’s probative value. Courts generally favor open-ended questions that permit respondents to indicate, without any influence from the interviewer, what message(s) they received from the advertisement at issue. The use of leading and suggestive questions, on the other hand, could negatively affect the weight given to the survey. *Johnson & Johnson-Merck Consumer Pharm. Co. v. Rhone-Poulenc Rorer Pharm., Inc.*, 19 F.3d 125, 134-35 (3d Cir. 1994) (plaintiff’s survey was flawed in part due to the use of leading “comprehension” questions to test the messages received by consumers); *CKE Rest. v. Jack In The Box, Inc.*, 494 F. Supp. 2d 1139, 1144-45 (C.D. Cal. 2007) (plaintiff’s survey questions were leading and suggestive, and did not permit respondents to articulate their own impressions of the commercials, resulting in biased results).

The order in which respondents are asked questions may also be critical to a determination of whether the survey was conducted in an objective manner. *McNeil-PPC, Inc. v. Pfizer Inc.*, 351 F. Supp. 2d 226, 253 n.21 (S.D.N.Y. 2005) (survey was poorly designed where questions were asked before respondents were even shown the commercial at issue, so that they were “clued” in on the subject matter of the test before seeing the advertisement).

Closed-ended questions might be appropriate in certain situations, such as where the messages involve “secondary, complex, and implicitly comparative claims.” When using closed-ended questions, however, steps must be taken to minimize bias, such as rotating the questions to reduce order bias and providing the respondents with the option of answering “don’t know” or “no opinion” as part of a set of response options. *Procter & Gamble Pharm., Inc. v. Hoffman-La Roche Inc.*, 06-0034, 2006 WL 2588002, at *22-23 (S.D.N.Y. Sept. 6, 2006) (noting that closed-ended questions may at times be appropriate, provided that mechanisms are used to minimize bias); *Millennium Import Co. v. Sidney Frank Importing Co.*, 72 U.S.P.Q.2d 1661, 1668 (D. Minn. 2004) (closed-ended questions were not unacceptably leading where they were asked only after respondents provided certain answers to “filter” questions).

Finally, the survey’s questions must be clear and unambiguous. *Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 280 (4th Cir. 2002) (plaintiff’s critical survey question suffered from the same ambiguity as the message that was allegedly conveyed by defendant’s product packaging; survey did not establish deception).
D. Advantages and disadvantages of doing a survey

Consumer surveys can be costly, and may not always yield the desired results. And a survey must be designed and implemented with a very careful eye towards how the opponent will likely criticize its methodology and results. Frequently, an opponent will retain its own survey expert either to rebut the other side’s survey, or to conduct a separate survey producing different results, resulting in what Professor McCarthy refers to as a “battle of experts.” 6 J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition*, § 32.158 (4th ed. 2008).

On the other hand, the failure to conduct a survey may preclude relief for a plaintiff relying on a claim that the defendant’s statement, while not literally false, is likely to mislead consumers. *Diamond Triumph Auto Glass, Inc. v. Safelite Glass Corp.*, 441 F. Supp. 2d 695, 708-11 (M.D. Pa. 2006) (expert’s opinion on the message consumers received from defendant’s statements without a conducting survey, together with one single incident of actual confusion, was insufficient to establish how consumers actually reacted to the statements); *Malaco Leaf, AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355, 379 (S.D.N.Y. 2003) (granting summary judgment for defendant on false advertising claim based on implied falsity where plaintiff failed to present a survey or other evidence on consumer deception); *Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 280 (4th Cir. 2002) (focus groups were an unreliable means of establishing whether defendant’s advertisement conveys misleading message because they were conducted in a manner that lacked objectivity).

E. Examples of statements found deceptive through survey evidence

<table>
<thead>
<tr>
<th>Case Name</th>
<th>Statement Found Deceptive</th>
<th>Message Conveyed</th>
<th>Rate of Deception</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>McNeil-PPC, Inc. v. Pfizer Inc.</em>, 351 F. Supp. 2d 226 (S.D.N.Y. 2005)</td>
<td>“Listerine is as effective as floss at fighting plaque and gingivitis” (and others)</td>
<td>You can replace floss with Listerine</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>“Now clinically proven as effective as floss” (with the wording “against plaque and gingivitis between the teeth” in smaller type)</td>
<td></td>
<td>26%</td>
</tr>
<tr>
<td><em>JTH Tax, Inc. v. H &amp; R Block E. Tax Servs., Inc.</em>, 128 F. Supp. 2d 926 (E.D. Va. 2001)</td>
<td>“Spend more quality time with your refund” (with fine print stating “Refund anticipation advance subject to qualification…”)</td>
<td>No indication that it is actually a loan</td>
<td>22%</td>
</tr>
<tr>
<td></td>
<td>“Get your refund amount in as little as 1 day – No additional charge”</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
F. Other uses for surveys – materiality

A plaintiff may also design and use survey results to establish other elements of the false advertising claim, such as whether the deception is material to the purchasing decision. Southland Sod Farms v. Stover Seed Co., 108 F. 3d 1134, 1142 (9th Cir. 1997) (survey was probative on ultimate question of whether consumers were materially deceived by defendant’s advertisement); Millennium Import Co. v. Sidney Frank Importing Co., 72 U.S.P.Q. 2d 1661, 1668 (D. Minn. 2004) (survey question asking whether the placement of a particular brand on a list of brands in the advertisement would affect or not affect the respondents’ likelihood to purchase that particular brand could be used to establish materiality element of false advertising claim); JTH Tax, Inc. v. H & R Block E. Tax Servs., Inc., 128 F. Supp. 2d 926, 938-39 (E.D. Va. 2001) (clear inference from the survey evidence was that the advertisement would be more effective in impacting consumer purchasing decision by using the deceptive phrase “refund amount” instead of “loan” to refer to defendant’s service); but see In re Century 21-Re/Max Real Estate Advertising Claims Litigation, 882 F. Supp. 915, 924 (C.D. Cal. 1994) (survey shows that, at best, the advertisement as a whole affects purchasing decisions, but not whether the accused language itself is material).

IV. DAMAGES AND REMEDIES FOR FALSE ADVERTISING

A. Damages Available

In order to obtain an injunction against false advertising in violation of Lanham Act § 43(a), the plaintiff must demonstrate that he or she “is likely to be damaged by such [advertising].” 15 U.S.C. § 1125(a)(1). Thus, evidence of specific harm is not necessary to obtain an injunction. Cashmere & Camel Hair Mfg. Inst. v. Saks Fifth Ave., 284 F.3d 302, 311 (1st Cir. 2002), cert. denied, 537 U.S. 1001 (2002); Am. Council of Certified Podiatric Physicians & Surgeons v. Am. Bd. of Podiatric Surgery, Inc., 185 F.3d 606, 618 (6th Cir. 1999); Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, 1145-46 (9th Cir. 1997).

In order to recover damages, unless a presumption applies, a plaintiff must show that customers were actually deceived by the false advertising and that the plaintiff was harmed as a result. Some courts presume harm where liability is based on literally false statements, false comparative advertising, or

The types of damages available for false advertising include recovery of lost profits, disgorgement of the defendant’s wrongful profits, compensation for injury to the plaintiff’s reputation, and compensation for any corrective advertising necessary to counter the false statements in the marketplace. *BASF Corp. v. Old World Trading Co. Inc.*, 41 F.3d 1081, 1092-95 (7th Cir. 1994) (affirming district court’s award of $2.5 million in lost profits based on market share analysis); *U-Haul Int’l Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1041 (9th Cir. 1986) (upholding district court’s award for plaintiff’s corrective advertising expenses); *Castrol, Inc. v. Pennzoil Quaker State Co.*, 169 F. Supp. 2d 332, 343 (D.N.J. 2001) (finding that disgorgement of profits would be a permissible remedy for false advertising when defendant’s conduct was intentional and willful).

**B. Damages Awards and Industry Trends**

A search of reported opinions in which false advertising damages were awarded during the last ten years revealed twelve cases. A total of about $28.8 million in damages were awarded, with an average award of about $2.4 million and a median award of about $523,000. These awards included damages recoveries of lost profits, defendant’s profits and corrective advertising. In certain of these cases, additional amounts were awarded for prejudgment interest, attorney’s fees, and/or other costs but have not been included in the following charts. The chart below summarizes false advertising damages awarded by type of recovery:

<table>
<thead>
<tr>
<th></th>
<th>Plaintiff’s Lost Profits</th>
<th>Defendant’s Profits</th>
<th>Corrective Advertising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Damages</td>
<td>$24,778,695</td>
<td>$3,471,905</td>
<td>$555,061</td>
<td>$28,805,661</td>
</tr>
<tr>
<td>Percent of Total</td>
<td>86%</td>
<td>12%</td>
<td>2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

1 A search was performed of reported opinions in both federal and state courts where damages were awarded for false advertising for the period 1999 through 2008. The search only revealed damages awarded in federal court cases.
The following chart summarizes the false advertising damages awarded by year from 1999 through 2008:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Cases</th>
<th>Plaintiff’s Lost Profits</th>
<th>Defendant’s Profits</th>
<th>Corrective Advertising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total 1999 Damages</td>
<td>1</td>
<td>n/a</td>
<td>$52,000</td>
<td>n/a</td>
<td>$52,000</td>
</tr>
<tr>
<td>Total 2000 Damages</td>
<td>1</td>
<td>$2,500,000</td>
<td>n/a</td>
<td>n/a</td>
<td>$2,500,000</td>
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<tr>
<td>Total 2003 Damages</td>
<td>1</td>
<td>n/a</td>
<td>$63,774</td>
<td>n/a</td>
<td>$63,774</td>
</tr>
<tr>
<td>Total 2004 Damages</td>
<td>1</td>
<td>$2,960,000</td>
<td>n/a</td>
<td>n/a</td>
<td>$2,960,000</td>
</tr>
<tr>
<td>Total 2005 Damages</td>
<td>2</td>
<td>$2,898,438</td>
<td>$3,001,000</td>
<td>n/a</td>
<td>$5,899,438</td>
</tr>
<tr>
<td>Total 2006 Damages</td>
<td>1</td>
<td>$15,643,309</td>
<td>n/a</td>
<td>$555,061</td>
<td>$16,198,370</td>
</tr>
<tr>
<td>Total 2007 Damages</td>
<td>2</td>
<td>$2,500</td>
<td>$45,000</td>
<td>n/a</td>
<td>$47,500</td>
</tr>
<tr>
<td>Total 2008 Damages</td>
<td>3</td>
<td>$774,448</td>
<td>$310,131</td>
<td>n/a</td>
<td>$1,084,579</td>
</tr>
<tr>
<td>Total Damages – 1999 to 2008</td>
<td>12</td>
<td>$24,778,695</td>
<td>$3,471,905</td>
<td>$555,061</td>
<td>$28,805,661</td>
</tr>
</tbody>
</table>

Of the cases where false advertising damages were awarded, one-fourth were decided by a jury and three-fourths were decided by the bench. The following chart breaks down the amount of damages awarded by the bench or jury:

<table>
<thead>
<tr>
<th></th>
<th>Plaintiff’s Lost Profits</th>
<th>Defendant’s Profits</th>
<th>Corrective Advertising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bench</td>
<td>$19,318,695</td>
<td>$3,426,905</td>
<td>$555,061</td>
<td>$23,300,661</td>
</tr>
<tr>
<td>Jury</td>
<td>$5,460,000</td>
<td>$45,000</td>
<td>n/a</td>
<td>$5,505,000</td>
</tr>
<tr>
<td>Total Damages</td>
<td>$24,778,695</td>
<td>$3,471,905</td>
<td>$555,061</td>
<td>$28,805,661</td>
</tr>
</tbody>
</table>

Nearly 90% of the damages amounts awarded were decisions by the bench.

---


These cases were decided in several different federal judicial circuits. The following chart summarizes the damages awarded by Circuit. The Second Circuit, which includes New York, Connecticut and Vermont, has decided the most false advertising cases where damages were awarded (41%), but accounts for a disproportionately lower amount of total damages.

<table>
<thead>
<tr>
<th>Circuit</th>
<th>Number of Cases</th>
<th>Bench Cases</th>
<th>Jury Cases</th>
<th>Plaintiff’s Lost Profits</th>
<th>Defendant’s Profits</th>
<th>Corrective Advertising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>n/a</td>
<td>$15,643,309</td>
<td>n/a</td>
<td>$555,061</td>
<td>$16,198,370</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>$6,234,448</td>
<td>$310,131</td>
<td>n/a</td>
<td>$6,544,579</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>1</td>
<td>n/a</td>
<td>n/a</td>
<td>$1,100,000</td>
<td>n/a</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>7</td>
<td>1</td>
<td>1</td>
<td>n/a</td>
<td>$2,898,438</td>
<td>$52,000</td>
<td>n/a</td>
<td>$52,000</td>
</tr>
<tr>
<td>8</td>
<td>1</td>
<td>1</td>
<td>n/a</td>
<td>$2,898,438</td>
<td>$1,901,000</td>
<td>n/a</td>
<td>$4,799,438</td>
</tr>
<tr>
<td>9</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>$2,500</td>
<td>$45,000</td>
<td>n/a</td>
<td>$47,500</td>
</tr>
<tr>
<td>Fed. Cir.</td>
<td>1</td>
<td>1</td>
<td>n/a</td>
<td>n/a</td>
<td>$63,774</td>
<td>n/a</td>
<td>$63,774</td>
</tr>
<tr>
<td>Total Damages</td>
<td>12</td>
<td>9</td>
<td>3</td>
<td>$24,778,695</td>
<td>$3,471,905</td>
<td>$555,061</td>
<td>$28,805,661</td>
</tr>
</tbody>
</table>

Interestingly, damages awarded in the form of lost profits averaged about $4.1 million across six cases, while defendant’s profits averaged about $496,000 across seven cases and corrective advertising of about $555,000 was awarded in one case.

IV. DEFENSES TO FALSE ADVERTISING

In addition to any general defenses that may be applicable, the following specific defenses are available to a defendant in a false advertising case under Lanham Act § 43(a).

A. Opinion

A statement in an advertisement cannot be false or misleading in violation of Lanham Act § 43(a)(1)(B) if it expresses an opinion rather than a fact. In distinguishing between opinion and fact, courts in false advertising cases turn to defamation jurisprudence. Generally speaking, a claim that is not capable of being verified is likely to be protected as a non-actionable opinion. *Gillette Co. v. Norelco Consumer Prods., Co.*, 946 F. Supp. 115, 136-37 (D. Mass. 1996) (finding statement by razor blade manufacturer that “anything closer could be too close for comfort” constitutes opinion rather than statement of fact); *Groden v. Random House, Inc.*, 61 F.3d 1045, 1051-52 (2d Cir. 1995) (finding statement “guilty of misleading the American public” to be non-actionable opinion that could not be reasonably interpreted as stating provable facts).

B. Puffery

A statement will not constitute false advertising if a court finds that it is mere “puffery.” Courts have recognized two kinds of puffery: (1) a general statement about a product’s superiority that is so vague as to be perceived as a mere expression of opinion; and (2) an exaggerated statement, often made in a blustering or boasting manner, upon which no reasonable buyer would rely. Note, however, that a claim of product superiority which is specific and measurable is not puffery. *Clorox Co. Puerto Rico v. Proctor & Gamble Commercial Co.*, 228 F.3d 24, 38-39 (1st Cir. 2000) (finding statement “Compare with your detergent . . . Whiter is not possible” capable of measurement, and therefore not puffery); *United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1180 (8th Cir. 1998) (finding statements about
operation of roach killer product to be insufficiently explicit or unambiguous to be actionable); *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1145 (9th Cir. 1997) (finding “Less is More” in relation to crabgrass control product to be puffery, but “50% Less Mowing” to be too specific and measurable to constitute puffery).

The concept of puffery has been applied to negative comments made about the products of a competitor. Such negative puffery is not actionable where no reasonable consumer would rely upon the exaggerated claims. *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 160 (2d Cir. 2007) (finding grossly exaggerated images of competitor’s television service as “unwatchably blurry, distorted, and pixelated” to be puffery); *Gillette Co. v. Norelco Consumer Prods., Co.*, 946 F. Supp. 115, 131 (D. Mass. 1996) (finding visual images exaggerating the pain and danger of shaving with a regular razor blade, including a swarm of bees stinging a face and animated razors that spit out flames and turn into sharp-toothed animals, to be puffery).

V. WORKING WITH DAMAGES EXPERTS

In addition to retaining a survey expert, as discussed above, it may be necessary to employ one or more damages experts. The credentials of the expert will depend in part on the type of damages recovery sought. If a plaintiff seeks to recover its own lost profits or the profits made by the defendant, a financial expert, such as an accountant or economist, is generally appropriate. If a plaintiff seeks to recover for the loss of its reputation or seeks reimbursement for past or future corrective advertising, a marketing or advertising expert may be more appropriate. Counsel may find that the credentials of both experts may be appropriate. The remainder of this section will address expert witness issues primarily in the context of financial experts.

A. Role of the expert

A damages expert is often hired by counsel and their client to help evaluate, support, and defend damages claims arising from false advertising cases. Both consulting and testifying experts may be appropriate depending on the subject matter.

According to the Federal Rules of Evidence, which applies to cases filed in the federal courts:

> If scientific, technical, or other specialized knowledge will assist the trier of fact to understand the evidence or to determine a fact in issue, a witness qualified as an expert by knowledge, skill, experience, training, or education, may testify thereto in the form of an opinion or otherwise, if (1) the testimony is based upon sufficient facts or data, (2) the testimony is the product of reliable principles and methods, and (3) the witness has applied the principles and methods reliably to the facts of the case.

Fed. R. Evid. 702, Testimony by Experts.

False advertising cases may feature multiple complex damage claims available under the Lanham Act, 15 U.S.C. § 1125, which provides that when a violation occurs, “the plaintiff shall be entitled . . . to recover (1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.” 15 U.S.C. § 1117(a).

A damages expert can play a broader role in a case than merely opining on the amount of damages. In some cases, depending on the needs of counsel, a damages expert may provide support in many facets
of the case, including assisting with early or pre-case assessment, discovery and depositions, and strategic damages theories. Based on counsel’s strategy for the case, the damages expert works closely with counsel in determining the expert’s expected role and then subsequently performing this role throughout the course of the case.

B. Early or pre-case assessment

In false advertising cases, the early and pre-case assessment involves the damages expert providing an initial analysis with the damages allowed for under the Lanham Act, including recovery of lost profits, disgorgement of the defendant’s wrongful profits, compensation for injury to the plaintiff’s reputation, and compensation for any corrective advertising necessary to counter the false statements in the marketplace. This assessment involves obtaining an understanding the case facts and timeline; an initial review of documents and deposition or other testimony to understand various facets of the false advertising claim(s) and the potential impact of those claims on the plaintiff; a review of what type of expected corrective advertising may be needed, if any, and the cost of such actions; a review of the plaintiff’s and defendant’s financial information, including historical and current sales of the relevant products or services, projected sales of the products, and incremental expenses associated with the sales, in order to provide an assessment of potential lost profits or disgorgement of defendant’s profits; and a review of any additional expert reports or testimony provided in the case, such as market or consumer surveys, that may provide insight into customer or market reactions or even confusion related to the false advertising claims. For example, in a false advertising case, the damages expert may perform a preliminary review of the plaintiff’s and defendant’s historical and projected sales related to the specific products or services allegedly affected by the false advertising. This analysis, along with a review of available discovery, can help the damages expert provide feedback on the causation between the alleged false advertising and the damages recovery sought as well as the ability and what would be needed to support or rebut the damages claims. Such early or pre-case assessment often provides valuable insight to counsel that will shape the litigation strategy, especially in the consideration of settlement negotiations.

C. Discovery and depositions

It may be advisable for counsel to work with the damages expert during the fact discovery process to help identify information and documents needed to form and support the expert’s damages opinions. Sources of relevant information generally include document requests, interrogatories, depositions, market research reports, and interviews of client representatives and others in the industry.

Different types of information may be required to support different damage theories. For example, in the case of defendant’s profits, under law, the plaintiff’s sole burden is identifying the defendant’s revenues. Sales information may come from financial statements or sales reports by product lines, among other financial documents. The defendant bears the burden of apportioning any revenues that are not attributable to the alleged false advertising and identifying costs that should be deducted in calculating its profits. Additional financial and non-financial information is necessary for this task, including information related to factors that influence consumers’ purchasing decisions—such as market share studies, marketing plans, business plans, and competitive assessments—and documentation of the defendant’s costs. Market surveys may be particularly useful in providing information regarding factors influencing consumers’ purchasing decisions as well as providing facts that can be used in apportioning revenues. Further, with respect to plaintiff’s lost profits, the damages
expert must be able to isolate the affected product or service and evaluate its financial performance “but for” the false advertising. Isolating the affected product or service may require information related to historical and current sales and margins, as well as pricing and market share, among other items. The damages expert can assist counsel throughout the discovery process to ensure that the appropriate information is requested and gathered. This process will help with the expert’s analysis, as well as the overall case strategy.

With the aid of the damages expert witness, counsel can draw out, through document requests, interrogatories, and depositions, the necessary information to support the damages case. Because a damages expert typically does not have the ability to speak with the opposing party’s witnesses, it is important to ensure that discovery requests, interrogatories, and depositions include and encompass as much as possible the information needed by the damages expert to form and support his or her opinions. For example, a damages expert hired by the plaintiff in a false advertising case, where the plaintiff is only seeking a disgorgement of defendant’s profits, may help counsel, during the discovery period, identify the documents, as well as testimony, needed to rebut any apportionment of the defendant’s profits performed by the defendant’s damages expert. As discussed above, this includes gathering information related to isolating relevant income streams, expense allocations, and understanding any special events or accounting issues that occurred. All of this information may come in the form of either testimony and/or document production.

Finally, it may be appropriate for a damages expert to participate in other facets of expert discovery and consider the testimony of other experts working on the case. As discussed previously, in false advertising cases, surveys performed by a marketing expert may contain both qualitative and quantitative information regarding customer deception and the effect of such deception on the subject product or service. Survey information, when available, may be useful in forming damages opinions, especially in the case of a defendant calculating its profits, because the survey may show whether or not the alleged false advertising may have caused the defendant to make any profits. This information can help the damages expert apportion any revenues of the defendant that are not attributable to false advertising. Such information may be instrumental to the damages expert’s opinions, and as such it is important in cases where a survey expert is used for the damages expert to have access to the survey expert to insure the damages expert understands the survey expert’s work.

D. Assistance with damages theories

Damages experts advise counsel in the development of damages theories to answer the question, “Has harm has occurred and if so how much?”

As mentioned above, different information is required to support each different damages theory. It is important for counsel and the damages expert to discuss appropriate damages theories based upon the facts of the case and the information available. For example, should a plaintiff’s expert determine that sufficient information is not available to establish the defendant’s actions caused the plaintiff to lose sales, counsel may direct his or her attention to defendant’s profits. After such a determination, counsel can tailor his or her case strategy accordingly.

When discussing damages theories, it is important to review false advertising case decisions in the venue where the case is being adjudicated. Courts in different circuits have awarded damages based upon differing calculation methodologies in Lanham Act cases. For example, in determining
defendant’s profits, the Third, Fifth, Seventh, and Eleventh Circuits tend to employ the incremental cost approach to determining deductible expenses, while the Second, Fourth, and Ninth Circuits tend to employ the fully allocated approach. William G. Barber, *Recovery of Profits Under the Lanham Act: Are the District Courts Doing Their Job?*, 82 Trademark Rep. 141 (Mar.-Apr. 1992). After counsel has researched the law in the appropriate jurisdiction, a damages expert can provide valuable guidance to counsel regarding how to calculate the damages under the damages theories that will be pursued in the case.

E. How to support/defend the damages and communicate theories to the court

The damages expert will be called upon to put forth his or her damages opinions, and support for such opinions, in an expert report and defend his or her opinions at deposition and/or trial. Lanham Act cases being tried in federal court require the expert to issue a report compliant with Rule 26(a)(2)(B) of the Federal Rules of Civil Procedure. Under this rule, the expert’s report must include:

- A complete statement of all opinions expressed;
- An explanation of the bases and reasons for the opinions;
- The data or other information considered by the witness in forming the opinions;
- Any exhibits to be used as a summary of or support for the opinions;
- Qualifications of the witness, including a list of all publications authored by the witness in the preceding ten years;
- A listing of any other cases in which the witness has testified as an expert at trial or by deposition, in the preceding four years;
- Compensation paid for the study and testimony; and,
- Signature of the witness.

As discussed previously, while a majority of false advertising cases are filed in federal court, such claims may also be brought in state court. For cases filed in state court, the damages expert should look to the state’s guidelines, if any, regarding the submission of expert reports in state cases.

In addition to submitting an expert report, often a damages expert may be required to submit other expert reports to rebut the opinion of an opposing damages expert. Further, as additional information is received or produced, it is not unusual for a damages expert to prepare supplemental reports. All of these reports must follow the same guidelines discussed above.

The damages expert may be asked to communicate his or her damages theories and opinions to the court in the form of testimony at deposition and trial. The purpose of the expert’s deposition testimony is to allow the opposing counsel to ask the expert questions regarding his or her background and the bases and reasoning for the opinions the expert will present at trial. The purpose of the expert’s trial testimony is to provide the trier of fact with evidence to consider in making a determination of damages. Counsel will work with the expert before trial to prepare the expert to give direct testimony, use demonstrative exhibits, and answer questions on cross-examination.
During direct testimony counsel will usually ask the damages expert questions regarding qualifications, the scope of the assignment, the methods employed in forming his or her opinions, and his or her opinions and conclusions. Rule 703 allows an expert to base his or her opinions on evidence that may otherwise be inadmissible, such as hearsay evidence. Roman L. Weil, Michael J. Wagner, and Peter B. Frank, *Litigation Services Handbook, The Role of the Accountant as Expert* ch. 1.2 (2d ed. 1995). This rule may allow an expert to base parts of his or her testimony on conversations with non-testifying individuals, such as those involved in the industry. Demonstratives may be used to help explain and summarize the expert’s opinions for the judge and/or jury. These demonstratives may include graphics such as charts summarizing sales and expense information for purposes of determining lost profits or defendant’s profits, or a chart showing the apportionment of any revenues of the defendant that are not attributable to the alleged false advertising and the key factors that form the basis for the apportionments.

On cross-examination, the damages expert must be prepared to answer questions regarding his or her opinions including responding to facts and information that may appear to contradict those used by the damages expert in forming his or her opinions and discussing any prior testimony or writings that may contradict an approach taken in the instant matter.

VI. CONCLUSION

False advertising claims continue to be a critically important part of Lanham Act litigation throughout the United States, providing a useful vehicle for parties aggrieved by another’s literally or impliedly false or misleading statements made in commercial advertising about its own goods and services or about the goods and services of another. While such claims can often be complex, the parties, together with their counsel and with appropriate assistance of damages experts and marketing experts, can utilize the well-established body of statutory and case law to guide them through the process and obtain the relief to which they are ultimately entitled or to defend against unwarranted claims.

VII. ADDITIONAL RESOURCES

The following resources may be useful in litigating a false advertising case:

Exhibit 1: Checklist for Preparation of False Advertising Case

Exhibit 2: Sample Complaint in False Advertising Case

Exhibit 3: Sample Answer in False Advertising Case

Exhibit 4: Sample Jury Instructions in False Advertising Case
Exhibit 1:
Checklist for Preparation of False Advertising Case

I. PRE-FILING INVESTIGATION

A. Determine Strength of Case
   - Was the statement literally false?
   - Was the statement literally true, but nonetheless likely to mislead and confuse a substantial number of consumers? If so, is there evidence that consumers were actually misled or confused? What would a consumer survey be likely to show?
   - Was the statement material, in that it was likely to influence purchasing decisions?
   - Was the statement placed in interstate commerce?
   - Was the statement sufficiently disseminated to the purchasing public for the purpose of influencing purchasing decisions (as opposed to, for example, a statement in a product insert that would only be discovered after the purchase was complete)?
   - Was a party in commercial competition with the publisher of the statement injured as a result of the statement? Could such a party have been injured? May future injury occur?
   - Was the statement “puffery” (i.e., an exaggeration or boast about the publishing party’s products upon which no reasonable consumer would rely, rather than a measurable claim of product superiority)?
   - Was the statement “reverse puffery” (i.e., an exaggeration of the qualities of the products of the party’s competitor, which was so unrealistic or playful that no reasonable consumer would take it seriously)?
   - Was the statement one of opinion rather than fact?

B. Interview witnesses and review documents

C. Conduct legal research

D. Consider jurisdictional issues

E. Consider personal defenses

F. Consider need for pre-filing or post-filing survey

G. Consider need for preliminary injunctive relief

II. FILING OF INITIAL PLEADINGS

A. For sample complaint, see Exhibit 2

B. For sample answer, see Exhibit 3
III. DISCOVERY

A. Develop theory of case and identify key witnesses

B. Conduct discovery on key elements of claims and defenses
   1. Elements of false advertising claim
      - False or misleading statement
      - In commercial advertisement or promotion
         - Commercial speech
         - By defendant in competition with plaintiff
         - For purposes of influencing consumers to buy defendant’s goods
         - Disseminated sufficiently to purchasing public
      - Actually deceives or has tendency to deceive substantial segment of audience
      - Deception material (likely to influence purchasers)
      - Interstate commerce
      - Injured or likely to be injured (diversion of sales or decreased goodwill)
   2. Two alternative ways of proving establishment claim
      - Tests not sufficiently reliable
      - Tests did not establish proposition asserted
   3. Defenses
      - Opinion rather than fact
      - Opinion includes subjective view, mere hyperbole, or fiery rhetoric
      - Puffery (exaggeration on which no reasonable consumer would rely)
      - Other defenses, such as laches, estoppel, etc.

C. Employ survey experts if needed

D. Employ damages experts if needed

E. Plan trial presentation

IV. SUMMARY JUDGMENT AND TRIAL

A. Move for (or defend) summary judgment if appropriate

B. Outline case presentation

C. Prepare trial notebooks

D. Amend pleadings if necessary

E. Serve trial subpoenas

F. Prepare trial exhibit list
G. Prepare exhibits and demonstratives
H. Prepare witness examinations
I. Prepare opening statement
J. Prepare closing argument
K. Prepare jury instructions (see Exhibit 4 for sample)
L. Schedule witness rehearsals and appearances
M. Prepare jury voir dire
N. Prepare motions in limine
O. Prepare trial brief, if required
Exhibit 2:
Sample Complaint In False Advertising Case

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

WHITE FLAG SOFTWARE, INC.,
Plaintiff,
v.
GREEN GRASS CORP.,
Defendant.

COMPLAINT AND JURY DEMAND

PARTIES

1. Plaintiff White Flag Software, Inc. (“White Flag”) is a Delaware corporation with a principal place of business at 1000 Spring Street, Boston, Massachusetts.

2. Defendant Green Grass Corp. (“Green Grass”) is a Delaware corporation with a principal place of business at 2000 Summer Street, Boston, Massachusetts.

JURISDICTION AND VENUE

3. The United States District Court for the District of Massachusetts has jurisdiction over this action pursuant to 28 U.S.C. §§ 1331, 1332 [if diversity] and 1338, and has jurisdiction over state law and common law claims pursuant to the doctrine of pendant jurisdiction. [If diversity: The amount in controversy exceeds seventy-five thousand dollars ($75,000), exclusive of interest and costs.] Venue in the United States District Court for the District of Massachusetts is proper under 28 U.S.C. § 1391.

FACTS

4. White Flag is a local company that has been developing software for corporate security applications for over 15 years. Its premier software application is Flagship. White Flag has developed a large clientele over the years, and has won industry awards for innovation in the security services sector.

5. On information and belief, Green Grass develops custom security software for corporate clients. Accordingly, Green Grass competes for the same clients as White Flag.
6. On or about October 20, 2008, Green Grass published a full-page advertisement in the *Boston Business Bee*. The advertisement stated in part: “Independent tests show that Green Grass’s software is three times more effective than Flagship in preventing security breaches. Doesn’t your business deserve the security and peace of mind that only Green Grass provides?”

7. The statement that Green Grass’s security software is three times more effective than White Flag’s Flagship software in preventing security breaches is wholly untrue.

8. Upon information and belief, Green Grass did not conduct or rely upon independent tests that showed that Green Grass’s security software is three times more effective than White Flag’s Flagship software in preventing security breaches.

9. As a result of the advertisement in the *Boston Business Bee*, numerous customers and prospective customers have contacted White Flag to express their concerns.

10. As a result of the advertisement in the *Boston Business Bee*, White Flag has suffered and will continue to suffer pecuniary harm (including but not limited to canceled contracts, the non-renewal of contracts, and lost sales), harm to its reputation, and other harm.

**COUNT I**

11. White Flag incorporates by reference the allegations set forth in paragraphs 1 through 10, above.

12. The statements in Green Grass’ advertisement as set forth above are false and misleading, and misrepresent the characteristics and qualities of both Green Grass’s and White Flag’s products.

13. The false and misleading statements in the advertisement deceived, and have a tendency to continue to deceive, a substantial segment of its intended audience.

14. The deception of the advertisement is material and has influenced, and will continue to influence, the purchasing decisions of customers and potential customers of White Flag, specifically companies that have purchased or plan to purchase security products and services.

15. The deceptive advertisement was published in the *Boston Business Bee*, a business newspaper distributed in Massachusetts and other states, and was thereby placed into interstate commerce.

16. The deceptive advertisement injured, and is likely to continue to injury, White Flag.

17. The deceptive advertisement violates Section 43(a) of the Lanham Act, codified at 15 U.S.C. § 1125(a), which prohibits Green Grass from using false, misleading, or disparaging representations of fact that misrepresent the nature, characteristics, or qualities of its own or White Flag’s products.

18. Green Grass’ actions as described above were knowing and willful.

19. White Flag has no adequate remedy at law.
COUNT II

20. [Other counts may include commercial disparagement, defamation, unfair competition, violation of statutes, intentional interference with contractual relations, breach of non-compete agreement, etc.]

WHEREFORE, Plaintiff respectfully requests that this Court:

A. Preliminarily and permanently enjoin Green Grass from publishing further false or misleading statements about White Flag or its Flagship product;

B. Enter judgment against Green Grass on all counts of the Complaint;

C. Award White Flag damages in an amount to be determined at trial;

D. Award White Flag enhanced damages as permitted by law, plus its reasonable attorneys’ fees and the costs of this action; and

E. Grant such other relief as the Court deems just and proper.

JURY DEMAND

White Flag demands a jury trial on all triable issues.

Dated: _______,

WHITE FLAG SOFTWARE, INC.,

By its attorney,

Josephina Kermit, BBO #00001
KERMIT & KIBBLESTONE LLP
1 Winter Street
Boston, MA 02110
Tel. (617) 111-2222
Exhibit 3: Sample Answer In False Advertising Case

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

WHITE FLAG SOFTWARE, INC.,
Plaintiff,
v.
GREEN GRASS CORP.,
Defendant.

ANSWER OF GREEN GRASS CORP.

Defendant Green Grass Corp. (“Green Grass”) in the above-captioned action answers the Complaint as follows:

PARTIES

1. Green Grass is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 1 of the Complaint.

2. Green Grass admits the allegations contained in paragraph 2 of the Complaint.

JURISDICTION AND VENUE

3. Green Grass admits the allegations contained in paragraph 3 of the Complaint.

FACTS

4. Green Grass is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 4 of the Complaint and therefore denies the same.

5. Green Grass admits that it develops custom security software for clients. Green Grass denies that it competes for the same clients as White Flag.

6. Green Grass admits the allegations contained in paragraph 6 of the Complaint.

7. Green Grass denies the allegations contained in paragraph 7 of the Complaint.

8. Green Grass denies the allegations contained in paragraph 8 of the Complaint.

/
9. Green Grass is without information or knowledge sufficient to admit or deny the allegations contained in paragraph 9 of the Complaint and therefore denies the same.

10. Green Grass is without information or knowledge sufficient to admit or deny the allegations contained in paragraph 10 of the Complaint and therefore denies the same.

COUNT I

11. Green Grass incorporates by reference the answers set forth in paragraphs 1 through 10 of this Answer.

12. Green Grass denies the allegations contained in paragraph 12 of the Complaint.

13. Green Grass denies the allegations contained in paragraph 13 of the Complaint.

14. Green Grass denies the allegations contained in paragraph 14 of the Complaint.

15. Green Grass admits the allegations contained in paragraph 15 of the Complaint.

16. Green Grass denies the allegations contained in paragraph 16 of the Complaint.

17. Paragraph 17 contains a legal conclusion to which no response is required. To the extent a response is deemed required, Green Grass denies the allegations contained in paragraph 17 of the Complaint.

18. Green Grass denies the allegations contained in paragraph 18 of the Complaint.

19. Paragraph 19 contains a legal conclusion to which no response is required. To the extent a response is deemed required, Green Grass denies the allegations contained in paragraph 19 of the Complaint.

COUNT II

20. [Responses to other counts, as listed in Complaint.]

FIRST AFFIRMATIVE DEFENSE

The Complaint fails to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

Plaintiff’s claims are barred because the alleged statements set forth in the Complaint are statements of opinion.

THIRD AFFIRMATIVE DEFENSE

Plaintiff’s claims are barred because the alleged statements are true.

FOURTH AFFIRMATIVE DEFENSE

Plaintiff’s claims are barred because the alleged statements are statements of opinion, which Green Grass believed, as a matter of Green Grass’s opinion, to be true.
FIFTH AFFIRMATIVE DEFENSE

Plaintiff’s claims are barred because Green Grass reasonably relied on tests of the parties’ products performed in good faith.

SIXTH AFFIRMATIVE DEFENSE

Plaintiff’s claims are barred because the alleged statements set forth in the Complaint are rhetorical hyperbole or puffery.

SEVENTH AFFIRMATIVE DEFENSE

Some or all of Plaintiff’s claims are barred by the First Amendment and the state and federal constitutional protection afforded free speech.

EIGHTH AFFIRMATIVE DEFENSE

Plaintiff’s claims are barred because Plaintiff has suffered no harm, to its reputation, its business or otherwise, as a result of the alleged statements set forth in the Complaint or as a result of any other conduct set forth in the Complaint.

NINTH AFFIRMATIVE DEFENSE

[Other defenses may be based on laches, estoppel, acquiescence, statute of limitations, jurisdiction, etc.]

WHEREFORE, with respect to the Complaint, Green Grass respectfully requests that this Court:

a. Enter an Order dismissing the Complaint;
b. Enter judgment on behalf of Green Grass on each count of the Complaint;
c. Grant Green Grass its reasonable attorneys’ fees and costs; and
d. Grant such other relief as the Court deems just and proper.

DEMAND FOR JURY TRIAL

Green Grass demands a jury trial on all triable issues.

Dated: ________

GREEN GRASS CORP.

By its attorney,

Francis X. Wigglesworth, BB0#000002
WIGGLESWORTH & WIGGLESWORTH
2 Winter Street
Boston, MA 02110
(617) 555-5555
Exhibit 4:
Sample Jury Instructions In False Advertising Case

I. ELEMENTS OF CLAIM

The plaintiff has charged the defendant with false advertising under Lanham Act § 43(a). In order to prevail on a false advertising claim under the Lanham Act, the plaintiff must prove, by a preponderance of the evidence:

1. the defendant made a false or misleading statement in a commercial advertisement about its own or the plaintiff’s product;
2. the deception is material (i.e., it is likely to influence the purchasing decision);
3. the statement actually deceives or has the tendency to deceive a substantial segment of its audience;
4. the defendant placed the statement into interstate commerce; and
5. the plaintiff has been or is likely to be injured as a result of the statement, either by direct diversion of sales to defendant or by a lessening of goodwill associated with the plaintiff’s products.  

If the statement is literally false or the defendant acted in bad faith to intentionally mislead consumers, the court will presume actual deception and the burden shifts to the defendant to prove that consumers were not actually deceived.

II. DEFENSES

A statement in an advertisement cannot be false or misleading in violation of the Lanham Act if you find that it expresses an opinion rather than a fact. Additionally, a statement will not constitute false advertising if you find that it is mere “puffery.” Puffery is an exaggerated statement contained in an advertisement, often made in a blustering or boasting manner, on which no reasonable buyer would rely. While a general claim of product superiority which is too vague to be measured can also be puffery, a claim of product superiority that you determine to be specific and measurable is not puffery.  

Exaggerated negative comments made about the products of a competitor may also be considered puffery, but only if you find that no reasonable consumer would rely on the exaggerated claims.

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10 Cashmere & Camel Hair Mfg., Inst. v. Saks Fifth Ave., 284 F.3d 302, 310-11 (1st Cir. 2002).
11 Cashmere, 284 F.3d at 311-18.
III. DAMAGES

In order to recover damages, the plaintiff must show that customers were actually deceived by the false advertising and that the plaintiff was harmed as a result. In that event, the plaintiff is entitled to compensation for the harm that it suffered.

If you find the statement was literally false, you may presume that deception has occurred, and the plaintiff is not required to prove that customers were actually deceived.

If you find that the statement was literally true but misleading, and you also find that the defendant acted willfully or in bad faith or intentionally deceived the public, you may presume deception and the plaintiff is not required to prove that customers were actually deceived.

If you presume deception for one of the reasons described above, the burden shifts to the defendant to prove that consumers were not actually deceived.

16 Cashmere & Camel Hair Mfg., Inst. v. Saks Fifth Ave., 284 F.3d 302, 310-11 (1st Cir. 2002).
17 Cashmere, 284 F.3d at 316-18.
18 Cashmere, 284 F.3d at 318.
ABOUT THE PRESENTERS

Jonathan Gelchinsky

Jonathan Gelchinsky is a partner in the Cambridge, Massachusetts office of Finnegan, Henderson, Farabow, Garrett & Dunner, LLP. He handles trademark litigation, domestic and international trademark prosecution and disputes, trademark clearance, and proceedings before the Trademark Trial and Appeal Board (TTAB) of the U.S. Patent and Trademark Office, and counsels clients on various trademark issues.

Mr. Gelchinsky manages the day-to-day activities in trademark litigations and TTAB proceedings, and has been involved in such matters from filing to trial. He also has experience negotiating and drafting settlement agreements. Mr. Gelchinsky has particular expertise in Internet-related trademark issues including domain name disputes, has handled dozens of complaints under the UDRP, and has been involved in numerous federal court lawsuits and foreign litigations involving domain names.

Mr. Gelchinsky has written articles on a variety of trademark and other IP issues, which have appeared in Intellectual Property Today, Trademark World, and the Journal of Intellectual Property Law & Practice. He has also been a speaker before various organizations on Internet-related trademark issues, and has guest lectured on trade dress at Suffolk Law School.

Mr. Gelchinsky has been recognized in The Legal 500 U.S. 2008 as a leader in trademark litigation.

Mr. Gelchinsky holds degrees from American University, Washington College of Law (J.D., summa cum laude) and Brandeis University (B.A., cum laude).

Julia Huston

Julia Huston is a litigation partner at Bromberg & Sunstein LLP, a Boston law firm that concentrates in intellectual property, where she chairs the Trademark Practice Group. She concentrates in intellectual property litigation, and also counsels clients in developing comprehensive strategies to protect their intellectual property assets, including patents, trademarks and copyrights.

In the area of trademarks and unfair competition, Ms. Huston has litigated cases involving such familiar names as AltaVista, Harvard, Ken’s Steak House, Boston Duck Tours, and USTrust. She has several multi-million dollar judgments and settlements to her credit, including a $20.7 million jury verdict in a false advertising and commercial disparagement case. Working on behalf of the International Trademark Association and Boston Bar Association, in 2006 Ms. Huston spearheaded the first overhaul of the Massachusetts trademark laws in over 30 years.

A frequent author and lecturer on intellectual property topics, Ms. Huston’s articles have appeared in Intellectual Property Today, the Trademark Reporter, the Boston Bar Journal, and the Boston Business Journal. She has publicly commented on high profile intellectual property cases for Fox 25 News, Channel 4 WBZ-TV, Channel 7 WHDH, the Boston Globe and the Boston Herald.
Ms. Huston has been named as one of the top 50 women attorneys and top 100 attorneys in New England by the publishers of Law & Politics and Boston magazine. She has been designated as a “Super Lawyer” in the field of Intellectual Property Litigation, limited to the top 5% of attorneys in Massachusetts.

Ms. Huston holds degrees from Boston University (J.D., magna cum laude; B.A., magna cum laude with distinction, Phi Beta Kappa; B.S., magna cum laude) and Harvard University (Ed.M.).

Kathleen Kedrowski
Kathi Kedrowski is a Managing Director with Navigant Consulting, Inc. and leads the Intellectual Property Practice Segment.

Ms. Kedrowski, a CPA, has spent over 22 years involved in a variety of economic, business and financial analyses on behalf of clients in intellectual property, licensing and other disputes. She also advises clients on the strategic use of Intellectual Assets. She has testified as an expert at both trial (bench and jury) and deposition, including Federal Court, State Court, Bankruptcy Court and national and international Arbitration Tribunals. Ms. Kedrowski’s intellectual property matters have involved patent, trademark, trade dress, trade secret and copyright infringement, false advertising, unfair competition, corrective advertising, license and royalty disputes, loss of intellectual property rights and fraudulent conveyance. She has consulted on matters before the ITC. Ms. Kedrowski is an LES Certified Licensing Professional (“CLP”) as well as having received her Certified Financial Forensic (“CFF”) credential from the AICPA.

Ms. Kedrowski serves on the AICPA’s National Forensic and Litigation Committee. Ms. Kedrowski is also the former Chair of the LES Valuation and Taxation Committee. She is active in a number of trade associations in the Intellectual Property and legal professions. She is also active in the community and serves or has served on many charitable boards.

Ms. Kedrowski holds a degree in Accounting from Loyola University of Chicago (B.S., magna cum laude). Ms. Kedrowski is an Adjunct Instructor at the University of Chicago where she teaches Financial Accounting.

PLEASE NOTE: This article has been prepared for the American Bar Association, Section of Litigation Annual Conference, April 2009. This article is intended to give a general overview of certain aspects of false advertising litigation. Practitioners should always study the applicable federal and/or state laws at issue when analyzing legal claims, defenses, and remedies in a specific case. Each situation is different, and should be evaluated in light of its own facts and circumstances. The content of this article does not reflect any opinions or advice of the authors or their respective firms as to the legal bases for claims, defenses, or the proper measure of damages.