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IV. False Advertising

A. False Advertising Under the Lanham Act

We turn now to federal false advertising law under Lanham Act § 43(a)(1)(B), 15 U.S.C. § 1125(a)(1)(B). Note from the very beginning that false advertising law covers much more than just §43(a)(1)(B). Plaintiffs may seek redress from the Federal Trade Commission under the FTC Act, 15 U.S.C. §§ 41-58, from the “little” or “baby” FTC Acts of the states, from the common law, and from alternative forms of dispute resolution such as the National Advertising Division. However, we cover here only false advertising law under the Lanham Act. (For a comprehensive treatment of false advertising, see [REBECCA TUSHNET & ERIC GOLDMAN, ADVERTISING & MARKETING LAW: CASES AND MATERIALS](#)).

As originally drafted, § 43(a) covered only an advertiser’s “false description or representation” about itself; it did not cover “commercial disparagement,” i.e., the advertiser’s false representations about someone else. The Trademark Law Revision Act of 1988 significantly expanded the scope of § 43(a) and made clear its application to a defendant’s false representations about itself and others. Here is § 43(a)(1)(B) in its current form:

(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.

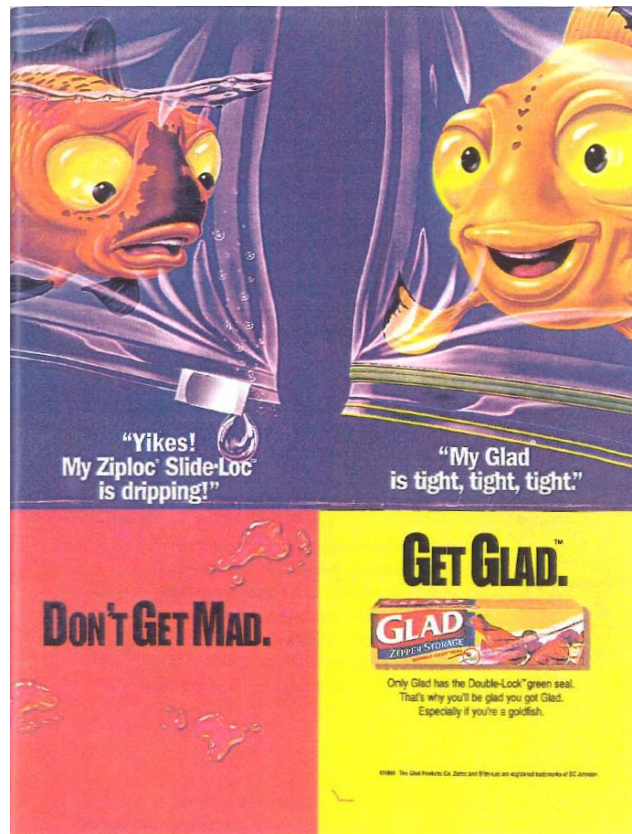
15 U.S.C. § 1125(a)(1)(B).

In what follows, we will cover the various ways in which a statement may trigger liability under § 43(a)(1)(B). First (Part IV.A.1), a statement may be *literally false*, as in *S.C. Johnson & Son, Inc. v. Clorox Co.*, 241 F.3d 232 (2d Cir. 2001), where the defendant’s television commercial and print advertisements falsely depicted the rate of leakage of the plaintiff’s resealable plastic bags. Second (Part IV.A.2), a statement may be *literally false by necessary implication*, as in *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144 (2d Cir. 2007), where one of the defendant’s television commercials made the false-by-necessary-implication claim that its transmitted picture quality was superior to the plaintiff’s. Third (Part IV.A.3), a statement may be merely *misleading*, i.e., impliedly false, which is discussed in *Pizza Hut, Inc. v. Papa John’s Intern., Inc.*, 227 F.3d 489 (5th Cir. 2000), in connection with the defendant’s slogan “Better Ingredients. Better Pizza.” Finally in Part IV.A.4, we will turn to the issue of substantiation, particularly in connection with advertisements that claim that “tests prove” or “studies show” some factual proposition.

Note that consumers do not have standing to bring suit under § 43(a)(1)(B). In *Lexmark International, Inc. v. Static Components, Inc.*, 134 S. Ct. 1377 (2014), the Supreme Court held that plaintiffs under § 43(a)(1)(B) have standing if (1) their interests fall within

the “zone of interests” protected by § 43(a)(1)(B), which consists of “protecting persons engaged in commerce within the control of Congress”, *id.* at 1389 (brackets removed), and (2) their injuries are proximately caused by violations of the statute. Because consumers are not engaged in commerce, they are unable to bring suit under § 43(a)(1)(B). *See* MCCARTHY § 27.30.

1. Literal Falsity



***S.C. Johnson & Son, Inc. v Clorox Co.* 241 F.3d 232 (2d Cir. 2001)**

HALL, District Judge:

[1] This case involves a Lanham Act challenge to the truthfulness of a television commercial and print advertisement depicting the plight of an animated goldfish in a Ziploc Slide-Loc bag that is being held upside down and is leaking water. Plaintiff-appellee S.C. Johnson & Son manufactures the Ziploc bags targeted by the advertisements. In an Order dated April 6, 2000, the United States District Court for the Southern District of New York (Griesa, J.) permanently enjoined the defendant-appellant, The Clorox Company, manufacturer of Ziploc’s rival Glad-Lock resealable storage bags, from using these advertisements. *See S.C. Johnson & Son v. The Clorox Co.*, No. 99 Civ. 11079 (TPG), 2000 WL 423534, 2000 U.S. Dist. LEXIS 4977 (S.D.N.Y. Apr. 19, 2000) (“*S.C. Johnson II*”). We conclude

that the district court did not abuse its discretion in entering this injunction and accordingly affirm.

BACKGROUND

[2] In August 1999, Clorox introduced a 15-second and a 30-second television commercial (“Goldfish I”), each depicting an S.C. Johnson Ziploc Slide-Loc resealable storage bag side-by-side with a Clorox Glad-Lock bag. The bags are identified in the commercials by brand name. Both commercials show an animated, talking goldfish in water inside each of the bags. In the commercials, the bags are turned upside-down, and the Slide-Loc bag leaks rapidly while the Glad-Lock bag does not leak at all. In both the 15- and 30-second Goldfish I commercials, the Slide-Loc goldfish says, in clear distress, “My Ziploc Slider is dripping. Wait a minute!,” while the Slide Loc bag is shown leaking at a rate of approximately one drop per one to two seconds. In the 30-second Goldfish I commercial only, the Slide-Loc bag is shown leaking while the Slide-Loc goldfish says, “Excuse me, a little help here,” and then, “Oh, dripping, dripping.” At the end of both commercials, the Slide Loc goldfish exclaims, “Can I borrow a cup of water!!!”

[3] On November 4, 1999, S.C. Johnson brought an action against Clorox under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), for false advertising in the Goldfish I commercials. After S.C. Johnson moved for a preliminary injunction, the district court converted the evidentiary hearing on the motion to a trial on the merits under Fed.R.Civ.P. 65(a)(2).

[4] Dr. Phillip DeLassus, an outside expert retained by S.C. Johnson, conducted “torture testing,” in which Slide-Loc bags were filled with water, rotated for 10 seconds, and held upside-down for an additional 20 seconds. He testified about the results of the tests he performed, emphasizing that 37 percent of all Slide-Loc bags tested did not leak at all. Of the remaining 63 percent that did leak, only a small percentage leaked at the rate depicted in the Goldfish I television commercials. The vast majority leaked at a rate between two and twenty times slower than that depicted in the Goldfish I commercials.

[5] On January 7, 2000, the district court entered findings of fact and conclusions of law on the record in support of an Order permanently enjoining Clorox from disseminating the Goldfish I television commercials. Specifically, the district court found that S.C. Johnson had shown by a preponderance of the evidence that the Goldfish I commercials are “literally false in respect to its depiction of the flow of water out of the Slide-Loc bag.” *S.C. Johnson & Son, Inc. v. Clorox Co.*, No. 99 Civ. 11079 (TPG), 2000 WL 122209, at *1, 2000 U.S. Dist. LEXIS 3621, at *1-*2 (S.D.N.Y. Feb. 1, 2000) (“*S.C. Johnson I*”).

[6] The court found that “the commercial impermissibly exaggerates the facts in respect to the flow of water or the leaking of water out of a Slide-Loc bag.” *Id.*, at *1. The court further found that:

[t]he commercial shows drops of water coming out of the bag at what appears to be a rapid rate. In fact, the rate is about one fairly large drop per second. Moreover, there is a depiction of the water level in the bag undergoing a substantial and rapid decline. Finally, there is an image of bubbles going through the water.

Id. at *1, 2000 U.S. Dist. LEXIS 3621, at *2-*3. The district court found that “the overall depiction in the commercial itself is of a rapid and substantial leakage and flow of water out of the Slide-Loc bag.” *Id.* at *1, 2000 U.S. Dist. LEXIS 3621, at *3. The court noted that “[t]his

is rendered even more graphic by the fact that there is a goldfish depicted in the bag which is shown to be in jeopardy because the water is running out at such a rate.” *Id.*

[7] The district court found “that when these bags are subjected to the same kind of quality control test as used by Clorox for the Glad bags, there is some leakage in about two-thirds of the cases.” *Id.* at *2, 2000 U.S. Dist. LEXIS 3621, at *4. However, the court found “that the great majority of those leaks are very small and at a very slow rate.” *Id.* The court found that “[o]nly in about 10 percent of these bags is there leakage at the rate shown in the commercial, that is, one drop per second.” *Id.* The district court further found that “[t]he problem with the commercial is that there is no depiction in the visual images to indicate anything else than the fact that the type of fairly rapid and substantial leakage shown in the commercial is simply characteristic of that kind of bag.” *Id.*

[8] Accordingly, the court held that “the Clorox commercial in question misrepresents the Slide-Loc bag product,” and that this “finding relates to the different sizes and types of the Slide-Loc bags because there is no attempt to limit the commercial to any particular category.” *Id.* at *3, 2000 U.S. Dist. LEXIS 3621, at *7. The court entered an injunction, noting that S.C. Johnson had shown irreparable harm sufficient to support an injunction because, as the court found, the Goldfish I commercials are literally false. *Id.* The district court rejected S.C. Johnson’s other theories of relief under section 43(a) of the Lanham Act, including a claim of implied falsity. *Id.* at *3, 2000 U.S. Dist. LEXIS 3621, at *6–*7. Clorox has not appealed this January 7 permanent injunction relating to the Goldfish I commercials.

[9] In February 2000, Clorox released a modified version of the Goldfish I television commercials as well as a related print advertisement (“Goldfish II”). In the 15 second Goldfish II television commercial, a Ziploc Slide-Loc bag and Glad-Lock bag are again shown side-by-side, filled with water and containing an animated, talking goldfish. The bags are then rotated, and a drop is shown forming and dropping in about a second from the Slide-Loc bag. During the approximately additional two seconds that it is shown, the Slide-Loc goldfish says, “My Ziploc slider is dripping. Wait a minute.” The two bags are then off-screen for approximately eight seconds before the Slide-Loc bag is again shown, with a drop forming and falling in approximately one second. During this latter depiction of the Slide-Loc bag, the Slide-Loc goldfish says, “Hey, I’m gonna need a little help here.” Both bags are identified by brand name, and the Glad-Lock bag does not leak at all. The second-to-last frame shows three puddles on an orange background that includes the phrase “Don’t Get Mad.”

[10] In the print advertisement, a large drop is shown forming and about to fall from an upside-down Slide-Loc bag in which a goldfish is partially out of the water. Bubbles are shown rising from the point of the leak in the Slide-Loc bag. Next to the Slide-Loc bag is a Glad-Lock bag that is not leaking and contains a goldfish that is completely submerged. Under the Slide-Loc bag appears: “Yikes! My Ziploc® Slide-Loc™ is dripping!” Under the Glad-Lock bag is printed: “My Glad is tight, tight, tight.” On a third panel, three puddles and the words “Don’t Get Mad” are depicted on a red background. In a fourth panel, the advertisement recites: “Only Glad has the Double-Lock™ green seal. That’s why you’ll be glad you got Glad. Especially if you’re a goldfish.”

[11] After these advertisements appeared, S.C. Johnson moved to enlarge the January 7 injunction to enjoin the airing and distribution of the Goldfish II advertisements. On April 6, 2000, after hearing oral argument, the district court entered another order on the record, setting forth further findings of fact and conclusions of law in support of an Order

permanently enjoining the distribution of the Goldfish II television commercial and print advertisement. The district court explicitly noted that it was “in a position, in [its] view, to decide the case based on the existing evidence without further evidence.” *S.C. Johnson II*, 2000 WL 423534, at *1, 2000 U.S. Dist. LEXIS 4977, at *1–*2.

[12] The court incorporated by reference its prior findings of fact from its January 7, 2000 Order, stating that it would “not attempt to repeat what was said in the earlier decision, although a great deal of it applies to the issue now presented to the court.” *Id.* at *1, 2000 U.S. Dist. LEXIS 4977, at *2. The court then stated its finding that, “[f]ocusing now on the new television commercial, in my view it has the essential problems of the earlier 15 second commercial.” *Id.* The court observed that the Goldfish II commercial “does not literally portray a rate of leakage which was portrayed in the earlier ad and which was the subject of certain of my findings in the earlier decision.” *Id.* at *1, 2000 U.S. Dist. LEXIS 4977, at *3. Instead, the court noted,

[t]here are two images shown of the slide-lock bag upside down with water coming out, two separate images. In each image a large drop immediately forms and the water drop falls. That is shown in the first image and then the commercial switches to some other subject and when the next image comes of the slide-lock bag there again is a large drop immediately forming and falling away.

Id. at *2, 2000 U.S. Dist. LEXIS 4977, at *4. The district court referenced its earlier finding that the Goldfish I commercials did not accurately depict either the rate or risk of leakage in Slide-Loc bags. *Id.* at *2, 2000 U.S. Dist. LEXIS 4977, at *4–*5. The court then found that:

[E]ssentially the same problem that I commented upon in the earlier decision exists with this commercial, with the present commercial. There is nothing to indicate that anything goes on with the slide-lock bags except the leaking of large drops as shown in the only two depictions that are relevant. There is nothing indicated about slow rate or rapid rate. There is nothing shown except one image and that is an image of a big drop of water falling out of the bag.

There is nothing to indicate that this kind of leakage occurs in only some particular percentage of bags, and there is nothing to indicate the degree of risk of such leakage. There is only one image, and that is of a big drop falling out.

Id. at *2, 2000 U.S. Dist. LEXIS 4977, at *5.

[13] The court rejected Clorox's argument “that what is really shown [in the Goldfish II television commercial] is that the leakage occurs at a rather slow rate, perhaps about once every seven or eight seconds.” *Id.* According to the court, Clorox “bases this argument on the fact that if you take the elapsed time between the leak or the drop in the first image and the drop in the second image, this amount of time elapses.” *Id.* at *2, 2000 U.S. Dist. LEXIS 4977, at *5–*6. The district court found, however, that “[t]here is nothing visually or in words to indicate that what is being depicted is some kind of a continuum of the condition of the bag from one image to the other.” *Id.* at *2, 2000 U.S. Dist. LEXIS 4977, at *6. Rather, “[a]ll that is depicted is two separate images, each of which shows the same thing.” *Id.* The district court found that “[w]hat is shown is the images, and what is omitted is any indication about the actual rates and degree and amount of leakage that the detailed evidence at the trial showed.” *Id.* The court further found that the Goldfish II commercial “portray[s] ... a goldfish in danger of suffocating in air because of the outflow of water from the bag.” *Id.*

[14] The court concluded that the Goldfish II television commercial “is decidedly contrary to what was portrayed in the actual evidence about the bags at the first trial, and all in all the television commercial in my view is literally false.” *Id.* at *3, 2000 U.S. Dist. LEXIS 4977, at *6. The court then addressed the Goldfish II print advertisement, which, it found “is, if anything, worse,” because “[i]t has a single image of a Slide-Loc bag with a large drop about to fall away and a goldfish in danger of suffocating because the water is as portrayed disappearing from the bag.” *Id.* at *3, 2000 U.S. Dist. LEXIS 4977, at *7. The district court concluded that the Goldfish II print advertisement “is literally false.” *Id.* The court also found that the inability of a Ziploc Slide-Loc bag to prevent leakage is portrayed as an inherent quality or characteristic of that product. Accordingly, the court found that the Goldfish II television commercial and print advertisement “portray[] the leakage as simply an ever-present characteristic of the Slide-Loc bags.” *Id.* at *3, 2000 U.S. Dist. LEXIS 4977, at *8.

[15] The district court found, in the alternative, that the Goldfish II ads were false by necessary implication, a doctrine this court has not yet recognized, because consumers would necessarily believe that more viscous liquids such as soups and sauces would leak as rapidly as water. *Id.* at *3, 2000 U.S. Dist. LEXIS 4977, at *6–*7.

[16] Clorox now appeals from this April 6, 2000 Order permanently enjoining the use of the Goldfish II television commercial and print advertisement.

DISCUSSION

[17] “We review the District Court’s entry of a permanent injunction for abuse of discretion, which may be found where the Court, in issuing the injunction, relied on clearly erroneous findings of fact or an error of law.” *Knox v. Salinas*, 193 F.3d 123, 128–29 (2d Cir.1999) (per curiam). “[T]he district judge’s determination of the meaning of the advertisement [is] a finding of fact that ‘shall not be set aside unless clearly erroneous.’” *Avis Rent A Car Sys., Inc. v. Hertz Corp.*, 782 F.2d 381, 384 (2d Cir.1986) (quoting Fed.R.Civ.P. 52(a)).

[18] The district court found that the Goldfish II television commercial and print advertisement are literally false in violation of section 43(a). That section provides, in pertinent part:

(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.

15 U.S.C. § 1125(a). “Section 43(a) of the Lanham Act proscribes false designations of origin or false or misleading descriptions of fact in connection with any goods in commerce that are likely to cause confusion or that misrepresent the nature, characteristics, qualities, or geographic origin of the goods.” *Groden v. Random House, Inc.*, 61 F.3d 1045, 1051 (2d Cir.1995). “The Lanham Act does not prohibit false statements generally. It prohibits only false or misleading descriptions or false or misleading representations of fact made about one’s own or another’s goods or services.” *Id.* at 1052.

[19] This court has recently restated the general requirements for a claim brought under section 43(a):

To establish a false advertising claim under Section 43(a), the plaintiff must demonstrate that the statement in the challenged advertisement is false. “Falsity may be established by proving that (1) the advertising is literally false as a factual matter, or (2) although the advertisement is literally true, it is likely to deceive or confuse customers.”

Nat'l Basketball Ass'n v. Motorola, Inc., 105 F.3d 841, 855 (2d Cir.1997) (quoting *Lipton v. Nature Co.*, 71 F.3d 464, 474 (2d Cir.1995)). It is also well-settled that, “in addition to proving falsity, the plaintiff must also show that the defendants misrepresented an ‘inherent quality or characteristic’ of the product. This requirement is essentially one of materiality, a term explicitly used in other circuits.” *Id.* (citation and internal quotation marks omitted).

[20] In considering a false advertising claim, “[f]undamental to any task of interpretation is the principle that text must yield to context.” *Avis*, 782 F.2d at 385.

Thus, we have emphasized that in reviewing FTC actions prohibiting unfair advertising practices under the Federal Trade Commission Act a court must “consider the advertisement in its entirety and not ... engage in disputatious dissection. The entire mosaic should be viewed rather than each tile separately.” Similar approaches have been taken in Lanham Act cases involving the claim that an advertisement was false on its face.

Id. (citations omitted). Moreover, we have explicitly looked to the visual images in a commercial to assess whether it is literally false. See *Coca-Cola Co. v. Tropicana Prods., Inc.*, 690 F.2d 312, 317–18 (2d Cir.1982) (abrogated on other grounds by statute as noted in *Johnson & Johnson v. GAC Int'l, Inc.*, 862 F.2d 975, 979 (2d Cir.1988)); see also *Avis*, 782 F.2d at 385.

[21] “Where the advertising claim is shown to be literally false, the court may enjoin the use of the claim ‘without reference to the advertisement’s impact on the buying public.’ Additionally, a plaintiff must show that it will suffer irreparable harm absent the injunction.” *McNeil-P.C.C., Inc. v. Bristol-Myers Squibb Co.*, 938 F.2d 1544, 1549 (2d Cir.1991) (citations omitted). Under section 43(a), however, “[w]e will presume irreparable harm where plaintiff demonstrates a likelihood of success in showing literally false defendant’s comparative advertisement which mentions plaintiff’s product by name.” *Castrol, Inc. v. Quaker State Corp.*, 977 F.2d 57, 62 (2d Cir.1992).

I. The district court’s findings of fact are not clearly erroneous.

[22] Clorox argues that the district court committed clear error in finding that its Goldfish II television commercial and print advertisement contain literal falsehoods. We find no clear error in the district court’s findings of fact in support of its conclusion that the Goldfish II television commercial and print advertisement are literally false as a factual matter. We note that the court made its finding of literal falsity after a seven-day bench trial. The evidence presented at trial clearly indicates that, as the court found, only slightly more than one out of ten Slide-Loc bags tested dripped at a rate of one drop per second or faster, while more than one-third of the Slide-Loc bags tested leaked at a rate of less than one drop per five seconds. Over half of the Slide-Loc bags tested either did not leak at all or leaked at a rate no faster than one drop per 20 seconds. Moreover, less than two-thirds, or 63 percent, of Slide-Loc bags tested showed any leakage at all when subjected to the testing on which Clorox based its Goldfish I and II advertisements.

[23] The only Slide-Loc bag depicted in each of the two Goldfish II advertisements, on the other hand, is shown leaking and, when shown, is always leaking. Moreover, each time the Slide-Loc bag is on-screen, the Goldfish II television commercial shows a drop forming immediately and then falling from the Slide-Loc bag, all over a period of approximately two seconds. Accordingly, the commercial falsely depicts the risk of leakage for the vast majority of Slide-Loc bags tested.

[24] Clorox argues that, because approximately eight seconds pass between the images of the drops forming and falling in the Goldfish II television commercial, the commercial depicts an accurate rate of leakage. However, the commercial does not continuously show the condition of the Slide-Loc bag because the Slide-Loc bag is off-screen for eight seconds. Likewise, the print ad does not depict any rate of leakage at all, other than to indicate that the Slide-Loc bag is “dripping.” Clorox’s argument that its commercial shows a “continuum” also fails given that in each of the Goldfish II advertisements is a background image containing three puddles of water, when only two drops form and fall in the television commercial and just one drop forms and nearly falls in the print advertisement.

[25] Given the highly deferential standard of review accorded to the district court’s findings entered after a bench trial, we cannot say that, having viewed the record in its entirety, we are left with the definite and firm conviction that a mistake has been committed. *See Mobil Shipping and Transp. Co. v. Wonsild Liquid Carriers Ltd.*, 190 F.3d 64, 67–68 (2d Cir.1999). We find no clear error in the district court’s finding that the depiction of the risk of leakage from Slide-Loc bags in the Goldfish II television commercial and print advertisement is literally false as to an inherent quality or characteristic of Ziploc Slide-Loc storage bags.

II. The district court committed no error of law.

[26] Clorox alleges that the district court erred in finding literal falsity because “no facially false claim or depiction was present in the advertisements at issue in this case.” As such, Clorox argues, the district court’s finding of literal falsity “was based upon an interpretation of the ads that went beyond their facial or explicit claims.” According to Clorox, the district court therefore must have based its injunction on the implied falsity of the ads. Clorox argues that the district court erred as a matter of law because “any alleged message beyond the literal claims in the advertisements [must] be proved by extrinsic evidence,” upon which the district court undeniably did not rely in reaching its conclusions.

[27] We disagree. The district court properly concluded that the Goldfish II advertisements are literally false in violation of section 43(a) of the Lanham Act. The court looked at the Goldfish II television commercial and print advertisement in their entirety and determined that the risk of leakage from the Slide-Loc storage bag depicted in the ads is literally false based on the evidence presented at trial of the real risk and rate of leakage from Slide-Loc bags. The district court’s conclusion that Clorox violated section 43(a) conforms to our earlier precedents applying the doctrine of literal falsity. In *Coca-Cola*, we reversed a district court’s finding of no literal falsity in an orange juice commercial where:

[t]he visual component of the ad makes an explicit representation that Premium Pack is produced by squeezing oranges and pouring the freshly-squeezed juice directly into the carton. This is not a true representation of how the product is prepared. Premium Pack juice is heated and sometimes frozen prior to packaging.

690 F.2d at 318. As in *Coca-Cola*, the Goldfish II advertisement depicts a literal falsity that requires no proof by extrinsic evidence: that Slide-Loc bags always leak when filled with water and held upside down.

[28] Furthermore, the district court did not erroneously enjoin Clorox's advertisements on the basis of implied falsity in the absence of extrinsic evidence. Contrary to Clorox's allegations on appeal, the district court's conclusion is not based on implied falsity or the district court's own subjective interpretation of the Goldfish II advertisements. Indeed, Clorox's purported "literal" reading of the Goldfish II ads requires the viewer to assume that the bag is not leaking while it is off-screen. It is therefore Clorox's interpretation that relies upon implication, not the district court's. The district court did not conclude that the Goldfish II advertisements are literally true but "nevertheless likely to mislead or confuse consumers." It correctly concluded that the advertisements are facially false. As such, our holding prohibiting a district judge from "determin[ing], based solely upon his or her own intuitive reaction, whether the advertisement is deceptive" under the doctrine of implied falsity is not implicated in this case. *Johnson & Johnson * Merck Consumer Pharms. Co. v. Smithkline Beecham Corp.*, 960 F.2d 294, 297 (2d Cir.1992).

[29] Because we affirm the injunction on the basis of literal falsity, we need not reach the issue of whether the district court erred in concluding as an alternative ground that Clorox's Goldfish II television commercial and print advertisement are false "by necessary implication" because consumers would necessarily believe that more viscous liquids than water would also leak rapidly from Ziploc Slide-Loc storage bags.

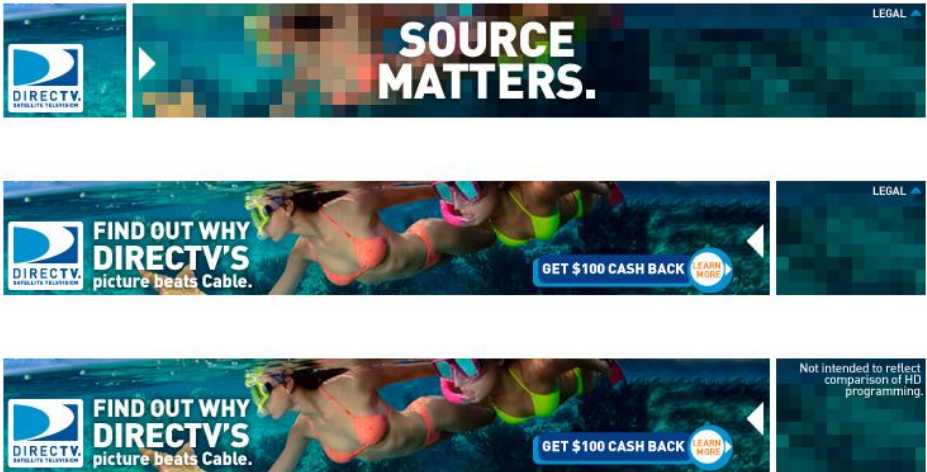
[30] Accordingly, we find no clearly erroneous findings of fact and no error of law. We therefore find that the district court did not abuse its discretion by permanently enjoining Clorox from disseminating the Goldfish II television commercial and print advertisement.

...

We affirm the judgment of the district court.

2. Literal Falsity by Necessary Implication





Time Warner Cable, Inc. v. DIRECTV, Inc.
497 F.3d 144 (2d Cir. 2007)

STRAUB, Circuit Judge:

[1] Defendant–Appellant DIRECTV, Inc. (“DIRECTV”) appeals from the February 5, 2007 opinion and order of the United States District Court for the Southern District of New York (Laura Taylor Swain, Judge) preliminarily enjoining it from disseminating, in any market in which Plaintiff–Appellee Time Warner Cable, Inc. (“TWC”) provides cable service, certain television commercials and Internet advertisements found likely to violate the Lanham Act on literal falsity grounds. *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 475 F.Supp.2d 299 (S.D.N.Y.2007).

[2] This appeal requires us to clarify certain aspects of our false advertising doctrine. We make three clarifications in particular. First, we hold that an advertisement can be literally false even though it does not explicitly make a false assertion, if the words or images, considered in context, necessarily and unambiguously imply a false message. Second, we decide that the category of non-actionable “puffery” encompasses visual depictions that, while factually inaccurate, are so grossly exaggerated that no reasonable consumer would rely on them in navigating the marketplace. Third, we conclude that the likelihood of irreparable harm may be presumed where the plaintiff demonstrates a likelihood of success in showing that the defendant's comparative advertisement is literally false and that given the nature of the market, it would be obvious to the viewing audience that the advertisement is targeted at the plaintiff, even though the plaintiff is not identified by name. Reviewing the District Court's decision under these principles, we affirm in part, vacate in part, and remand for further proceedings consistent with this opinion.

*FACTUAL BACKGROUND*¹

A. The Parties

[3] TWC and DIRECTV are major players in the multichannel video service industry. TWC is the second-largest cable company in the United States, serving more than 13.4 million subscribers. Like all cable providers, TWC must operate through franchises let by local government entities; it is currently the franchisee in the greater part of New York City. DIRECTV is one of the country's largest satellite service providers, with more than 15.6 million customers nationwide. Because DIRECTV broadcasts directly via satellite, it is not subject to the same franchise limitations as cable companies. As a result, in the markets where TWC is the franchisee, DIRECTV and other satellite providers pose the greatest threat to its market share. The competition in these markets for new customers is extremely fierce, a fact to which the advertisements challenged in this case attest.

[4] TWC offers both analog and digital television services to its customers. DIRECTV, on the other hand, delivers 100% of its programming digitally. Both companies, however, offer high-definition (“HD”) service on a limited number of their respective channels. Transmitted at a higher resolution than analog or traditional digital programming, HD provides the home viewer with theater-like picture quality on a wider screen. The picture quality of HD is governed by standards recommended by the Advanced Television Systems Committee (“ATSC”), an international non-profit organization that develops voluntary standards for

¹ This factual background is derived from the District Court's findings of fact, which are not in dispute. See *Time Warner Cable, Inc.*, 475 F.Supp.2d at 302–04.

digital television. To qualify as HD under ATSC standards, the screen resolution of a television picture must be at least 720p or 1080i.² TWC and DIRECTV do not set or alter the screen resolution for HD programming provided by the networks; instead, they make available sufficient bandwidth to permit the HD level of resolution to pass on to their customers. To view programming in HD format, customers of either provider must have an HD television set.

[5] There is no dispute, at least on the present record, that the HD programming provided by TWC and DIRECTV is equivalent in picture quality. In terms of non-HD programming, digital service generally yields better picture quality than analog service, because a digital signal is more resistant to interference. *See Consumer Elecs. Ass'n v. F.C.C.*, 347 F.3d 291, 293–94 (D.C.Cir.2003). That said, TWC's analog cable service satisfies the technical specifications, *e.g.* signal level requirements and signal leakage limits, set by the Federal Communications Commission ("FCC"). *See* 47 C.F.R. § 76.1, *et seq.* According to a FCC fact sheet, analog service that meets these specifications produces a picture that is "high enough in quality to provide enjoyable viewing with barely perceptible impairments."

B. DIRECTV's "SOURCE MATTERS" Campaign

[6] In the fall of 2006, DIRECTV launched a multimedia advertising campaign based on the theme of "SOURCE MATTERS." The concept of the campaign was to educate consumers that to obtain HD-standard picture quality, it is not enough to buy an HD television set; consumers must also receive HD programming from the "source," *i.e.*, the television service provider.

1. Jessica Simpson Commercial

[7] As part of its new campaign, DIRECTV began running a television commercial in October 2006 featuring celebrity Jessica Simpson. In the commercial, Simpson, portraying her character of Daisy Duke from the movie *The Dukes of Hazzard*, says to some of her customers at the local diner:

Simpson: Y'all ready to order?

Hey, 253 straight days at the gym to get this body and you're not gonna watch me on DIRECTV HD?

You're just not gonna get the best picture out of some fancy big screen TV without DIRECTV.

It's broadcast in 1080i. I totally don't know what that means, but I want it.

The original version of the commercial concluded with a narrator saying, "For picture quality that beats cable, you've got to get DIRECTV."

[8] In response to objections by TWC, and pursuant to agreements entered into by the parties, DIRECTV pulled the original version of the commercial and replaced it with a revised one ("Revised Simpson Commercial"), which began airing in early December 2006. The Revised Simpson Commercial is identical to the original, except that it ends with a different tag line: "For an HD picture that can't be beat, get DIRECTV."

² The "p" and "i" designations stand for "progressive" and "interlaced." In the progressive format, the full picture updates every sixtieth of a second, while in the interlaced format, half of the picture updates every sixtieth of a second. The higher the "p" or "i" number, the greater the resolution and the better the picture will appear to the viewer.

2. William Shatner Commercial

[9] DIRECTV debuted another commercial in October 2006, featuring actor William Shatner as Captain James T. Kirk, his character from the popular *Star Trek* television show and film series. The following conversation takes place on the Starship Enterprise:

Mr. Chekov: Should we raise our shields, Captain?

Captain Kirk: At ease, Mr. Chekov.

Again with the shields. I wish he'd just relax and enjoy the amazing picture clarity of the DIRECTV HD we just hooked up.

With what Starfleet just ponied up for this big screen TV, settling for cable would be illogical.

Mr. Spock: [Clearing throat.]

Captain Kirk: What, I can't use that line?

The original version ended with the announcer saying, "For picture quality that beats cable, you've got to get DIRECTV."

[10] DIRECTV agreed to stop running the Shatner commercial in November 2006. In January 2007, DIRECTV released a revised version of the commercial ("Revised Shatner Commercial") with the revamped tag line, "For an HD picture that can't be beat, get DIRECTV."

3. Internet Advertisements

[11] DIRECTV also waged its campaign in cyberspace, placing banner advertisements on various websites to promote the message that when it comes to picture quality, "source matters." The banner ads have the same basic structure. They open by showing an image that is so highly pixelated that it is impossible to discern what is being depicted. On top of this indistinct image is superimposed the slogan, "SOURCE MATTERS." After about a second, a vertical line splits the screen into two parts, one labeled "OTHER TV" and the other "DIRECTV." On the OTHER TV side of the line, the picture is extremely pixelated and distorted, like the opening image. By contrast, the picture on the DIRECTV side is exceptionally sharp and clear. The DIRECTV screen reveals that what we have been looking at all along is an image of New York Giants quarterback Eli Manning; in another ad, it is a picture of two women snorkeling in tropical waters. The advertisements then invite browsers to "FIND OUT WHY DIRECTV'S picture beats cable" and to "LEARN MORE" about a special offer. In the original design, users who clicked on the "LEARN MORE" icon were automatically directed to the HDTV section of DIRECTV's website.

[12] In addition to the banner advertisements, DIRECTV created a demonstrative advertisement that it featured on its own website. Like the banner ads, the website demonstrative uses the split-screen technique to compare the picture quality of "DIRECTV" to that of "OTHER TV," which the ad later identifies as representing "basic cable," *i.e.*, analog cable. The DIRECTV side of the screen depicts, in high resolution, an image of football player Kevin Dyson making a touchdown at the Super Bowl. The portion of the image on the OTHER TV side is noticeably pixelated and blurry. This visual display is accompanied by the following text: "If you're hooking up your high-definition TV to basic cable, you're not getting the best picture on every channel. For unparalleled clarity, you need DIRECTV HD. You'll enjoy 100% digital picture and sound on every channel and also get the most sports in HD—including all your favorite football games in high definition with NFL SUNDAY TICKET."

PROCEDURAL HISTORY

A. Filing of Action and Stipulation

[13] On December 7, 2006, TWC filed this action charging DIRECTV with, *inter alia*, false advertising in violation of § 43(a) of the Lanham Act. 15 U.S.C. § 1114, *et seq.* Initial negotiations led to the execution of a stipulation, in which DIRECTV agreed that pending final resolution of the action, it would stop running the original versions of the Simpson and Shatner commercials and also disable the link on the banner advertisements that routed customers to the HDTV page of its website. DIRECTV further stipulated that it would not claim in any advertisement, either directly or by implication, that “the picture quality presently offered by DIRECTV’s HDTV service is superior to the picture offered presently by Time Warner Cable’s HDTV service, or the present HDTV services of cable television providers in general.” Finally, DIRECTV agreed that any breach of the stipulation would result in irreparable harm to TWC. The stipulation contained the caveat, however, that nothing in it “shall be construed to be a finding on the merits of this action.” The District Court entered an order on the stipulation on December 12, 2006.

B. Preliminary Injunction Motion

[14] The following week, on December 18, TWC filed a motion for a preliminary injunction against the Revised Simpson Commercial, as well as the banner advertisements and website demonstrative (collectively, “Internet Advertisements”), none of which were specifically covered by the stipulation. TWC claimed that each of these advertisements was literally false, obviating the need for extrinsic evidence of consumer confusion. TWC further argued that as DIRECTV’s direct competitor, it was entitled to a presumption of irreparable injury. On January 4, 2007, after discovering that DIRECTV had started running the Revised Shatner Commercial, TWC filed supplemental papers requesting that this commercial also be preliminarily enjoined on literal falsity grounds.

[15] DIRECTV vigorously opposed the motion. It asserted that the Revised Simpson and Shatner Commercials were not literally false because no single statement in the commercials explicitly claimed that DIRECTV HD is superior to cable HD in terms of picture quality. DIRECTV did not deny that the Internet Advertisements’ depictions of cable were facially false. Rather, it argued that the Internet Advertisements did not violate the Lanham Act because the images constituted non-actionable puffery. Finally, DIRECTV argued that irreparable harm could not be presumed because none of the contested advertisements identified TWC by name.

C. The District Court’s February 5, 2007 Opinion and Order

[16] On February 5, 2007, the District Court issued a decision granting TWC’s motion. The District Court determined that TWC had met its burden of showing that each of the challenged advertisements was likely to be proven literally false. Addressing the television commercials, the District Court held that the meaning of particular statements had to be determined in light of the overall context, and not in a vacuum as urged by DIRECTV. Given the commercials’ obvious focus on HD picture quality, the District Court found that the Simpson’s assertion that a viewer cannot “get the best picture out of some big fancy big screen TV without DIRECTV” and Shatner’s quip that “settling for cable would be illogical” could only be understood as making the literally false claim that DIRECTV HD is superior to cable HD in picture quality. *See Time Warner Cable, Inc.*, 475 F.Supp.2d at 305–06. As for the Internet Advertisements, the District Court found that the facially false depictions of cable’s picture quality could not be discounted as mere puffery because it was possible that

consumers unfamiliar with HD technology would actually rely on the images in deciding whether to hook up their HD television sets to DIRECTV or analog cable. *See id.* at 306–08.

[17] In assessing irreparable harm *vel non*, the District Court observed that under Second Circuit case law, irreparable harm could be presumed where the movant “demonstrates a likelihood of success in showing literally false defendant’s comparative advertisement which mentions plaintiff’s product by name.” *Id.* at 308 (quoting *Castrol, Inc. v. Quaker State Corp.*, 977 F.2d 57, 62 (2d Cir.1992) (internal quotation marks omitted)). The District Court acknowledged that the Revised Shatner Commercial and the Internet Advertisements did not specifically name TWC, but concluded that a presumption of irreparable harm was nevertheless appropriate because the advertisements made explicit references to “cable,” and in the markets where TWC is the franchisee, “cable” is functionally synonymous with “Time Warner Cable.” *See id.* As for the Revised Simpson Commercial, the District Court reasoned that although the advertisement did not explicitly reference “cable,” irreparable harm should be presumed because “TWC is DIRECTV’s main competitor in markets served by TWC.” *Id.* The District Court further noted that DIRECTV had breached the stipulation by continuing to run the contested commercials and that this breach also supported a finding of irreparable harm. *See id.* at n. 5.

[18] In accordance with its opinion, the District Court entered a preliminary injunction barring DIRECTV from disseminating, “in any market in which [TWC] provides cable service,”

- (1) the Revised Simpson Commercial and Revised Shatner Commercial, “and any other advertisement disparaging the visual or audio quality of TWC or cable high-definition (“HDTV”) programming as compared to that of DIRECTV or satellite HDTV programming”; and
- (2) the Internet Advertisements “and any other advertisement making representations that the service provided by Time Warner Cable, or cable service in general, is unwatchable due to blurriness, distortion, pixellation or the like, or inaudible due to static or other interference.”

DISCUSSION

[19] A party seeking preliminary injunctive relief must establish: (1) either (a) a likelihood of success on the merits of its case or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in its favor, *and* (2) a likelihood of irreparable harm if the requested relief is denied. *See Coca-Cola Co. v. Tropicana Prods., Inc.*, 690 F.2d 312, 314–15 (2d Cir.1982), *abrogated on other grounds by Fed.R.Civ.P.* 52(a). We review the entry of a preliminary injunction for excess of discretion, which may be found where the district court, in issuing the injunction, relied upon clearly erroneous findings of fact or errors of law. *S.C. Johnson & Son, Inc. v. Clorox Co.*, 241 F.3d 232, 237 (2d Cir.2001). “[T]he district judge’s determination of the meaning of the advertisement [is] a finding of fact that shall not be set aside unless clearly erroneous.” *Id.* (alterations in original; internal quotation marks omitted); *see also Johnson & Johnson v. GAC Int’l, Inc.*, 862 F.2d 975, 979 (2d Cir.1988) (“*GAC Int’l, Inc.*”).

A. Likelihood of Success on the Merits

1. Television Commercials

[20] Section 43(a) of the Lanham Act provides, in pertinent part that:

Any person who, on or in connection with any goods or services ... uses in commerce ... any ... 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.

15 U.S.C. § 1125(a)(1).

[21] Two different theories of recovery are available to a plaintiff who brings a false advertising action under § 43(a) of the Lanham Act. First, the plaintiff can demonstrate that the challenged advertisement is literally false, *i.e.*, false on its face. *See GAC Int'l, Inc.*, 862 F.2d at 977. When an advertisement is shown to be literally or facially false, consumer deception is presumed, and “the court may grant relief without reference to the advertisement's [actual] impact on the buying public.” *Coca-Cola Co.*, 690 F.2d at 317. “This is because plaintiffs alleging a literal falsehood are claiming that a statement, on its face, conflicts with reality, a claim that is best supported by comparing the statement itself with the reality it purports to describe.” *Schering Corp. v. Pfizer Inc.*, 189 F.3d 218, 229 (2d Cir.1999).

[22] Alternatively, a plaintiff can show that the advertisement, while not literally false, is nevertheless likely to mislead or confuse consumers. *See Coca-Cola Co.*, 690 F.2d at 317. “[P]laintiffs alleging an implied falsehood are claiming that a statement, whatever its literal truth, has left an impression on the listener [or viewer] that conflicts with reality”—a claim that “invites a comparison of the impression, rather than the statement, with the truth.” *Schering Corp.*, 189 F.3d at 229. Therefore, whereas “plaintiffs seeking to establish a literal falsehood must generally show the substance of what is conveyed, ... a district court *must* rely on extrinsic evidence [of consumer deception or confusion] to support a finding of an implicitly false message.” *Id.* (internal quotation marks omitted).³

[23] Here, TWC chose to pursue only the first path of literal falsity, and the District Court granted the preliminary injunction against the television commercials on that basis. In this appeal, DIRECTV does not dispute that it would be a misrepresentation to claim that the picture quality of DIRECTV HD is superior to that of cable HD. Rather, it argues that neither commercial explicitly makes such a claim and therefore cannot be literally false.

a. Revised Simpson Commercial

[24] DIRECTV's argument is easily dismissed with respect to the Revised Simpson Commercial. In the critical lines, Simpson tells audiences, “You’re just not gonna get the best picture out of some fancy big screen TV without DIRECTV. It’s broadcast in 1080i.” These statements make the explicit assertion that it is impossible to obtain “the best picture”—*i.e.*, a “1080i”-resolution picture—from any source other than DIRECTV. This claim is flatly untrue; the uncontroverted factual record establishes that viewers can, in fact, get the same

³ Under either theory, the plaintiff must also demonstrate that the false or misleading representation involved an inherent or material quality of the product. *See S.C. Johnson & Son, Inc.*, 241 F.3d at 238; *Nat'l Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 855 (2d Cir.1997). TWC has met this requirement, as it is undisputed that picture quality is an inherent and material characteristic of multichannel video service.

“best picture” by ordering HD programming from their cable service provider. We therefore affirm the District Court's determination that the Revised Simpson Commercial's contention “that a viewer cannot ‘get the best picture’ without DIRECTV is ... likely to be proven literally false.” *Time Warner Cable, Inc.*, 475 F.Supp.2d at 306.

b. Revised Shatner Commercial

[25] The issue of whether the Revised Shatner Commercial is likely to be proven literally false requires more analysis. When interpreting the controversial statement, “With what Starfleet just ponied up for this big screen TV, settling for cable would be illogical,” the District Court looked not only at that particular text, but also at the surrounding context. In light of Shatner's opening comment extolling the “amazing picture quality of [] DIRECTV HD” and the announcer's closing remark highlighting the unbeatable “HD picture” provided by DIRECTV, the District Court found that the line in the middle—“settling for cable would be illogical”—clearly referred to cable's HD picture quality. Since it would only be “illogical” to “settle” for cable's HD picture if it was materially inferior to DIRECTV's HD picture, the District Court concluded that TWC was likely to establish that the statement was literally false.

[26] DIRECTV argues that the District Court's ruling was clearly erroneous because the actual statement at issue, “settling for cable would be illogical,” does not explicitly compare the picture quality of DIRECTV *HD* with that of cable *HD*, and indeed, does not mention *HD* at all. In DIRECTV's view, the District Court based its determination of literal falsity not on the words actually used, but on what it subjectively perceived to be the general message conveyed by the commercial as a whole. DIRECTV contends that this was plainly improper under this Court's decision in *American Home Products Corp. v. Johnson & Johnson*, 577 F.2d 160 (2d Cir.1978).

[27] TWC, on the other hand, maintains that the District Court properly took context into account in interpreting the commercial, as directed by this Court in *Avis Rent A Car System, Inc. v. Hertz Corp.*, 782 F.2d 381 (2d Cir.1986). TWC argues that under *Avis Rent A Car*, an advertisement can be literally false even though no “combination of words between two punctuation signals” is untrue, if the clear meaning of the statement, considered in context, is false. Given the commercial's repeated references to “HD picture,” TWC contends that the District Court correctly found that “settling for cable would be illogical” literally made the false claim that cable's HD picture quality is inferior to DIRECTV's.

[28] To appreciate the parties' dispute, it is necessary to understand the two key cases, *American Home Products* and *Avis Rent A Car*. The *American Home Products* case involved a false advertising claim asserted by McNeil Laboratories, Inc., the manufacturer of Tylenol, against American Home Products Corporation, the manufacturer of the competing drug Anacin. One of the challenged advertisements was a television commercial, in which a spokesman told consumers:

Your body knows the difference between these pain relievers [showing other products] and Adult Strength Anacin. For pain other than headache Anacin reduces the inflammation that often comes with pain. These do not. Specifically, inflammation of tooth extraction[,] muscle strain[,] backache [,] or if your doctor diagnoses tendonitis [,] neuritis. Anacin reduces that inflammation as Anacin relieves pain fast. These do not. Take Adult Strength Anacin.

Am. Home Prods., 577 F.2d at 163 n. 3 (notations of special effects omitted). Another advertisement, which appeared in national magazines, advised readers:

Anacin can reduce inflammation that comes with most pain. Tylenol cannot.

With any of these pains, your body knows the difference between the pain reliever in Adult-Strength Anacin and other pain relievers like Tylenol. Anacin can reduce the inflammation that often comes with these pains.

Tylenol cannot. Even Extra-Strength Tylenol cannot. And Anacin relieves pain fast as it reduces inflammation.

Id. at 163 n. 4. The print advertisement visually depicted the aforementioned “pains” as spots located on a human body, correlating to tooth extraction, muscle strain, muscular backache, tendonitis, neuritis, sinusitis, and sprains. *Id.*

[29] To ascertain the meaning of these advertisements, the district court turned to consumer reaction surveys. *See id.* at 163. Based on these surveys, it found that: (1) the television commercial represented that Anacin is a superior pain reliever generally, and not only with reference to the particular conditions enumerated in the commercial or to Anacin’s alleged ability to reduce inflammation; (2) the print advertisement claimed that Anacin is a superior analgesic for certain kinds of pain because Anacin can reduce inflammation; and (3) both advertisements represented that Anacin reduces inflammation associated with the conditions specified in the ads. *Id.* at 163–64. The district court determined that the first two claims were factually false. *Id.* at 164. Although the district court did not definitively decide the veracity of the third claim, it reasoned that “because the three claims [were] ‘integral and inseparable,’ the advertisements as a whole” violated the Lanham Act. *Id.* (internal quotations and citation omitted).

[30] American Home Products appealed, arguing that since the advertisements did not contain an *express* claim for greater analgesia, they could not violate § 43(a), even if consumers mistakenly perceived a different and incorrect meaning. *See id.* This Court disagreed. It first observed that “[§] 43(a) of the Lanham Act encompasses more than literal falsehoods”; implied falsehoods are also prohibited. *Id.* at 165. The Court emphasized, however, that when an advertisement relies on “clever use of innuendo, indirect intimations, and ambiguous suggestions,” instead of literally false statements, the truth or falsity of the ad “usually should be tested by the reactions of the public.” *Id.* It provided district courts with the following guidance for analyzing a claim of implied falsity:

A court may, of course, construe and parse the language of the advertisement. It may have personal reactions as to the defensibility or indefensibility of the deliberately manipulated words. It may conclude that the language is far from candid and would never pass muster under tests otherwise applied—for example, the Securities Acts’ injunction that “thou shalt disclose”; but the court’s reaction is at best not determinative and at worst irrelevant. *The question in such cases is—what does the person to whom the advertisement is addressed find to be the message?*

Id. at 165–66 (quoting *Am. Brands, Inc. v. R.J. Reynolds Tobacco Co.*, 413 F.Supp. 1352, 1357 (S.D.N.Y.1976)).

[31] Applying these principles to the facts of the case, the *American Home Products* Court determined that “the district court’s use of consumer response data was proper” because “the claims of both the television commercial and the print advertisement [were] ambiguous.” *Id.* at 166. “This obscurity,” the Court explained, “[wa]s produced by several

references to ‘pain’ and body sensation accompanying the assertions that Anacin reduces inflammation.” *Id.* Therefore, “[a] reader or listener to these advertisements could reasonably infer that Anacin is superior to Tylenol in reducing pain generally (Claim One) and in reducing certain kinds of pain (Claim Two).” *Id.* “Given this rather obvious ambiguity,” the Court concluded that the district judge “was warranted in examining, and may have been compelled to examine, consumer data to determine first the messages conveyed in order to determine ultimately the truth or falsity of the messages.” *Id.* (footnote omitted).

[32] *American Home Products* dealt with a claim of implied falsity. *See id.* at 165 (“We are dealing not with statements which are literally or grammatically untrue.... Rather, we are asked to determine whether a statement acknowledged to be *literally true and grammatically correct nevertheless has a tendency to mislead, confuse or deceive.*” (quoting *Am. Brands, Inc.*, 413 F.Supp. at 1357)). In *Avis Rent A Car*, the false advertising action was premised on a theory of literal, not implied, falsity. In the facts of that case, Avis Rent A Car System, Inc., the self-proclaimed “Number 2” in the car rental business, sued “Number 1” Hertz Corporation over an advertisement that proclaimed, in large bold print, that **“Hertz has more new cars than Avis has cars.”** *Avis Rent A Car*, 782 F.2d at 381–82. Below a picture of mechanics unloading new cars into an airport parking lot, the advertisement went on to explain: “If you’d like to drive some of the newest cars on the road, rent from Hertz. Because we have more new 1984 cars than Avis or anyone else has cars—new or old.... Whether you’re renting for business or pleasure, chances are you’ll find a domestic or imported car you’ll want to drive.” *Id.* at 382. At the bottom of the ad was Hertz’s slogan, **“The # 1 way to rent a car.”** *Id.*

[33] At the time the advertisement was published, Hertz only had about 97,000 1984 model cars, whereas Avis had a total of approximately 102,000 cars. *See id.* at 383. However, 6776 cars in Avis’s fleet were in the process of being sold and were no longer available for rental. *Id.* at 384. Thus, the literal truth or falsity of the claim that “Hertz has more new cars than Avis has cars” turned on whether the statement “referred to the rental fleets or the total fleets of the two companies.” *Id.* at 383. The district court found that because the advertisement said “cars,” and not “cars for rent,” it had to be read as referring to the companies’ total fleets and, as such, was literally false. *See id.* at 384.

[34] This Court held that the district court’s finding was clearly erroneous. It pointed out that the parties had “made their reputations as companies that *rent* cars, not companies that sell or merely own cars,” and that the advertisement had appeared “in publications that would come to the attention of prospective renters, not car buyers or financial analysts.” *Id.* at 385. Moreover, the advertisement featured a large picture of an airport rental lot and made three specific references to rentals. *See id.* Taking this context into consideration, the Court concluded that the claim that “Hertz has more new cars than Avis has new cars” could only be understood as referring to the companies’ rental fleets. The Court elaborated:

Fundamental to any task of interpretation is the principle that text must yield to context. Recognizing this, the Supreme Court long ago inveighed against “the tyranny of literalness.” In his determination to “go by the written word” and to ignore the context in which the words were used, the district judge in the present case failed to heed the familiar warning of Judge Learned Hand that “[t]here is no surer way to misread any document than to read it literally,” as well as his oft-cited admonition that “it is one of the surest indexes of a mature and developed jurisprudence not to make a fortress out of the dictionary.”

These and similar invocations against literalness, though delivered most often in connection with statutory and contract interpretation, are relevant to the interpretation of any writing, including advertisements. Thus, we have emphasized that in reviewing FTC actions prohibiting unfair advertising practices under the Federal Trade Commission Act a court must “consider the advertisement in its entirety and not ... engage in disputatious dissection. The entire mosaic should be viewed rather than each tile separately.” ... Similar approaches have been taken in Lanham Act cases involving the claim that an advertisement was false on its face.

Id. at 385 (citations omitted).

[35] At first glance, *American Home Products* and *Avis Rent A Car* may appear to conflict. *American Home Products* counsels that when an advertisement is not false on its face, but instead relies on indirect intimations, district courts should look to consumer reaction to determine meaning, and not rest on their subjective impressions of the advertisement as a whole. *Avis Rent A Car*, on the other hand, instructs district courts to consider the overall context of an advertisement to discern its true meaning, and holds that the message conveyed by an advertisement may be viewed as not false in the context of the business at issue, even though the written words are not literally accurate.

[36] On closer reading, however, the two cases can be reconciled. In *American Home Products*, we did not say that context is irrelevant or that courts are myopically bound to the explicit words of an advertisement. Rather, we held that where it is “clear that ... the language of the advertisement[] is not unambiguous,” the district court should look to consumer response data to resolve the ambiguity. *Am. Home Prods.*, 577 F.2d at 164. In *Avis Rent A Car*, we concluded that there was no ambiguity to resolve because even though the statement, “Hertz has more new cars than Avis has cars,” did not expressly qualify the comparison, given the surrounding context, it “unmistakably” referred to the companies’ rental fleets. *Avis Rent A Car*, 782 F.2d at 384.

[37] These two cases, read together, compel us to now formally adopt what is known in other circuits as the “false by necessary implication” doctrine. *See, e.g., Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 274 (4th Cir.2002); *Clorox Co. Puerto Rico v. Procter & Gamble Commercial Co.*, 228 F.3d 24, 34–35 (1st Cir.2000); *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir.1997); *Castrol Inc. v. Pennzoil Co.*, 987 F.2d 939, 946–47 (3d Cir.1993) (“*Pennzoil Co.*”).⁴ Under this doctrine, a district court evaluating whether an advertisement is literally false “must analyze the message conveyed in full context,” *Pennzoil Co.*, 987 F.2d at 946, *i.e.*, it “must consider the advertisement in its entirety and not ... engage in disputatious dissection,” *Avis Rent A Car*, 782 F.2d at 385 (internal quotation marks omitted). If the words or images, considered in context, necessarily imply a false message, the advertisement is literally false and no extrinsic evidence of consumer confusion is required. *See Novartis Consumer Health, Inc. v. Johnson & Johnson–Merck Pharm. Co.*, 290 F.3d 578, 586–87 (3d Cir.2002) (“A ‘literally false’ message may be either explicit or ‘conveyed by necessary implication when, considering the advertisement in its entirety, the audience

⁴ Several district courts in this Circuit have already embraced the doctrine. *See, e.g., Johnson & Johnson–Merck Consumer Pharm. Co. v. Procter & Gamble Co.*, 285 F.Supp.2d 389, 391 (S.D.N.Y.2003), *aff’d*, 90 Fed.Appx. 8 (2d Cir.2003); *Tambrands, Inc. v. Warner–Lambert Co.*, 673 F.Supp. 1190, 1193–94 (S.D.N.Y.1987).

would recognize the claim as readily as if it had been explicitly stated.” (quoting *Clorox Co. Puerto Rico*, 228 F.3d at 35)). However, “only an *unambiguous* message can be literally false.” *Id.* at 587. Therefore, if the language or graphic is susceptible to more than one reasonable interpretation, the advertisement cannot be literally false. See *Scotts Co.*, 315 F.3d at 275 (stating that a literal falsity argument fails if the statement or image “can reasonably be understood as conveying different messages”); *Clorox Co. Puerto Rico*, 228 F.3d at 35 (“[A] factfinder might conclude that the message conveyed by a particular advertisement remains so balanced between several plausible meanings that the claim made by the advertisement is too uncertain to serve as the basis of a literal falsity claim....”). There may still be a “basis for a claim that the advertisement is misleading,” *Clorox Co. Puerto Rico*, 228 F.3d at 35, but to resolve such a claim, the district court must look to consumer data to determine what “the person to whom the advertisement is addressed find[s] to be the message,” *Am. Home Prods.*, 577 F.2d at 166 (citation omitted). In short, where the advertisement does not unambiguously make a claim, “the court’s reaction is at best not determinative and at worst irrelevant.” *Id.*

[38] Here, the District Court found that Shatner’s assertion that “settling for cable would be illogical,” considered in light of the advertisement as a whole, unambiguously made the false claim that cable’s HD picture quality is inferior to that of DIRECTV’s. We cannot say that this finding was clearly erroneous, especially given that in the immediately preceding line, Shatner praises the “amazing picture clarity of DIRECTV HD.” We accordingly affirm the District Court’s conclusion that TWC established a likelihood of success on its claim that the Revised Shatner Commercial is literally false.

2. Internet Advertisements

[39] We have made clear that a district court must examine not only the words, but also the “visual images ... to assess whether [the advertisement] is literally false.” *S.C. Johnson & Son, Inc.*, 241 F.3d at 238. It is uncontroverted that the images used in the Internet Advertisements to represent cable are inaccurate depictions of the picture quality provided by cable’s digital or analog service. The Internet Advertisements are therefore explicitly and literally false. See *Coca-Cola Co.*, 690 F.2d at 318 (reversing the district court’s finding of no literal falsity in an orange juice commercial where “[t]he visual component of the ad makes an explicit representation that Premium Pack is produced by squeezing oranges and pouring the freshly-squeezed juice directly into the carton. This is not a true representation of how the product is prepared. Premium Pack juice is heated and sometimes frozen prior to packaging.”).

[40] DIRECTV does not contest this point. Rather, it asserts that the images are so grossly distorted and exaggerated that no reasonable buyer would take them to be accurate depictions “of how a consumer’s television picture would look when connected to cable.” Consequently, DIRECTV argues, the images are obviously just puffery, which cannot form the basis of a Lanham Act violation. Notably, TWC agrees that no Lanham Act action would lie against an advertisement that was so exaggerated that no reasonable consumer would rely on it in making his or her purchasing decisions. TWC contends, however, that DIRECTV’s own evidence—which indicates that consumers are highly confused about HD technology—shows that the Internet Advertisements pose a real danger of consumer reliance.

[41] This Court has had little occasion to explore the concept of puffery in the false advertising context. In *Lipton v. Nature Co.*, 71 F.3d 464 (2d Cir.1995), the one case where we discussed the subject in some depth, we characterized puffery as “[s]ubjective claims about

products, which cannot be proven either true or false.” *Id.* at 474 (internal quotation marks omitted). We also cited to the Third Circuit’s description of puffery in *Pennzoil Co.*: “Puffery is an exaggeration or overstatement expressed in broad, vague, and commendatory language. ‘Such sales talk, or puffing, as it is commonly called, is considered to be offered and understood as an expression of the seller’s opinion only, which is to be discounted as such by the buyer.... The ‘puffing’ rule amounts to a seller’s privilege to lie his head off, so long as he says nothing specific.” *Pennzoil Co.*, 987 F.2d at 945 (quoting W. Page Keeton et al., *Prosser and Keeton on the Law of Torts* § 109, at 756–57 (5th ed.1984)). Applying this definition, we concluded that the defendant’s contention that he had conducted “thorough” research was just puffery, which was not actionable under the Lanham Act. *See Lipton*, 71 F.3d at 474.

[42] *Lipton’s* and *Pennzoil Co.’s* definition of puffery does not translate well into the world of images. Unlike words, images cannot be vague or broad. *Cf. Pennzoil Co.*, 987 F.2d at 945. To the contrary, visual depictions of a product are generally “specific and measurable,” *id.* at 946, and can therefore “be proven either true or false,” *Lipton*, 71 F.3d at 474 (internal quotation marks omitted), as this case demonstrates. Yet, if a visual representation is so grossly exaggerated that no reasonable buyer would take it at face value, there is no danger of consumer deception and hence, no basis for a false advertising claim. *Cf. Johnson & Johnson Merck Consumer Pharm. Co. v. Smithkline Beecham Corp.*, 960 F.2d 294, 298 (2d Cir.1992) (“[T]he injuries redressed in false advertising cases are the result of public deception. Thus, where the plaintiff cannot demonstrate that a statistically significant part of the commercial audience holds the false belief allegedly communicated by the challenged advertisement, the plaintiff cannot establish that it suffered any injury as a result of the advertisement’s message. Without injury there can be no claim, regardless of commercial context, prior advertising history, or audience sophistication.”); *see also U.S. Healthcare, Inc. v. Blue Cross of Greater Philadelphia*, 898 F.2d 914, 922 (3d Cir.1990) (“Mere puffery, advertising that is not deceptive for no one would rely on its exaggerated claims, is not actionable under § 43(a).” (internal quotation marks omitted)).

[43] Other circuits have recognized that puffery can come in at least two different forms. *See, e.g., Pizza Hut, Inc. v. Papa John’s Int’l, Inc.*, 227 F.3d 489, 497 (5th Cir.2000). The first form we identified in *Lipton*—“a general claim of superiority over comparable products that is so vague that it can be understood as nothing more than a mere expression of opinion.” *Id.*; *see Lipton*, 71 F.3d at 474. The second form of puffery, which we did not address in *Lipton*, is “an exaggerated, blustering, and boasting statement upon which no reasonable buyer would be justified in relying.” *Pizza Hut, Inc.*, 227 F.3d at 497; *accord United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1180 (8th Cir.1998) (“Puffery is exaggerated advertising, blustering, and boasting upon which no reasonable buyer would rely and is not actionable under § 43(a).” (internal quotation marks omitted)). We believe that this second conception of puffery is a better fit where, as here, the “statement” at issue is expressed not in words, but through images.

[44] The District Court determined that the Internet Advertisements did not satisfy this alternative definition of puffery because DIRECTV’s own evidence showed that “many HDTV equipment purchasers are confused as to what image quality to expect when viewing non-HD broadcasts, as their prior experience with the equipment is often limited to viewing HD broadcasts or other digital images on floor model televisions at large retail chains.” *Time Warner Cable, Inc.*, 475 F.Supp.2d at 307. Given this confusion, the District Court reasoned that “consumers unfamiliar with HD equipment could be led to believe that using an HD television set with an analog cable feed might result in the sort of distorted images

showcased in DIRECTV's Internet Advertisements, especially since those advertisements make reference to 'basic cable.'" *Id.*

[45] Our review of the record persuades us that the District Court clearly erred in rejecting DIRECTV's puffery defense. The "OTHER TV" images in the Internet Advertisements are—to borrow the words of Ronald Boyer, TWC's Senior Network Engineer—"unwatchably blurry, distorted, and pixelated, and ... nothing like the images a customer would ordinarily see using Time Warner Cable's cable service." Boyer further explained that

the types of gross distortions shown in DIRECTV's Website Demonstrative and Banner Ads are not the type of disruptions that could naturally happen to an analog or non-HD digital cable picture. These advertisements depict the picture quality of cable television as a series of large colored square blocks, laid out in a grid like graph paper, which nearly entirely obscure the image. This is not the type of wavy or "snowy" picture that might occur from degradation of an unconverted analog cable picture, or the type of macro-blocking or "pixelization" that might occur from degradation of a digital cable picture. Rather, the patchwork of colored blocks that DIRECTV depicts in its advertisement appears to be the type of distortion that would result if someone took a low-resolution photograph and enlarged it too much or zoomed in too close. If DIRECTV intended the advertisement to depict a pixelization problem, this is a gross exaggeration of one.

As Boyer's declaration establishes, the Internet Advertisements' depictions of cable are not just inaccurate; they are not even remotely realistic. It is difficult to imagine that any consumer, whatever the level of sophistication, would actually be fooled by the Internet Advertisements into thinking that cable's picture quality is so poor that the image is "nearly entirely obscure [d]." As DIRECTV states in its brief, "even a person not acquainted with cable would realize TWC could not realistically supply an unwatchably blurry image and survive in the marketplace."

[46] In reaching the contrary conclusion, the District Court relied heavily on the declaration of Jon Gieselman, DIRECTV's Senior Vice-President of Advertising and Public Relations. However, Gieselman merely stated that the common misconception amongst first-time purchasers of HD televisions is that "they will automatically get exceptional clarity on every channel" just by plugging their new television sets into the wall. Nothing in Gieselman's declaration indicates that consumers mistakenly believe that hooking up their HD televisions to an analog cable feed will produce an unwatchably distorted picture. More importantly, the Internet Advertisements do not claim that the "OTHER TV" is an HD television set, or that the corresponding images represent what happens when an HD television is connected to basic cable. The Internet Advertisements simply purport to compare the picture quality of DIRECTV's programming to that of basic cable programming, and as discussed above, the comparison is so obviously hyperbolic that "no reasonable buyer would be justified in relying" on it in navigating the marketplace. *Pizza Hut, Inc.*, 227 F.3d at 497.

[47] For these reasons, we conclude that the District Court exceeded its permissible discretion in preliminarily enjoining DIRECTV from disseminating the Internet Advertisements.

...

3. Misleading Statements and Materiality



Pizza Hut, Inc. v. Papa John's Intern., Inc.
227 F.3d 489 (5th Cir. 2000)

E. GRADY JOLLY, Circuit Judge:

[1] This appeal presents a false advertising claim under section 43(a) of the Lanham Act, resulting in a jury verdict for the plaintiff, Pizza Hut. At the center of this appeal is Papa John's four word slogan "Better Ingredients. Better Pizza."

[2] The appellant, Papa John's International Inc. ("Papa John's"), argues that the slogan "cannot and does not violate the Lanham Act" because it is "not a misrepresentation of fact." The appellee, Pizza Hut, Inc., argues that the slogan, when viewed in the context of Papa John's overall advertising campaign, conveys a false statement of fact actionable under section 43(a) of the Lanham Act. The district court, after evaluating the jury's responses to a series of special interrogatories and denying Papa John's motion for judgment as a matter of law, entered judgment for Pizza Hut stating:

When the "Better Ingredients. Better Pizza." slogan is considered in light of the entirety of Papa John's post-May 1997 advertising which violated provisions of the Lanham Act and in the context in which it was juxtaposed with the false and misleading statements contained in Papa John's print and broadcast media advertising, the slogan itself became tainted to the extent that its continued use should be enjoined.

We conclude that (1) the slogan, standing alone, is not an objectifiable statement of fact upon which consumers would be justified in relying, and thus not actionable under section 43(a); and (2) while the slogan, when utilized in connection with some of the post-May 1997 comparative advertising—specifically, the sauce and dough campaigns—conveyed objectifiable and misleading facts, Pizza Hut has failed to adduce any evidence demonstrating that the facts conveyed by the slogan were material to the purchasing decisions of the consumers to which the slogan was directed. Thus, the district court erred in

denying Papa John's motion for judgment as a matter of law. We therefore reverse the judgment of the district court denying Papa John's motion for judgment as a matter of law, vacate its final judgment, and remand the case to the district court for entry of judgment for Papa John's.

I

A

[3] Pizza Hut is a wholly owned subsidiary of Tricon Global Restaurants. With over 7000 restaurants (both company and franchisee-owned), Pizza Hut is the largest pizza chain in the United States. In 1984, John Schnatter founded Papa John's Pizza in the back of his father's tavern. Papa John's has grown to over 2050 locations, making it the third largest pizza chain in the United States.

[4] In May 1995, Papa John's adopted a new slogan: "Better Ingredients. Better Pizza." In 1996, Papa John's filed for a federal trademark registration for this slogan with the United States Patent & Trademark Office ("PTO"). Its application for registration was ultimately granted by the PTO. Since 1995, Papa John's has invested over \$300 million building customer goodwill in its trademark "Better Ingredients. Better Pizza." The slogan has appeared on millions of signs, shirts, menus, pizza boxes, napkins and other items, and has regularly appeared as the "tag line" at the end of Papa John's radio and television ads, or with the company logo in printed advertising.

[5] On May 1, 1997, Pizza Hut launched its "Totally New Pizza" campaign. This campaign was the culmination of "Operation Lightning Bolt," a nine-month, \$50 million project in which Pizza Hut declared "war" on poor quality pizza. From the deck of a World War II aircraft carrier, Pizza Hut's president, David Novak, declared "war" on "skimpy, low quality pizza." National ads aired during this campaign touted the "better taste" of Pizza Hut's pizza, and "dared" anyone to find a "better pizza."

[6] In early May 1997, Papa John's launched its first national ad campaign. The campaign was directed towards Pizza Hut, and its "Totally New Pizza" campaign. In a pair of TV ads featuring Pizza Hut's co-founder Frank Carney, Carney touted the superiority of Papa John's pizza over Pizza Hut's pizza. Although Carney had left the pizza business in the 1980's, he returned as a franchisee of Papa John's because he liked the taste of Papa John's pizza better than any other pizza on the market. The ad campaign was remarkably successful. During May 1997, Papa John's sales increased 11.7 percent over May 1996 sales, while Pizza Hut's sales were down 8 percent.

[7] On the heels of the success of the Carney ads, in February 1998, Papa John's launched a second series of ads touting the results of a taste test in which consumers were asked to compare Papa John's and Pizza Hut's pizzas. In the ads, Papa John's boasted that it "won big time" in taste tests. The ads were a response to Pizza Hut's "dare" to find a "better pizza." The taste test showed that consumers preferred Papa John's traditional crust pizzas over Pizza Hut's comparable pizzas by a 16-point margin (58% to 42%). Additionally, consumers preferred Papa John's thin crust pizzas by a fourteen-point margin (57% to 43%).

[8] Following the taste test ads, Papa John's ran a series of ads comparing specific ingredients used in its pizzas with those used by its "competitors." During the course of these ads, Papa John's touted the superiority of its sauce and its dough. During the sauce campaign, Papa John's asserted that its sauce was made from "fresh, vine-ripened tomatoes," which were canned through a process called "fresh pack," while its competitors—including

Pizza Hut—make their sauce from remanufactured tomato paste. During the dough campaign, Papa John's stated that it used "clear filtered water" to make its pizza dough, while the "biggest chain" uses "whatever comes out of the tap." Additionally, Papa John's asserted that it gives its yeast "several days to work its magic," while "some folks" use "frozen dough or dough made the same day." At or near the close of each of these ads, Papa John's punctuated its ingredient comparisons with the slogan "Better Ingredients. Better Pizza."

[9] Pizza Hut does not appear to contest the truthfulness of the underlying factual assertions made by Papa John's in the course of these ads. Pizza Hut argues, however, that its own independent taste tests and other "scientific evidence" establishes that filtered water makes no difference in pizza dough, that there is no "taste" difference between Papa John's "fresh-pack" sauce and Pizza Hut's "remanufactured" sauce, and that fresh dough is not superior to frozen dough. In response to Pizza Hut's "scientific evidence," Papa John's asserts that "each of these 'claims' involves a matter of common sense choice (fresh versus frozen, canned vegetables and fruit versus remanufactured paste, and filtered versus unfiltered water) about which individual consumers can and do form preferences every day without 'scientific' or 'expert' assistance."

[10] In November 1997, Pizza Hut filed a complaint regarding Papa John's "Better Ingredients. Better Pizza." advertising campaign with the National Advertising Division of the Better Business Bureau, an industry self-regulatory body. This complaint, however, did not produce satisfactory results for Pizza Hut.

B

[11] On August 12, 1998, Pizza Hut filed a civil action in the United States District Court for the Northern District of Texas charging Papa John's with false advertising in violation of Section 43(a)(1)(B) of the Lanham Act. The suit sought relief based on the above-described TV ad campaigns, as well as on some 249 print ads. On March 10, 1999, Pizza Hut filed an amended complaint. Papa John's answered the complaints by denying that its advertising and slogan violated the Lanham Act. Additionally, Papa John's asserted a counterclaim, charging Pizza Hut with engaging in false advertising. The parties consented to a jury trial before a United States magistrate judge. The parties further agreed that the liability issues were to be decided by the jury, while the equitable injunction claim and damages award were within the province of the court.

[12] The trial began on October 26, 1999, and continued for over three weeks. At the close of Pizza Hut's case, and at the close of all evidence, Papa John's moved for a judgment as a matter of law. The motions were denied each time. The district court, without objection, submitted the liability issue to the jury through special interrogatories.¹ The special issues

¹ Although Papa John's did not object to the submission of the issue of Lanham Act liability to the jury via special interrogatories, it did object to the district court's refusal to submit special interrogatories on the essential elements of materiality and injury. Specifically, Papa John's submitted the following proposed jury interrogatories: (1) "Do you find that any false or misleading description or representation of fact in Papa John's Slogan 'Better Ingredients. Better Pizza.' are material in that they are likely to influence the purchasing decisions of prospective purchasers of pizza?" (emphasis added); and (2) "Do you find that any facts or misleading descriptions or representations of fact in Papa John's Slogan 'Better Ingredients. Better Pizza.' are likely to cause injury or damage to Pizza Hut in terms of declining sales or loss of good will?" The district court, without issuing written reasons,

submitted to the jury related to (1) the slogan and (2) over Papa John's objection, certain classes of groups of advertisements referred to as "sauce claims," "dough claims," "taste test claims," and "ingredients claims."

[13] On November 17, 1999, the jury returned its responses to the special issues finding that Papa John's slogan, and its "sauce claims" and "dough claims" were false or misleading and deceptive or likely to deceive consumers.² The jury also determined that Papa John's "taste test" ads were not deceptive or likely to deceive consumers, and that Papa John's "ingredients claims" were not false or misleading.³ As to Papa John's counterclaims against Pizza Hut, the jury found that two of the three Pizza Hut television ads at issue were false or misleading and deceptive or likely to deceive consumers.⁴

[14] On January 3, 2000, the trial court, based upon the jury's verdict and the evidence presented by the parties in support of injunctive relief and on the issue of damages, entered a Final Judgment and issued a Memorandum Opinion and Order. The court concluded that the "Better Ingredients. Better Pizza." slogan was "consistent with the legal definition of non-actionable puffery" from its introduction in 1995 until May 1997. However, the slogan "became tainted ... in light of the entirety of Papa John's post-May 1997 advertising." Based on this conclusion, the magistrate judge permanently enjoined Papa John's from "using any slogan in the future that constitutes a recognizable variation of the phrase 'Better Ingredients. Better Pizza.' or which uses the adjective 'Better' to modify the terms 'ingredients' and/or 'pizza'." Additionally, the court enjoined Papa John's from identifying Frank Carney as a co-founder of Pizza Hut, "unless such advertising includes a voice-over, printed statement or a superimposed message which states that Frank Carney has not been

denied Papa John's request for special jury interrogatories on these two elements of Pizza Hut's prima facie case.

² Specifically, the jury answered "Yes" to each of the following interrogatories: (1) Did you find that Papa John's "Better Ingredients. Better Pizza" slogan is false or misleading, and was a false or misleading description or representation of fact which deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed; (2) Did you find that Papa John's "sauce" claims are false or misleading, and was a false or misleading description or representation of fact which deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed; and (3) Did you find that Papa John's "dough" claims are false or misleading, and was a false or misleading description or representation of fact which deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed? Although the jury was specifically asked whether the advertisements were likely to deceive consumers, the interrogatories failed to ask whether the deception created by these advertisements was material to the consumers to which the ads were directed—that is, whether consumers actually relied on the misrepresentations in making purchasing decisions.

³ Specifically, the jury answered "No" to the following interrogatories: (1) Did you find that Papa John's "taste test" commercials are a false or misleading description or representation of fact which deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed; and (2) Did you find that Papa John's "ingredients" claims are false or misleading? The "ingredients" ads found not to be false or misleading did not include any of the "sauce" or "dough" ads.

⁴ Pizza Hut has not sought to appeal the jury's verdict regarding its advertising.

affiliated with Pizza Hut since 1980,” and enjoined the dissemination of any advertising that was produced or disseminated prior to the date of this judgment and that explicitly or implicitly states or suggested that “Papa John’s component is superior to the same component of Pizza Hut’s pizzas.” Finally, the court enjoined Papa John’s from “explicitly or implicitly claim[ing] that a component of Papa John’s pizza is superior to the same component of Pizza Hut’s unless the superiority claim is supported by either (1) scientifically demonstrated attributes of superiority or (2) taste test surveys.” Additionally, the injunction required that if the claim is supported by taste test surveys, the advertising shall include a printed statement, voice-over or “super,” whichever is appropriate, stating the localities where the tests were conducted, the inclusive dates on which the surveys were performed, and the specific pizza products that were tested. The court also awarded Pizza Hut \$467,619.75 in damages for having to run corrective ads.

[15] On January 20, 2000, Papa John’s filed a notice of appeal with our court. On January 26, we granted Papa John’s motion to stay the district court’s injunction pending appeal.

II

[16] We review the district court’s denial of a motion for judgment as a matter of law de novo applying the same standards as the district court.... Thus, for purposes of this appeal, we will review the evidence, in the most favorable light to Pizza Hut, to determine if, as a matter of law, it is sufficient to support a claim of false advertising under section 43(a) of the Lanham Act.

III

A

[17] Section 43(a) of the Lanham Act, codified at 15 U.S.C. § 1125, provides in relevant part:

Any person who ... in commercial advertising or promotion, misrepresents the nature, characteristics, quality, or geographic origin of his 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 likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(B) (West 1999). We have interpreted this section of the Lanham Act as providing “protection against a ‘myriad of deceptive commercial practices,’ including false advertising or promotion.” *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1387 (5th Cir.1996)(quoting *Resource Developers v. Statue of Liberty-Ellis Island Found.*, 926 F.2d 134, 139 (2d Cir.1991)).

[18] A prima facie case of false advertising under section 43(a) requires the plaintiff to establish:

- (1) A false or misleading statement of fact about a product;
- (2) Such statement either deceived, or had the capacity to deceive a substantial segment of potential consumers;
- (3) The deception is material, in that it is likely to influence the consumer’s purchasing decision;
- (4) The product is in interstate commerce; and
- (5) The plaintiff has been or is likely to be injured as a result of the statement at issue.

See *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488, 1500 (5th Cir.1990); *Cook, Perkiss and Liehe, Inc. v. Northern Cal. Collection Serv. Inc.*, 911 F.2d 242, 246 (9th Cir.1990); 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 27:24 (4th ed.1996). The failure to prove the existence of any element of the prima facie case is fatal to the plaintiff's claim. *Id.*

B

[19] The law governing false advertising claims under section 43(a) of the Lanham Act is well settled. In order to obtain monetary damages or equitable relief in the form of an injunction, “a plaintiff must demonstrate that the commercial advertisement or promotion is either literally false, or that [if the advertisement is not literally false,] it is likely to mislead and confuse consumers.” *Seven-Up*, 86 F.3d at 1390 (citing *McNeil-P.C.C., Inc. v. Bristol-Myers Squibb Co.*, 938 F.2d 1544, 1548–49 (2d Cir.1991)); see also *Johnson & Johnson v. Smithkline Beecham Corp.*, 960 F.2d 294, 298 (2d Cir.1992).⁵ If the statement is shown to be misleading, the plaintiff must also introduce evidence of the statement's impact on consumers, referred to as materiality. *American Council of Certified Podiatric Physicians and Surgeons v. American Bd. of Podiatric Surgery, Inc.*, 185 F.3d 606, 614 (6th Cir.1999).

(1)

(a)

[20] Essential to any claim under section 43(a) of the Lanham Act is a determination of whether the challenged statement is one of fact—actionable under section 43(a)—or one of general opinion—not actionable under section 43(a). Bald assertions of superiority or general statements of opinion cannot form the basis of Lanham Act liability. See *Presidio Enters., Inc. v. Warner Bros. Distrib. Corp.*, 784 F.2d 674, 685 (5th Cir.1986); *Groden v. Random House, Inc.*, 61 F.3d 1045, 1051 (2d Cir.1995)(citing Restatement (Third) of Unfair Competition § 3 (1993)). Rather the statements at issue must be a “specific and measurable claim, capable of being proved false or of being reasonably interpreted as a statement of

⁵ When construing the allegedly false or misleading statement to determine if it is actionable under section 43(a), the statement must be viewed in the light of the overall context in which it appears. See *Avis*, 782 F.2d at 385; *Southland*, 108 F.3d at 1139. “Fundamental to any task of interpretation is the principle that text must yield to context.” *Avis*, 782 F.2d at 385. Context will often help to determine whether the statement at issue is so overblown and exaggerated that no reasonable consumer would likely rely upon it. As the court in *Federal Express Corporation v. United States Postal Service*, 40 F.Supp.2d 943 (W.D.Tenn.1999), noted:

On its face, [the statement at issue] does not seem to be the type of vague, general exaggeration which no reasonable person would rely upon in making a purchasing decision. Nevertheless, the determination of whether an advertising statement should be deemed puffery is driven by the context in which the statement is made. Where the context of an advertising statement may lend greater specificity to an otherwise vague representation, the court should not succumb to the temptation to hastily rule a phrase to be unactionable under the Lanham Act.

Id. at 956.

objective fact.” *Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co.*, 173 F.3d 725, 731 (9th Cir.1999); see also *American Council*, 185 F.3d at 614 (stating that “a Lanham Act claim must be based upon a statement of fact, not of opinion”). As noted by our court in *Presidio*: “[A] statement of fact is one that (1) admits of being adjudged true or false in a way that (2) admits of empirical verification.” *Presidio*, 784 F.2d at 679; see also *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1145 (9th Cir.1997) (stating that in order to constitute a statement of fact, a statement must make “a specific and measurable advertisement claim of product superiority”).

(b)

[21] One form of non-actionable statements of general opinion under section 43(a) of the Lanham Act has been referred to as “puffery.” Puffery has been discussed at some length by other circuits. The Third Circuit has described “puffing” as “advertising that is not deceptive for no one would rely on its exaggerated claims.” *U.S. Healthcare, Inc. v. Blue Cross of Greater Philadelphia*, 898 F.2d 914 (3d Cir.1990). Similarly, the Ninth Circuit has defined “puffing” as “exaggerated advertising, blustering and boasting upon which no reasonable buyer would rely and is not actionable under 43(a).” *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1145 (9th Cir.1997) (quoting 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 27.04[4][d] (3d ed.1994)); see also *Cook*, 911 F.2d at 246 (stating that “[p]uffing has been described by most courts as involving outrageous generalized statements, not making specific claims, that are so exaggerated as to preclude reliance by consumers”).⁶

[22] These definitions of puffery are consistent with the definitions provided by the leading commentaries in trademark law. A leading authority on unfair competition has defined “puffery” as an “exaggerated advertising, blustering, and boasting upon which no reasonable buyer would rely,” or “a general claim of superiority over a comparative product that is so vague, it would be understood as a mere expression of opinion.” 4 J. Thomas McCarthy, McCarthy on Trademark and Unfair Competition § 27.38 (4th ed.1996).⁷ Similarly, Prosser and Keeton on Torts defines “puffing” as “a seller's privilege to lie his head off, so long as he says nothing specific, on the theory that no reasonable man would believe him, or that no reasonable man would be influenced by such talk.” W. Page Keeton, et al., Prosser and Keeton on the Law of Torts § 109, at 757 (5th ed.1984).

[23] Drawing guidance from the writings of our sister circuits and the leading commentators, we think that non-actionable “puffery” comes in at least two possible forms: (1) an exaggerated, blustering, and boasting statement upon which no reasonable buyer

⁶ In the same vein, the Second Circuit has observed that “statements of opinion are generally not the basis for Lanham Act liability.” *Groden v. Random House*, 61 F.3d 1045, 1051 (2d Cir.1995). When a statement is “obviously a statement of opinion,” it cannot “reasonably be seen as stating or implying provable facts.” *Id.* “The Lanham Act does not prohibit false statements generally. It prohibits only false or misleading description or false or misleading representations of fact made about one's own or another's goods or services.” *Id.* at 1052.

⁷ McCarthy on Trademarks goes on to state: “[V]ague advertising claims that one's product is ‘better’ than that of competitors’ can be dismissed as mere puffing that is not actionable as false advertising.” 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 27:38 (4th ed.1997).

would be justified in relying; or (2) a general claim of superiority over comparable products that is so vague that it can be understood as nothing more than a mere expression of opinion.

(2)

(a)

[24] With respect to materiality, when the statements of fact at issue are shown to be literally false, the plaintiff need not introduce evidence on the issue of the impact the statements had on consumers. *See Castrol, Inc. v. Quaker State Corp.*, 977 F.2d 57, 62 (2d Cir.1992); *Avila v. Rubin*, 84 F.3d 222, 227 (7th Cir.1996). In such a circumstance, the court will assume that the statements actually misled consumers. *See American Council*, 185 F.3d at 614; *Johnson & Johnson, Inc. v. GAC Int'l, Inc.*, 862 F.2d 975, 977 (2d Cir.1988); *U-Haul Inter'l, Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1040 (9th Cir.1986). On the other hand, if the statements at issue are either ambiguous or true but misleading, the plaintiff must present evidence of actual deception. *See American Council*, 185 F.3d at 616; *Smithkline*, 960 F.2d at 297 (stating that when a “plaintiff’s theory of recovery is premised upon a claim of implied falsehood, a plaintiff must demonstrate, by extrinsic evidence, that the challenged commercials tend to mislead or confuse”); *Avila*, 84 F.3d at 227. The plaintiff may not rely on the judge or the jury to determine, “based solely upon his or her own intuitive reaction, whether the advertisement is deceptive.” *Smithkline*, 960 F.2d at 297. Instead, proof of actual deception requires proof that “consumers were actually deceived by the defendant’s ambiguous or true-but-misleading statements.” *American Council*, 185 F.3d at 616; *see also Avis Rent A Car Sys., Inc. v. Hertz Corp.*, 782 F.2d 381, 386 (2d Cir.1986)(stating that the plaintiff’s claim fails due to its failure to introduce evidence establishing that the public was actually deceived by the statements at issue).

(b)

[25] The type of evidence needed to prove materiality also varies depending on what type of recovery the plaintiff seeks. Plaintiffs looking to recover monetary damages for false or misleading advertising that is not literally false must prove actual deception. *See Balance Dynamics Corp. v. Schmitt Ind.*, 204 F.3d 683, 690 (6th Cir.2000); *Resource Developers*, 926 F.2d at 139. Plaintiffs attempting to prove actual deception have to produce evidence of actual consumer reaction to the challenged advertising or surveys showing that a substantial number of consumers were actually misled by the advertisements. *See, e.g., PPX Enters., Inc. v. Audiofidelity Enters., Inc.*, 818 F.2d 266, 271 (2d Cir.1987) (“Actual consumer confusion often is demonstrated through the use of direct evidence, e.g., testimony from members of the buying public, as well as through circumstantial evidence, e.g., consumer surveys or consumer reaction tests.”).

[26] Plaintiffs seeking injunctive relief must prove that defendant’s representations “have a tendency to deceive consumers.” *Balance Dynamics*, 204 F.3d 683 at 690. *See also Resource Developers*, 926 F.2d at 139; *Blue Dane Simmental Corp. v. American Simmental Assoc.*, 178 F.3d 1035, 1042–43 (8th Cir.1999); *Black Hills Jewelry Mfg. Co. v. Gold Rush, Inc.*, 633 F.2d 746, 753 (8th Cir.1980); 4 McCarty on Trademark and Unfair Competition § 27:36 (4th ed.). Although this standard requires less proof than actual deception, plaintiffs must still produce evidence that the advertisement tends to deceive consumers. *See Coca-Cola Co. v. Tropicana Prod., Inc.*, 690 F.2d 312, 317 (2d Cir.1982) (noting that when seeking a preliminary injunction barring an advertisement that is implicitly false, “its tendency to violate the Lanham Act by misleading, confusing or deceiving should be tested by public reaction”). To prove a tendency to deceive, plaintiffs need to show that at least some

consumers were confused by the advertisements. *See, e.g., American Council*, 185 F.3d at 618 (“Although plaintiff need not present consumer surveys or testimony demonstrating actual deception, it must present evidence of some sort demonstrating that consumers were misled.”)

IV

[27] We turn now to consider the case before us. Reduced to its essence, the question is whether the evidence, viewed in the most favorable light to Pizza Hut, established that Papa John's slogan “Better Ingredients. Better Pizza.” is misleading and violative of section 43(a) of the Lanham Act. In making this determination, we will first consider the slogan “Better Ingredients. Better Pizza.” standing alone to determine if it is a statement of fact capable of deceiving a substantial segment of the consuming public to which it was directed. Second, we will determine whether the evidence supports the district court's conclusion that after May 1997, the slogan was tainted, and therefore actionable, as a result of its use in a series of ads comparing specific ingredients used by Papa John's with the ingredients used by its “competitors.”

A

[28] The jury concluded that the slogan itself was a “false or misleading” statement of fact, and the district court enjoined its further use. Papa John's argues, however, that this statement “quite simply is not a statement of fact, [but] rather, a statement of belief or opinion, and an argumentative one at that.” Papa John's asserts that because “a statement of fact is either true or false, it is susceptible to being proved or disproved. A statement of opinion or belief, on the other hand, conveys the speaker's state of mind, and even though it may be used to attempt to persuade the listener, it is a subjective communication that may be accepted or rejected, but not proven true or false.” Papa John's contends that its slogan “Better Ingredients. Better Pizza.” falls into the latter category, and because the phrases “better ingredients” and “better pizza” are not subject to quantifiable measures, the slogan is non-actionable puffery.

[29] We will therefore consider whether the slogan standing alone constitutes a statement of fact under the Lanham Act. Bisecting the slogan “Better Ingredients. Better Pizza,” it is clear that the assertion by Papa John's that it makes a “Better Pizza.” is a general statement of opinion regarding the superiority of its product over all others. This simple statement, “Better Pizza,” epitomizes the exaggerated advertising, blustering, and boasting by a manufacturer upon which no consumer would reasonably rely. *See, e.g., In re Boston Beer Co.*, 198 F.3d 1370, 1372 (Fed.Cir.1999)(stating that the phrase “The Best Beer in America” was “trade puffery” and that such a general claim of superiority “should be freely available to all competitors in any given field to refer to their products or services”); *Atari Corp. v. 3DO Co.*, 1994 WL 723601, *2 (N.D.Cal.1994)(stating that a manufacturer's slogan that its product was “the most advanced home gaming system in the universe” was non-actionable puffery); *Nikkal Indus., Ltd. v. Salton, Inc.*, 735 F.Supp. 1227, 1234 n. 3 (S.D.N.Y.1990)(stating that a manufacturer's claim that its ice cream maker was “better” than competition ice cream makers is non-actionable puffery). Consequently, it appears indisputable that Papa John's assertion “Better Pizza.” is non-actionable puffery.⁸

⁸ It should be noted that Pizza Hut uses the slogan “The Best Pizza Under One Roof.” Similarly, other nationwide pizza chains employ slogans touting their pizza as the “best”: (1) Domino's Pizza uses the slogan “Nobody Delivers Better.”; (2) Danato's uses the slogan “Best

[30] Moving next to consider separately the phrase “Better Ingredients,” the same conclusion holds true. Like “Better Pizza,” it is typical puffery. The word “better,” when used in this context is unquantifiable. What makes one food ingredient “better” than another comparable ingredient, without further description, is wholly a matter of individual taste or preference not subject to scientific quantification. Indeed, it is difficult to think of any product, or any component of any product, to which the term “better,” without more, is quantifiable. As our court stated in *Presidio*:

The law recognizes that a vendor is allowed some latitude in claiming merits of his wares by way of an opinion rather than an absolute guarantee, so long as he hews to the line of rectitude in matters of fact. Opinions are not only the lifestyle of democracy, they are the brag in advertising that has made for the wide dissemination of products that otherwise would never have reached the households of our citizens. If we were to accept the thesis set forth by the appellees, [that all statements by advertisers were statements of fact actionable under the Lanham Act,] the advertising industry would have to be liquidated in short order.

Presidio, 784 F.2d at 685. Thus, it is equally clear that Papa John’s assertion that it uses “Better Ingredients.” is one of opinion not actionable under the Lanham Act.

[31] Finally, turning to the combination of the two non-actionable phrases as the slogan “Better Ingredients. Better Pizza,” we fail to see how the mere joining of these two statements of opinion could create an actionable statement of fact. Each half of the slogan amounts to little more than an exaggerated opinion of superiority that no consumer would be justified in relying upon. It has not been explained convincingly to us how the combination of the two phrases, without more, changes the essential nature of each phrase so as to make it actionable. We assume that “Better Ingredients.” modifies “Better Pizza.” and consequently gives some expanded meaning to the phrase “Better Pizza,” i.e., our pizza is better because our ingredients are better. Nevertheless, the phrase fails to give “Better Pizza.” any more quantifiable meaning. Stated differently, the adjective that continues to describe “pizza” is “better,” a term that remains unquantifiable, especially when applied to the sense of taste. Consequently, the slogan as a whole is a statement of non-actionable opinion. Thus, there is no legally sufficient basis to support the jury’s finding that the slogan standing alone is a “false or misleading” statement of fact.

B

[32] We next will consider whether the use of the slogan “Better Ingredients. Better Pizza.” in connection with a series of comparative ads found by the jury to be misleading—specifically, ads comparing Papa John’s sauce and dough with the sauce and dough of its competitors—“tainted” the statement of opinion and made it misleading under section 43(a) of the Lanham Act. Before reaching the ultimate question of whether the slogan is actionable under the Lanham Act, we will first examine the sufficiency of the evidence supporting the jury’s conclusion that the comparison ads were misleading.

Pizza on the Block.”; (3) Mr. Gatti’s uses the slogan “Best Pizza in Town: Honest!”; and (4) Pizza Inn uses the slogans “Best Pizza Ever.” and “The Best Tasting Pizza.”

(1)

[33] After the jury returned its verdict, Papa John's filed a post-verdict motion under Federal Rule of Civil Procedure 50 for a judgment as a matter of law. In denying Papa John's motion, the district court, while apparently recognizing that the slogan "Better Ingredients. Better Pizza." standing alone is non-actionable puffery under the Lanham Act, concluded that after May 1997, the slogan was transformed as a result of its use in connection with a series of ads that the jury found misleading. These ads had compared specific ingredients used by Papa John's with the ingredients used by its competitors.⁹ In essence, the district court held that the comparison ads in which the slogan appeared as the tag line gave objective, quantifiable, and fact-specific meaning to the slogan. Consequently, the court concluded that the slogan was misleading and actionable under section 43(a) of the Lanham Act and enjoined its further use.

(2)

[34] We are obligated to accept the findings of the jury unless the facts point so overwhelmingly in favor of one party that no reasonable person could arrive at a different conclusion. *See Scottish Heritable Trust v. Peat Marwick Main & Co.*, 81 F.3d 606, 610 (5th Cir.1996). In examining the record evidence, we must view it the way that is most favorable to upholding the verdict. *See Hiltgen v. Sumrall*, 47 F.3d 695, 700 (5th Cir.1995). Viewed in this light, it is clear that there is sufficient evidence to support the jury's conclusion that the sauce and dough ads were misleading statements of fact actionable under the Lanham Act.

[35] Turning first to the sauce ads, the evidence establishes that despite the differences in the methods used to produce their competing sauces: (1) the primary ingredient in both Pizza Hut and Papa John's sauce is vine-ripened tomatoes; (2) at the point that the competing sauces are placed on the pizza, just prior to putting the pies into the oven for cooking, the consistency and water content of the sauces are essentially identical; and (3) as noted by the district court, at no time "prior to the close of the liability phase of trial was any credible evidence presented [by Papa John's] to demonstrate the existence of demonstrable differences" in the competing sauces. Consequently, the district court was correct in concluding that: "Without any scientific support or properly conducted taste preference test, by the written and/or oral negative connotations conveyed that pizza made from tomato

⁹ In its memorandum opinion addressing Papa John's post-verdict Rule 50 motion, the court stated:

Although Papa John's started in May 1995 with a slogan which was essentially ambiguous and self-laudatory, consistent with the legal definition of non-actionable puffery, Papa John's deliberately and intentionally exploited its slogan as a centerpiece of its subsequent advertising campaign after May 1997 which falsely portrayed Papa John's tomato sauce and pizza dough as being superior to the sauce and dough components used in Pizza Hut's pizza products. When the "Better Ingredients. Better Pizza." slogan is considered in light of the entirety of Papa John's post-May 1997 advertising which violated the provisions of the Lanham Act and in the context in which it was juxtaposed with the false and misleading statements contained in Papa John's print and broadcast media advertising, the slogan itself became tainted to the extent that its continued use should be enjoined.

paste concentrate is inferior to the ‘fresh pack’ method used by Papa John’s, its sauce advertisements conveyed an impression which is misleading....” Turning our focus to the dough ads, while the evidence clearly established that Papa John’s and Pizza Hut employ different methods in making their pizza dough, again, the evidence established that there is no quantifiable difference between pizza dough produced through the “cold or slow-fermentation method” (used by Papa John’s), or the “frozen dough method” (used by Pizza Hut).¹⁰ Further, although there is some evidence indicating that the texture of the dough used by Papa John’s and Pizza Hut is slightly different, this difference is not related to the manufacturing process used to produce the dough. Instead, it is due to a difference in the wheat used to make the dough. Finally, with respect to the differences in the pizza dough resulting from the use of filtered water as opposed to tap water, the evidence was sufficient for the jury to conclude that there is no quantifiable difference between dough produced with tap water, as opposed to dough produced with filtered water.

[36] We should note again that Pizza Hut does not contest the truthfulness of the underlying factual assertions made by Papa John’s in the course of the sauce and dough ads. Pizza Hut concedes that it uses “remanufactured” tomato sauce to make its pizza sauce, while Papa John’s uses “fresh-pack.” Further, in regard to the dough, Pizza Hut concedes the truth of the assertion that it uses tap water in making its pizza dough, which is often frozen, while Papa John’s uses filtered water to make its dough, which is fresh—never frozen. Consequently, because Pizza Hut does not contest the factual basis of Papa John’s factual assertions, such assertions cannot be found to be factually false, but only impliedly false or misleading.

[37] Thus, we conclude by saying that although the ads were true about the ingredients Papa John’s used, it is clear that there was sufficient evidence in the record to support the jury’s conclusion that Papa John’s sauce and dough ads were misleading—but not false—in their suggestion that Papa John’s ingredients were superior.

(3)

[38] Thus, having concluded that the record supports a finding that the sauce and dough ads are misleading statements of fact, we must now determine whether the district court was correct in concluding that the use of the slogan “Better Ingredients. Better Pizza.” in conjunction with these misleading ads gave quantifiable meaning to the slogan making a general statement of opinion misleading within the meaning of the Lanham Act.

[39] In support of the district court’s conclusion that the slogan was transformed, Pizza Hut argues that “in construing any advertising statement, the statement must be considered in the overall context in which it appears.” Building on the foundation of this basic legal principle, *see Avis*, 782 F.2d at 385, Pizza Hut argues that “[t]he context in which Papa John’s slogan must be viewed is the 2 1/2 year campaign during which its advertising served as ‘chapters’ to demonstrate the truth of the ‘Better Ingredients. Better Pizza.’ book.” Pizza Hut argues, that because Papa John’s gave consumers specific facts supporting its assertion that its sauce and dough are “better”—specific facts that the evidence, when viewed in the light most favorable to the verdict, are irrelevant in making a better pizza—Papa John’s statement

¹⁰ The testimony of Pizza Hut’s expert, Dr. Faubion, established that although consumers stated a preference for fresh dough rather than frozen dough, when taste tests were conducted, respondents were unable to distinguish between pizza made on fresh as opposed to frozen dough.

of opinion that it made a “Better Pizza” became misleading. In essence, Pizza Hut argues, that by using the slogan “Better Ingredients. Better Pizza.” in combination with the ads comparing Papa John's sauce and dough with the sauce and dough of its competitors, Papa John's gave quantifiable meaning to the word “Better” rendering it actionable under section 43(a) of the Lanham Act.

[40] We agree that the message communicated by the slogan “Better Ingredients. Better Pizza.” is expanded and given additional meaning when it is used as the tag line in the misleading sauce and dough ads. The slogan, when used in combination with the comparison ads, gives consumers two fact-specific reasons why Papa John's ingredients are “better.” Consequently, a reasonable consumer would understand the slogan, *when considered in the context of the comparison ads*, as conveying the following message: Papa John's uses “better ingredients,” which produces a “better pizza” because Papa John's uses “fresh-pack” tomatoes, fresh dough, and filtered water. In short, Papa John's has given definition to the word “better.” Thus, when the slogan is used in this context, it is no longer mere opinion, but rather takes on the characteristics of a statement of fact. When used in the context of the sauce and dough ads, the slogan is misleading for the same reasons we have earlier discussed in connection with the sauce and dough ads.¹¹

¹¹ The judgment of the district court enjoining the future use by Papa John's of the slogan “Better Ingredients. Better Pizza.” did not simply bar Papa John's use of the slogan in future ads comparing its sauce and dough with that of its competitors. Rather, the injunction permanently enjoined any future use of the slogan “in association with the sale, promotion and/or identification of pizza products sold under the Papa John's name.” Further, the injunction precluded Papa John's from using the “adjective ‘better’ to modify the terms ‘ingredients’ and/or ‘pizza.’ ” While it is clear that the jury did not make any finding to support such a broad injunction, and Pizza Hut offered no survey evidence indicating how potential consumers viewed the slogan, the district court concluded that the evidence established that

Papa John's deliberately and intentionally exploited its slogan as a centerpiece of its subsequent advertising campaign after May 1997 which falsely portrayed Papa John's tomato sauce and pizza dough as being superior to the sauce and dough components used in Pizza Hut's products.... [Thus,] the slogan itself became tainted to the extent that its continued use should be enjoined.

Our review of the record convinces us that there is simply no evidence to support the district court's conclusion that the slogan was irreparably tainted as a result of its use in the misleading comparison sauce and dough ads. At issue in this case were some 249 print ads and 29 television commercials. After a thorough review of the record, we liberally construe eight print ads to be sauce ads, six print ads to be dough ads, and six print ads to be both sauce and dough ads. Further, we liberally construe nine television commercials to be sauce ads and two television commercials to be dough ads. Consequently, out of a total of 278 print and television ads, the slogan appeared in only 31 ads that could be liberally construed to be misleading sauce or dough ads.

We find simply no evidence, survey or otherwise, to support the district court's conclusion that the advertisements that the jury found misleading—ads that constituted only a small fraction of Papa John's use of the slogan—somehow had become encoded in the minds of consumers such that the mention of the slogan reflectively brought to mind the

(4)

[41] Concluding that when the slogan was used as the tag line in the sauce and dough ads it became misleading, we must now determine whether reasonable consumers would have a tendency to rely on this misleading statement of fact in making their purchasing decisions. We conclude that Pizza Hut has failed to adduce evidence establishing that the misleading statement of fact conveyed by the ads and the slogan was material to the consumers to which the slogan was directed. Consequently, because such evidence of materiality is necessary to establish liability under the Lanham Act, the district court erred in denying Papa John's motion for judgment as a matter of law.

[42] As previously discussed, none of the underlying facts supporting Papa John's claims of ingredient superiority made in connection with the slogan were literally false. Consequently, in order to satisfy its prima facie case, Pizza Hut was required to submit evidence establishing that the impliedly false or misleading statements were material to, that is, they had a tendency to influence the purchasing decisions of, the consumers to which they were directed.¹² See *American Council*, 185 F.3d at 614 (stating that “a plaintiff relying upon statements that are literally true yet misleading cannot obtain relief by arguing how consumers could react; it must show how consumers actually do react”); *Smithkline*, 960 F.2d at 298; *Sandoz Pharm. Corp. v. Richardson-Vicks, Inc.*, 902 F.2d 222, 228–29 (3d Cir.1990); *Avis*, 782 F.2d at 386; see also 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 27:35 (4th ed.1997)(stating that the “[p]laintiff must make some showing that the defendant's misrepresentation was ‘material’ in the sense that it would have some effect on consumers' purchasing decision”).¹³ We conclude that the evidence proffered by Pizza Hut fails to make an adequate showing.

misleading statements conveyed by the sauce and dough ads. Thus, based on the record before us, Pizza Hut has failed to offer sufficient evidence to support the district court's conclusion that the slogan had become forever “tainted” by its use as the tag line in the handful of misleading comparison ads.

¹² Since Pizza Hut sought only equitable relief and no monetary damages, it was required to offer evidence sufficient to establish that the claims made by Papa John's had the “tendency to deceive consumers,” rather than evidence indicating that the claims made by Papa John's actually deceived consumers. *American Council*, 185 F.3d at 606; see also *Balance Dynamics*, 204 F.3d at 690 (emphasis added).

¹³ In *Johnson & Johnson v. Smithkline Beecham Corp.*, 960 F.2d 294 (2d Cir.1992), the Second Circuit discussed this requirement in some detail:

Where, as here, a plaintiff's theory of recovery is premised upon a claim of implied falsehood, a plaintiff must demonstrate, by extrinsic evidence, that the challenged commercials tend to mislead or confuse consumers. It is not for the judge to determine, based solely upon his or her own intuitive reaction whether the advertisement is deceptive. Rather, as we have reiterated in the past, “the question in such cases is—what does the person to whom the advertisement is addressed find to be the message?” That is, what does the public perceive the message to be.

[43] In its appellate brief and during the course of oral argument, Pizza Hut directs our attention to three items of evidence in the record that it asserts establishes materiality to consumers. First, Pizza Hut points to the results of a survey conducted by an “independent expert” (Dr. Dupont) regarding the use of the slogan “Better Ingredients. Better Pizza.” as written on Papa John's pizza box (the box survey). The results of the box survey, however, were excluded by the district court.¹⁴ Consequently, these survey results provide no basis for the jury's finding.

[44] Second, Pizza Hut points to two additional surveys conducted by Dr. Dupont that attempted to measure consumer perception of Papa John's “taste test” ads. This survey evidence, however, fails to address Pizza Hut's claim of materiality with respect to the slogan. Moreover, the jury rejected Pizza Hut's claims of deception with regard to Papa John's “taste test” ads—the very ads at issue in these surveys.

[45] Finally, Pizza Hut attempts to rely on Papa John's own tracking studies and on the alleged subjective intent of Papa John's executives “to create a perception that Papa John's in fact uses better ingredients” to demonstrate materiality. Although Papa John's 1998 Awareness, Usage & Attitude Tracking Study showed that 48% of the respondents believe that “Papa John's has better ingredients than other national pizza chains,” the study failed to indicate whether the conclusions resulted from the advertisements at issue, or from personal eating experiences, or from a combination of both. Consequently, the results of this study are not reliable or probative to test whether the slogan was material. Further, Pizza Hut provides no precedent, and we are aware of none, that stands for the proposition that the subjective intent of the defendant's corporate executives to convey a particular message is evidence of the fact that consumers in fact relied on the message to make their purchases. Thus, this evidence does not address the ultimate issue of materiality.

[46] In short, Pizza Hut has failed to offer probative evidence on whether the misleading facts conveyed by Papa John's through its slogan were material to consumers: that is to say, there is no evidence demonstrating that the slogan had the tendency to deceive consumers so as to affect their purchasing decisions. See *American Council*, 185 F.3d at 614; *Blue Dane*, 178 F.3d at 1042–43; *Sandoz Pharm. Corp. v. Richardson–Vicks, Inc.*, 902 F.2d 222, 228–29 (3d Cir.1990). Thus, the district court erred in denying Papa John's motion for judgment as a matter of law.

[47] Additionally, we note that the district court erred in requiring Papa John's to modify the Carney ads and the taste test ads. The Carney ads were removed from the jury's consideration by Pizza Hut, and the jury expressly concluded that the taste test ads were not actionable under section 43(a) of the Lanham Act. Thus, the district court, lacking the

The answer to this question is pivotal because, where the advertisement is literally true, it is often the only measure by which a court can determine whether a commercial's net communicative effect is misleading. Thus, the success of a plaintiff's implied falsity claim usually turns on the persuasiveness of a consumer survey.

Id. at 287–98.

¹⁴ Pizza Hut has not sought review on appeal of the district court's ruling that the results of the box survey were inadmissible.

necessary factual predicate, abused its discretion in ordering Papa John's to modify these ads.

V

[48] In sum, we hold that the slogan “Better Ingredients. Better Pizza.” standing alone is not an objectifiable statement of fact upon which consumers would be justified in relying. Thus, it does not constitute a false or misleading statement of fact actionable under section 43(a) of the Lanham Act.

[49] Additionally, while the slogan, when appearing in the context of some of the post-May 1997 comparative advertising—specifically, the sauce and dough campaigns—was given objectifiable meaning and thus became misleading and actionable, Pizza Hut has failed to adduce sufficient evidence establishing that the misleading facts conveyed by the slogan were material to the consumers to which it was directed. Thus, Pizza Hut failed to produce evidence of a Lanham Act violation, and the district court erred in denying Papa John's motion for judgment as a matter of law.

[50] Therefore, the judgment of the district court denying Papa John's motion for judgment as a matter of law is REVERSED; the final judgment of the district court is VACATED; and the case is REMANDED for entry of judgment for Papa John's.

REVERSED, VACATED, and REMANDED with instructions.

4. Substantiation

a. Establishment Claims

Castrol Inc. v. Quaker State Corp.
977 F.2d 57 (2d Cir. 1992)

WALKER, Circuit Judge:

[1] A Quaker State television commercial asserts that “tests prove” its 10W–30 motor oil provides better protection against engine wear at start-up. In a thoughtful opinion reported at 1992 WL 47981 (S.D.N.Y. March 2, 1992), the United States District Court for the Southern District of New York (Charles S. Haight, *Judge*) held that plaintiff-appellee Castrol, Inc. (“Castrol”) had proven this advertised claim literally false pursuant to § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1988). The district court issued a March 20, 1992 Order preliminarily enjoining defendants-appellants Quaker State Corporation, Quaker State Oil Refining Corporation, and Grey Advertising Inc., (“Quaker State”), from airing the commercial. We agree that Castrol has shown a likelihood of success in proving the commercial literally false. We accordingly affirm.

BACKGROUND

[2] Judge Haight's March 2, 1992 opinion thoroughly recites the facts of this case. We describe only those facts essential to the disposition of this appeal.

The voiceover to Quaker State's 10W–30 motor oil commercial states:

Warning: Up to half of all engine wear can happen when you start your car.

At this critical time, tests prove Quaker State 10W–30 protects better than any other leading 10W–30 motor oil.

In an overwhelming majority of engine tests, Quaker State 10W-30 flowed faster to all vital parts. In all size engines tested, Quaker State protected faster, so it protected better.

Get the best protection against start up wear. Today's Quaker State! It's one tough motor oil.

[3] Visually, the commercial begins with a man entering a car and then shows a bottle of Quaker State 10W-30 motor oil. Large, block letters, superimposed over the bottle, “crawl” across the screen with the words:

AT START UP QUAKER STATE 10W-30 PROTECTS BETTER THAN ANY OTHER
LEADING 10W-30 MOTOR OIL.

Originally, this “crawl” used the words “tests prove” instead of “at start up,” but shortly after the filing of the current lawsuit Quaker State revised the message. The commercial then shows an engine, superimposed over which are bottles of Quaker State and four competing motor oils (including Castrol GTX 10W-30) and a bar graph depicting the speed with which each oil flowed to components of a Chrysler engine. The Quaker State bar is higher than all four competitors indicating that it flowed faster. The commercial closes with the words: “ONE TOUGH MOTOR OIL.”

[4] Polymethacrylate or “PMA,” an additive intended to quicken oil flow to engine parts, is the source of Quaker State's superiority claim. The competitors listed in its commercial use olefin copolymer or “OCP,” another additive. Two laboratory tests, the first run in 1987 and the second in 1991, have compared Quaker State's PMA-based oil with competing OCP-based oils. Rohm and Haas, the Pennsylvania corporation which manufactures PMA, conducted both tests.

[5] Rohm and Haas' 1987 tests measured two performance indicators: “oiling time,” or the time it takes for oil to reach distant parts in a just-started engine, and engine wear, measured through the amount of metal debris observed in the oil after the engine had run. Rohm and Haas technicians filled engines, in all other respects similar, with either Quaker State's PMA-based 10W-30 oil, or with a generic OCP-based oil known as “Texstar.” During numerous engine starts, Quaker State's oil demonstrated a substantially faster oiling time, reaching distant engine parts as much as 100 seconds earlier than the Texstar competitor. Contrary to expectations, however, this did not translate into reduced engine wear. A Rohm and Haas report stated that “[a]fter 64 starts ... the Quaker State oil gave marginally better results, but there was no significant difference in wear metals accumulation between the two oils.”

[6] Rohm and Haas initially attributed the poor engine wear results to the presence of “residual oil” remaining from the prior engine starts. They theorized that this oil might be lubricating the engine in the period between ignition and arrival of the new oil, and so might be preventing the faster flowing Quaker State oil from demonstrating better protection that is statistically significant. To address this, they conducted additional engine starts with a warm-up between each run so as to burn off the residual oil. The Rohm and Haas report, however, concluded that “[w]ear metals analysis for this test cycle also failed to differentiate significantly between the two oils....” Thus, while the 1987 Rohm and Haas tests demonstrated faster oil flow, they could not prove better protection against engine wear that is statistically significant.

[7] The 1991 Rohm and Haas tests compared Quaker State's oiling time with that of four leading OCP-based competitors, including Castrol GTX 10W-30. Again, Quaker State's

PMA-based oil flowed significantly faster to engine parts. Using a 1991 2.2 liter Chrysler engine with a sump temperature of minus 20 degrees Fahrenheit, for example, the Quaker State oiling time was 345 seconds, as compared to the competing oils' times of 430, 430, 505 and 510 seconds. In the 1991 tests, as opposed to the 1987 studies, Rohm and Haas made no attempt to measure whether this faster oiling time resulted in reduced engine wear.

[8] Quaker State broadcast their commercial in November, 1991. On December 19, 1991, Castrol initiated the present action. Castrol asserted that no studies supported the commercial's claim that "tests prove" Quaker State's oil provides better protection, and that this claim of test-proven superiority constituted false advertising. It sought preliminary and permanent injunctive relief and damages pursuant to § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), New York General Business Law §§ 349, 350, and common law unfair competition.

[9] At the hearing on the motion for a preliminary injunction, Quaker State relied on the Rohm and Haas tests. It argued that the Rohm and Haas oiling time findings support the advertised claim of better protection because oil which flows faster to engine parts necessarily protects them better. Dr. Elmer Klaus, Quaker State's sole expert witness, explained this "faster means better" theory as follows: Prior to start-up "the metal parts [of an engine] are not separated by a film of oil. The solid members are sitting on each other," a condition referred to as "boundary lubrication." Upon ignition, engine wear begins to occur. Soon, however, the movement of the parts generates a film of lubrication from the "residual oil" remaining from a prior running of the engine and engine wear ceases. But the heat of the running engine thins the residual oil which can no longer keep the parts sufficiently apart. The engine returns to a condition of boundary lubrication and wear again occurs until the arrival of the new oil. Dr. Klaus concluded that the faster the new oil flows to the engine parts, the better job it does of minimizing this second period of boundary lubrication. Faster oil flow, therefore, means better protection.

[10] Castrol's three experts focused on the role of residual oil. They testified that the small amount of residual oil left from a prior running of an engine provides more than adequate lubrication at the next start-up. Moreover, they asserted that this residual oil remains functional for a significant period of time so that both PMA-based and OCP-based 10W-30 motor oils reach the engine parts *before* this residual oil burns off. Thus, they maintained, there is no second boundary lubrication period and Quaker State's faster oiling time is irrelevant to engine wear.

[11] Castrol's experts supported their residual oil theory with a Rohm and Haas videotape, produced in the course of its tests, which shows the residual oil present on the cam lobe interface of a Chrysler 2.2 liter engine. Dr. Hoult, who narrated the tape for the court, explained that "as the film goes on the lubricant there will never go away[,] which means it's lubricated throughout the starting process and that's the basic reason that the time for the replenishment oil to reach these parts is not related to wear[,] because the parts have already lubricated okay."

[12] The experts also cited the near absence of catastrophic engine failure since the imposition of mandatory "pumpability" standards, known as "J300" standards, in the early 1980's. Pumpability refers to the ease with which the pump can spread oil throughout the engine. As pumpability increases, oiling times decrease. Prior to the J300 standards, certain oils became unpumpable in cold weather. This, the experts testified, caused engines to suffer catastrophic failure within a "fraction" of a second after the residual oil had burned off. The

J300 standards, however, required increased pumpability and have virtually eradicated reported cases of engine failure. The experts inferred that all 10W-30 oils, which are required to meet the J300 standards, must therefore be reaching the engine before the residual oil burns off. At best, there is only a “fraction” of a second between residual oil burn-off and catastrophic failure during which a faster flowing oil could conceivably reduce engine wear.

[13] The district court assessed the parties' conflicting testimony in its March 2, 1991 opinion. Judge Haight found Dr. Klaus' testimony lacking in credibility because

[Dr. Klaus'] current research programs at Pennsylvania State University are funded in significant part by Quaker State or an industry association to which Quaker State belongs. Klaus arrived at his opinions not on the basis of independent research but by digesting technical papers furnished to him by Quaker State and Rohm and Haas in preparation for his testimony; and he acknowledged that he reached his conclusion concerning Quaker State's better protection before even being made aware of the contrary 1987 Rohm and Haas tests.

Judge Haight credited the testimony of Castrol's three experts. In addition, he found their testimony corroborated by three key facts: (1) the failure of the 1987 Rohm and Haas tests to demonstrate reduced engine wear; (2) the Rohm and Haas technician's 1987 hypothesis that the presence of residual oil might be the reason for the failure to show better engine wear protection that is statistically significant; and (3) the virtual disappearance of catastrophic engine failure following the imposition of the J300 standards. Judge Haight accordingly “accept[ed]” the residual oil theory put forth by these experts. The court explained that an engine is like “a fort besieged by an encircling and encroaching enemy.” The enemy is engine wear; the fort's supplies are residual oil; and a relief column on its way to reinforce the fort is the new oil. “If that relief column does not reach the bearing surfaces before the residual oil is burned away, the engine will suffer not only wear but catastrophic failure.... [T]he Quaker State commercial is false because the evidence shows that during the time differentials demonstrated by the [Rohm and Haas] oiling tests, residual oil holds the fort.”

[14] Judge Haight concluded that because residual oil “holds the fort,” Rohm and Haas' faster oiling time findings did not necessarily prove better protection. He consequently held that “Castrol has established the likelihood of proving at trial the falsity of Quaker State's claim that tests prove its oil protects better against start-up engine wear.” On March 20, 1992, 1992 WL 73569 the district court entered an Order granting preliminary injunctive relief. Quaker State appeals.

DISCUSSION

[15] A party seeking preliminary injunctive relief must show (a) that it will suffer irreparable harm if relief is denied, and (b) either (1) a likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them fair ground for litigation and a balance of hardships tipping decidedly in plaintiff's favor. *See Procter & Gamble Co. v. Chesebrough-Pond's, Inc.*, 747 F.2d 114, 118 (2d Cir.1984); *Coca-Cola Co. v. Tropicana Prods., Inc.*, 690 F.2d 312, 314-15 (2d Cir.1982); *United States v. Siemens Corp.*, 621 F.2d 499, 505 (2d Cir.1980). We will presume irreparable harm where plaintiff demonstrates a likelihood of success in showing literally false defendant's comparative advertisement which mentions plaintiff's product by name. *See McNeilab, Inc. v. American Home Products Corp.*, 848 F.2d 34,

38 (2d Cir.1988); *Nester's Map & Guide Corp. v. Hagstrom Map Co.*, 760 F.Supp. 36, 36 (E.D.N.Y.1991); *Valu Eng'g, Inc. v. Nolu Plastics, Inc.*, 732 F.Supp. 1024, 1025 (N.D.Cal.1990).

[16] Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1988), pursuant to which Castrol brings this false advertising claim, provides that

Any person who, on or in connection with any goods or services ... uses in commerce any ... false or misleading description of fact, or false or misleading representation of fact, which—

* * * * *

(2) 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.

To succeed under § 43(a), a plaintiff must demonstrate that “an advertisement is either literally false or that the advertisement, though literally true, is likely to mislead and confuse consumers.... Where the advertising claim is shown to be literally false, the court may enjoin the use of the claim ‘without reference to the advertisement's impact on the buying public.’” *McNeil-P.C.C., Inc. v. Bristol-Myers Squibb Co.*, 938 F.2d 1544, 1549 (2d Cir.1991) (quoting *Coca-Cola*, 690 F.2d at 317) (citations omitted). Here, Castrol contends that the challenged advertisement is literally false. It bears the burden of proving this to a “likelihood of success” standard.

[17] As we have on two occasions explained, plaintiff bears a different burden in proving literally false the advertised claim that tests prove defendant's product superior, than it does in proving the falsity of a superiority claim which makes no mention of tests. In *Procter & Gamble Co. v. Chesebrough-Pond's, Inc.*, 747 F.2d 114 (2d Cir.1984), for example, Chesebrough alleged the literal falsity of Procter's advertised claim that “clinical tests” proved its product superior. *Id.* at 116. Procter, in return, challenged as literally false a Chesebrough commercial which, making no mention of tests, asserted that its lotion was equal in effectiveness to any leading brand. *Id.* We explained that in order to prove literally false Procter's claim of “test-proven superiority,” Chesebrough bore the burden of “showing that the tests referred to by P & G were not sufficiently reliable to permit one to conclude with reasonable certainty that they established the proposition for which they were cited.” *Id.* at 119. We held that Procter could prove false Chesebrough's advertisement, however, “only upon adducing evidence” that affirmatively showed Chesebrough's claim of parity to be false. *Id.*

[18] We drew this same distinction in *McNeil-P.C.C., Inc. v. Bristol-Myers Squibb Co.*, 938 F.2d 1544 (2d Cir.1991). Bristol-Myers initially advertised to trade professionals that “clinical studies” had shown its analgesic provided better relief than McNeil's. *Id.* at 1546. Bristol-Myers' later televised commercial made the product superiority claim but “did not refer to clinical studies.” *Id.* We held that, with respect to the initial trade advertising, “McNeil could ... meet its burden of proof by demonstrating that these studies did not establish that AF Excedrin provided superior pain relief.” *Id.* at 1549. With respect to the televised commercial, however, McNeil bore the burden of generating “scientific proof that the challenged advertisement was false.” *Id.*

[19] A plaintiff's burden in proving literal falsity thus varies depending on the nature of the challenged advertisement. Where the defendant's advertisement claims that its product

is superior, plaintiff must affirmatively prove defendant's product equal or inferior. Where, as in the current case, defendant's ad explicitly or implicitly represents that tests or studies prove its product superior, plaintiff satisfies its burden by showing that the tests did not establish the proposition for which they were cited. *McNeil*, 938 F.2d at 1549. We have held that a plaintiff can meet this burden by demonstrating that the tests were not sufficiently reliable to permit a conclusion that the product is superior. *Procter*, 747 F.2d at 119; *see also Alpo Petfoods, Inc. v. Ralston Purina Co.*, 720 F.Supp. 194, 213 (D.D.C.1989), *aff'd in part and rev'd in part on other grounds*, 913 F.2d 958 (D.C.Cir.1990); *American Home Prods. Corp. v. Johnson & Johnson*, 654 F.Supp. 568, 590 (S.D.N.Y.1987); *Thompson Medical Co. v. Ciba-Geigy Corp.*, 643 F.Supp. 1190, 1196–99 (S.D.N.Y.1986). The *Procter* “sufficiently reliable” standard of course assumes that the tests in question, if reliable, would prove the proposition for which they are cited. If the plaintiff can show that the tests, even if reliable, do not establish the proposition asserted by the defendant, the plaintiff has obviously met its burden. In such a case, tests which may or may not be “sufficiently reliable,” are simply irrelevant.

[20] The district court held that Castrol had met this latter burden, stating that “Castrol has established the likelihood of proving at trial the falsity of Quaker State's claim that tests prove its oil protects better....” In this Lanham Act case, we will reverse the district court's order of preliminary injunctive relief “only upon a showing that it abused its discretion, which may occur when a court bases its decision on clearly erroneous findings of fact or on errors as to applicable law.” *Procter*, 747 F.2d at 118.

I. The district court committed no errors of law.

[21] Quaker State contends that the district court improperly shifted the burden of proof to the defendant when it stated that “the claim that tests demonstrate ... superiority is false because no test does so and [Dr.] Klaus' analysis fails to fill the gap.” It argues that plaintiff bears the burden in a false advertising action and there should be no “gap” for defendant to fill.

[22] Where a plaintiff challenges a test-proven superiority advertisement, the defendant must identify the cited tests. Plaintiff must then prove that these tests did not establish the proposition for which they were cited. *McNeil*, 938 F.2d at 1549. At the hearing, Quaker State cited the 1987 and 1991 Rohm and Haas oiling time tests in conjunction with Dr. Klaus' theory of engine wear at the second boundary lubrication period. Castrol's burden was to prove that neither the Rohm and Haas tests alone, nor the tests in conjunction with Dr. Klaus' theory, permitted the conclusion to a reasonable certainty that Quaker State's oil protected better at start-up. The district court's statement that “no test [demonstrates superiority] and Klaus' analysis fails to fill the gap” is a finding that Castrol, through its residual oil theory, met its burden. It is, in substance, a finding that the Quaker State tests, which proved faster oiling time, are irrelevant to their claim that Quaker State's oil protects better at start-up. Therefore, we need not consider the tests' reliability. The district court's statement does not shift the burden to defendant.

[23] Quaker State also contends that the district court should have subjected the 1987 Rohm and Haas engine wear results to *Procter*'s “sufficiently reliable” test before relying on them. It argues, in other words, that the *Procter* standard applies not only to the studies offered to support defendant's claim of test-proven superiority, but also to plaintiff's evidence offered to rebut this claim.

[24] Quaker State misreads *Procter*. In that case, we established that a plaintiff proves false a test-proven superiority claim when it shows that “the tests referred to by [defendant

were] not sufficiently reliable....” *Id.* at 119. This phrase merely establishes plaintiff’s burden of proof with respect to defendant’s tests. It in no way limits the evidence which plaintiff may use in meeting this burden. Such evidence is governed by the usual standards of admissibility. It was not error for the district court to consider the 1987 tests in this regard.

II. The district court’s findings as to the role of residual oil were not clearly erroneous.

[25] Quaker State asserts that the district court’s factual findings as to the role of residual oil are clearly erroneous. *See* Fed.R.Civ.P. 52(a). We disagree.

[26] The Supreme Court has explained that “[i]f the district court’s account of the evidence is plausible in light of the record viewed in its entirety, the court of appeals may not reverse it even though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently. Where there are two permissible views of the evidence, the factfinder’s choice between them cannot be clearly erroneous.” *Anderson v. City of Bessemer City*, 470 U.S. 564, 573–74, 105 S.Ct. 1504, 1511, 84 L.Ed.2d 518 (1985); *see also ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 944 F.2d 971, 978 (2d Cir.1991). We owe particularly strong deference where the district court premises its findings on credibility determinations. “[W]hen a trial judge’s finding is based on his decision to credit the testimony of one of two or more witnesses, each of whom has told a coherent and facially plausible story that is not contradicted by extrinsic evidence, that finding, if not internally inconsistent, can virtually never be clear error.” *Anderson*, 470 U.S. at 575, 105 S.Ct. at 1512; *see also ABKCO*, 944 F.2d at 978 (trial court’s credibility determinations entitled to “considerable deference”). A district court finding is clearly erroneous only where “although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed.” *Anderson*, 470 U.S. at 573, 105 S.Ct. at 1511 (quoting *United States v. United States Gypsum Co.*, 333 U.S. 364, 395, 68 S.Ct. 525, 542, 92 L.Ed. 746 (1948)).

[27] In this case, the district court heard five days of expert testimony. Its credibility determinations in favor of Castrol’s experts and against Quaker State’s support its finding that “residual oil holds the fort.” This finding also receives support from the videotape of residual oil in an engine, the absence of catastrophic engine failure following the imposition of the J300 standards, and Rohm and Haas’ 1987 failure to demonstrate reduced engine wear. Nothing in the record convincingly contradicts the district court’s conclusion. Under the applicable legal standards, we are hard pressed to hold Judge Haight’s residual oil finding clearly erroneous.

[28] Quaker State argues that the residual oil theory flies in the face of decades of technical literature documenting the existence of start-up wear. It reasons that if residual oil truly lasted until the new oil arrived, start-up wear would not be possible.

[29] Dr. Hoult, a Castrol expert, answered this point. He testified that the term “start-up,” as used in the cited technical papers, refers not to the period between ignition and full oil flow but to the time between ignition and the achievement of equilibrium temperature in the engine. The relatively cool engine temperature during the start-up period, thus defined, results in increased wear due to certain chemical properties best described by Dr. Hoult himself:

When the engine is driven for a short period of time under cold conditions, it never gets fully warm. And in the combustion process of reciprocating engines, there are acids which are formed, typically nitrate acid; if the fuels have sulfur, sulfuric acid. In a cold engine, there is more acids that mix with the lubricants

than there is in a hot engine, because in a hot engine, the parts are hot enough that the acid doesn't condense on them. So that when an engine is colder[,] when it's started up from cold conditions, the engine chemistry is different. And the general understanding [in the field] is that that changes engine wear rate.

This credited testimony effectively rebuts Quaker State's objection. Viewing the record as a whole, we are not left with a “definite and firm conviction that a mistake has been committed.” *Anderson*, 470 U.S. at 573, 105 S.Ct. at 1511 (citation omitted). We accordingly reject Quaker State's contention that Judge Haight's findings on the role of residual oil are clearly erroneous.

III. Is the district court's injunction overly broad?

[30] In a March 20, 1992 memorandum opinion accompanying its simultaneously-issued Order of Preliminary Injunction, the district court explained its intent “to enjoin preliminarily Quaker State from claiming ‘that tests prove its oil protects better against start-up engine wear.’” The injunction, however, goes beyond this limited intent. Paragraph 2 of the injunction states that

Defendants ... are preliminarily enjoined from broadcasting, publishing or disseminating, in any manner or in any medium, any advertisement, commercial, or promotional matter ... that claims, directly or by clear implication, that:

- (a) Quaker State 10W-30 motor oil provides superior protection against engine wear at start-up;
- (b) Quaker State 10W-30 motor oil provides better protection against engine wear at start-up than other leading 10W-30 motor oils, including Castrol GTX 10W-30; or
- (c) Castrol GTX 10W-30 motor oil provides inferior protection against engine wear at start-up.

This paragraph enjoins Quaker State from distributing *any* advertisement claiming that its oil provides superior protection against engine wear at start-up, whether or not the ad claims test-proven superiority. As explained above, Castrol bears a different burden of proof with respect to this broader injunction than it does in seeking to enjoin only commercials which make the test-proven superiority claim.

[31] The district court expressly found that Castrol had met its burden with respect to any test-proven superiority advertisement. It stated that “Castrol has established the likelihood of proving at trial the falsity of Quaker State's claim that tests prove its oil protects better....” Its injunction would be too broad, however, absent the additional finding that Castrol had met its burden with respect to superiority advertisements that omit the “tests prove” language. As we have noted above, Castrol meets this burden by adducing proof that Quaker State's oil is not, in fact, superior.

[32] Judge Haight made this additional finding. Castrol submitted the report from the 1987 Rohm and Haas tests as proof that Quaker State's oil did not protect better. This submission was proper under our holding that “[plaintiff can] rel [y] on and analy[se] data generated by [defendant] as scientific proof that the challenged advertisement was false.” *McNeil-P.C.C.*, 938 F.2d at 1549. The district court, referring to this document, stated that “the record makes it crystal clear that to the extent tests were performed to demonstrate

better wear protection (as opposed to faster flowing), *the tests contradict, rather than support* the claim. I refer to the 1987 Rohm and Haas tests....” (emphasis added). The court went on to find that “Quaker State presents no convincing argument to counter the unequivocal conclusion of Roland [author of the 1987 report], a Rohm and Haas scientist, that the 1987 tests failed to demonstrate a superiority in protection against engine wear....” These statements amount to a finding that Castrol has met the additional burden. The injunction is not overly broad.

[33] Quaker State also asks us to limit the injunction to advertisements based on the 1987 and 1991 Rohm and Haas tests. It contends that it should not be barred from advertising a superiority claim if later tests should support it.

[34] Any time a court issues a preliminary injunction there is some chance that, after the issuance of the order but prior to a full adjudication on the merits, changes in the operative facts will undercut the court's rationale. We will not, however, require the district court to draft a technical and narrow injunction to address the possibility of additional tests which are, at this time, purely hypothetical. If tests supporting its claim do come to light, Quaker State may move to modify or dissolve the injunction. *See Flavor Corp. of Am. v. Kemin Indus., Inc.*, 503 F.2d 729, 732 (8th Cir.1974); 11 C. Wright & A. Miller, *Federal Practice and Procedure*, § 2961 at 604 (1973). We will likely have jurisdiction to review the district court's disposition of such a motion, and can consider the issue at that point if necessary. *See* 28 U.S.C. § 1292(a)(1) (1988); *United States v. City of Chicago*, 534 F.2d 708, 711 (7th Cir.1976) (denial of motion to dissolve preliminary injunction is appealable pursuant to 28 U.S.C. § 1292(a)(1)); *Int'l Brotherhood of Teamsters v. Western Penn. Motor Carriers Ass'n*, 660 F.2d 76, 80 (3d Cir.1981) (denial of motion to amend injunction is appealable).

CONCLUSION

[35] We affirm the district court's March 20, 1992 Order granting the preliminary injunction.

b. Non-Establishment Claims

***Castrol Inc. v. Pennzoil Co.* 987 F.2d 939 (3d Cir. 1993)**

ROSENN, Circuit Judge.

[1] The primary issue raised by this appeal is whether one of this nation's major oil companies engaged in deceptive advertising in violation of the Lanham Act, 15 U.S.C. § 1125(a) (1988). The parties to this appeal further call upon this court to interpret the degree to which commercial speech is protected by the First Amendment to the United States Constitution.

[2] Commercial advertising plays a dynamic role in the complex financial and industrial activities of our society, leading author Norman Douglas to go so far as to observe that “[y]ou can tell the ideals of a nation by its advertisements.”¹ Because honesty and fair play are prominent arrows in America's quiver of commercial and personal ideals, Congress enacted section 43(a) of the Lanham Act “to stop the kind of unfair competition that consists of lying about goods or services.” *U-Haul Int'l, Inc. v. Jartran, Inc.*, 681 F.2d 1159, 1162 (9th Cir.1982).

¹ Norman Douglas, *South Wind* 63 (Scholarly Press, Inc.1971) (1931).

Although “[c]omparative advertising, when truthful and nondeceptive, is a source of important information to consumers and assists them in making rational purchase decision,” *Triangle Publications v. Knight-Ridder Newspapers*, 626 F.2d 1171, 1176 (5th Cir.1980), the consumer called upon to discern the true from the false requires a fair statement of what is true and false.

[3] The plaintiff-appellee in this case, Castrol Inc. (Castrol), a major motor oil manufacturer and distributor of its products, sued in the United States District Court for the District of New Jersey, alleging that Pennzoil Company and Pennzoil Products Company (Pennzoil) advertised its motor oil in violation of section 43(a) of the Lanham Act when it claimed that its product “outperforms any leading motor oil against viscosity breakdown.” Additionally, Castrol challenged Pennzoil’s related secondary claim that Pennzoil’s motor oil provides “longer engine life and better engine protection.” After a bench trial on the merits, the district court held that Pennzoil’s advertisements contained claims of superiority which were “literally false.”

[4] Consequently, the court permanently enjoined Pennzoil from “broadcasting, publishing, or disseminating, in any form or in any medium,” the challenged advertisements or any “revised or reformulated versions” thereof. This injunction was superseded by a more narrowly tailored Amended Order and Final Judgment, prohibiting only “revised or reformulated *false or deceptive* versions of the commercials.” The district court denied Castrol’s request for money damages and attorney’s fees and retained jurisdiction for the purpose of enforcing or modifying its judgment. Pennzoil immediately appealed on the grounds that its advertisements did not contain false claims and that the permanent injunction issued by the district court infringed on its right to free speech as protected by the First Amendment.² We affirm.

I. FACTS

[5] The district court opinion thoroughly recites the material facts of this case, which are not in dispute. *Castrol Inc. v. Pennzoil Co. & Pennzoil Prods. Co.*, 799 F.Supp. 424 (D.N.J.1992). We set forth only a distillation thereof essential to an understanding of our disposition of this appeal. Castrol’s suit stems from a Pennzoil advertising campaign of its motor oil consisting of print and television commercials. These commercials feature either various members of national race car glitterati, or Arnold Palmer, a professional golf luminary of national repute, asserting that Pennzoil motor oil outperforms any leading motor oil against viscosity breakdown. The court found that the advertisements also implied that Pennzoil’s products offered better protection against engine failure than any other leading motor oil.

[6] Motor oils minimize metal-to-metal contact in an engine by providing an optimum protective film between moving parts. The oils are designed to provide sufficient resistance to flow to maintain the oil’s thickness and protective film across the wide range of temperatures and stress generated by high speed motor engines. The measure of a motor oil’s resistance to flow is called “viscosity.” Ideally, viscosity should remain at an adequate level under all types of stress when the oil flows between engine parts in operation, but

² The district court denied Pennzoil’s motion to stay the Amended Order and Final Judgment pending appeal. Subsequently, Pennzoil filed a motion with this court to stay the injunction pending appeal, or in the alternative, to expedite its appeal. This court granted Pennzoil’s latter motion to expedite the appeal, but denied the stay.

stress may cause a “shearing” effect which breaks down the viscosity of the oil during engine use. Viscosity breakdown has both a mechanical and chemical effect, the first causing a physical thinning of the lubricant and the latter the formation of sludge, varnish, and deposits on the engine. Because it is critical to motor oil performance, viscosity is the basis on which motor oils are classified and marketed by a grading system known as “SAE J300.”

[7] According to SAE J300, the viscosity of unused motor oils is measured by an industry-recognized laboratory test developed by the American Society for Testing and Materials (ASTM). The tests and specifications measure the breakdown in motor oil viscosity caused by the stress of shearing and high temperatures during engine use. The court found that the Committee of Common Market Automobile Constructors (CCMC) has established “the most demanding viscosity breakdown standards.” *Castrol*, 799 F.Supp. at 430. CCMC is an association of major European automobile manufacturers, including Mercedes-Benz, BMW, and Jaguar. CCMC motor oil specifications contain two viscosity breakdown requirements: (1) the Shear Stability or Stay-in-Grade test, and (2) the High Temperature/High Shear (HTHS) test.

[8] The Stay-in-Grade Test requires that the subject motor oil, after being sheared, maintain a minimum kinematic viscosity level in order to remain within its SAE J300 grade. The Stay-in-Grade standard is a “pass/fail” standard, and it does not rank motor oils within each grade. The district court found that all Castrol and Pennzoil passenger car motor oils pass the SAE J300 standards for their specified grades. *Castrol*, 799 F.Supp. at 429. Both parties to the litigation have stipulated that Pennzoil does not outperform Castrol against the Stay-in-Grade viscosity breakdown standard.

[9] The HTHS test is a more rigorous test, which measures an oil's reduced viscosity during exposure to high temperatures and large shear forces generated by rapidly moving parts similar to the conditions in an operating engine. HTHS standards have been adopted by the Society of Automotive Engineers (SAE), the CCMC, General Motors, Chrysler, and Ford. By this standard's measure, Pennzoil did not outperform Castrol in any way; rather, it was Castrol motor oils which proved superior.³

[10] Pennzoil, however, does not rely on the aforementioned tests to lend credence to its claims of superiority with respect to viscosity breakdown and protection from engine wear. Rather, Pennzoil claimed superiority on the basis of research it conducted utilizing the ASTM D-3945 Test, promulgated by the American Society of Testing and Materials.

[11] Pursuant to this test, motor oil is passed through a diesel injector nozzle at a shear rate that causes a reduction in the kinematic viscosity of the fluid under test. The reduction in kinematic viscosity is reported as a *percent loss* of the initial kinematic viscosity. These tests showed that Pennzoil motor oil suffered less viscosity loss percentage than Castrol motor oil. Pennzoil contends that *percent viscosity loss* is one method of measuring viscosity breakdown and therefore asserts that this test substantiates its advertised superiority claims.

[12] The district court, however, found that the ASTM-3945 Test was not a true measure of viscosity breakdown; it therefore relied upon the Stay-in-Grade and the HTHS tests. These tests, along with others conducted by Castrol, led the trial court to find that Pennzoil's claims of superiority for viscosity breakdown and engine protection were literally

³ Pennzoil's 5W-30 and 10W-30 oils did not pass this standard but all of Castrol oils succeeded.

false. Pennzoil challenges these findings and argues also that the district court's injunction infringes upon Pennzoil's right to freedom of speech.

[13] “We review the district court's conclusions of law in plenary fashion, its factual findings under a clearly erroneous standard, and its decision to [grant or] deny an injunction on an abuse of discretion standard.” *Sandoz Pharmaceuticals Corp. v. Richardson-Vicks, Inc.*, 902 F.2d 222, 226 (3d Cir.1990) (citations omitted).

II. THE VISCOSITY BREAKDOWN CLAIM

[14] First, Pennzoil asserts that, absent any evidence of consumer confusion in this case, Castrol failed to meet its burden of proving literal falsity by the standard set forth in *Sandoz*, *supra*. Likewise, a substantial portion of the dissent is spent urging that *Sandoz* requires that we consider consumer evidence even in a case where there has been a finding of literal falsity. However, this argument ignores crucial differences between the case *sub judice* and *Sandoz*. In *Sandoz*, we sustained the trial court's findings that the advertisements in question were *not literally false* and held, where the advertisements are *not literally false*, a plaintiff bears the burden of proving actual consumer deception. *Sandoz*, 902 F.2d at 228-29. The *Sandoz* trial court resorted to proof of consumer confusion only after finding that the challenged claims were *not literally false*. As that court stated:

Where the advertisements are *not literally false*, plaintiff bears the burden of proving actual deception by a preponderance of the evidence. Hence, it cannot obtain relief by arguing how consumers could react; it must show how consumers actually do react.

Id. (emphasis supplied) (citations omitted).

[15] In the instant case, however, the trial court found that Pennzoil's advertisements were literally false. *Sandoz* definitively *holds* that a plaintiff must prove *either* literal falsity *or* consumer confusion, but not both. *Sandoz*, 902 F.2d at 227; *see also McNeil-P.C.C., Inc. v. Bristol-Myers Squibb Co.*, 938 F.2d 1544, 1549 (2d Cir.1991) (Where the advertisement is shown to be literally false, the court may enjoin it without reference to its impact on the consumer.).

[16] Thus, there are two different theories of recovery for false advertising under section 43(a) of the Lanham Act: “(1) an advertisement may be false on its face; or (2) the advertisement may be literally true, but given the merchandising context, it nevertheless is likely to mislead and confuse consumers.” *Johnson & Johnson v. GAC Int'l, Inc.*, 862 F.2d 975, 977 (2d Cir.1988) (Garth, J., sitting by designation).

When a merchandising statement or representation is literally or explicitly false, the court may grant relief without reference to the advertisement's impact on the buying public. When the challenged advertisement is implicitly rather than explicitly false, its tendency to violate the Lanham Act by misleading, confusing or deceiving should be tested by public reaction.

Coca-Cola Co. v. Tropicana Prod., Inc., 690 F.2d 312, 317 (2d Cir.1982) (citations omitted).

[17] Therefore, because the district court properly found that claims in this case were literally false, it did not err in ignoring Pennzoil's superfluous evidence relating to the absence of consumer confusion. In addition, because the advertisement in *Sandoz* was not literally false, that case's references to consumer confusion, read in context, are completely consistent with the majority's disposition of this matter.

[18] Second, Pennzoil argues that Castrol failed to sustain its burden of proving literal falsity because Castrol never offered affirmative proof to refute Pennzoil's claims, but merely cast doubt upon Pennzoil's research. *See, e.g., Castrol, Inc. v. Quaker State Corp.*, 977 F.2d 57, 62 (2d Cir.1992) ("Where the defendant's advertisement claims that its product is superior plaintiff must affirmatively prove defendant's product equal or inferior.").

[19] Yet Pennzoil's contention is meritless, as the trial record is replete with Castrol's affirmative evidence proving the literal falsity of Pennzoil's claims. For example, between October 25, 1991, and February 26, 1992, the Castrol Technical Center conducted the CCMC, International Lubricant Standardization and Approval Committee, and Chrysler Stay-in-Grade Tests. Both Pennzoil and Castrol met the Stay-in-Grade requirements, thus refuting Pennzoil's contention that it outperforms Castrol with respect to viscosity breakdown.

[20] Between January 1, 1992, and March 25, 1992, the Castrol Technical Center conducted HTHS Tests, and all Castrol motor oils met the HTHS standard established by the CCMC, as well as all the other HTHS specifications. Pennzoil's 5W-30 and 10W-30 motor oils, however, failed to meet this standard, although other Pennzoil motor oils passed this test. Therefore, this test also did not substantiate Pennzoil's claims of *superiority*; on the contrary, it demonstrated Pennzoil motor oil's *inferiority* in some respects to Castrol motor oil. Thus, according to the only two industry accepted tests for measuring viscosity breakdown, Pennzoil's claims of superiority were literally false.

[21] Castrol also presented expert testimony and field tests which affirmatively demonstrated that Pennzoil motor oil does not outperform Castrol motor oil with respect to viscosity breakdown. For example, the Southwest Research Institute conducted an automobile fleet test at Castrol's request. Researchers placed Pennzoil motor oil inside a group of three automobiles, each of a different model, and then placed Castrol motor oil inside three cars identical to the first set. The researchers then drove these automobiles through various tests and compared the viscosity breakdown of the two motor oils. According to this test, Castrol motor oil outperformed Pennzoil's product with respect to viscosity breakdown, therefore discrediting Pennzoil's claims.

[22] Moreover, the court found that Pennzoil failed to adequately refute Castrol's affirmative evidence. For example, the fundament of Pennzoil's claim of superior protection against viscosity breakdown was the results of its ASTM D-3945 Test. Castrol's expert, Marvin F. Smith, Jr. (Smith), who was a member of the task force which developed the ASTM D-3945 Test method, testified that the ASTM D-3945 test renders inaccurate results with regard to viscosity breakdown.

[23] Smith explained that the ASTM-3945 Test was developed for manufacturers to measure the quality of one batch of oil against the next batch of the same type of oil. This test was never intended to compare the viscosity breakdown of oils of different polymer classes, and the test cannot perform this function accurately. Pennzoil and Castrol are motor oils of different polymer classes, and thus this test's comparison of the two oils proves nothing relevant. Actually, the test does not measure viscosity breakdown at all; rather, it measures percentage of viscosity loss. As Trial Judge Wolin perceptively observed:

Pennzoil ignores the caveat embodied in the [ASTM D-3945] test as to the significance and use of ASTM D-3945. In § 4.2 it states "[T]hese test methods are not intended to predict viscosity loss in field service for different polymer classes or for different field equipment."

Castrol Inc. v. Pennzoil Co. & Pennzoil Prods. Co., 799 F.Supp. 424, 438 (D.N.J.1992). Thus, it cannot be gainsaid that Castrol presented affirmative evidence to prove the literal falsity of Pennzoil's claims and that Judge Wolin did not find Pennzoil's evidence to rebut Castrol's proof persuasive.

[24] The dissent asserts, however, that a defendant need only establish a reasonable basis to support its claims to render the advertisement literally true. We disagree. Rather, the test for literal falsity is simpler; if a defendant's claim is untrue, it must be deemed literally false.

[25] In this case, Pennzoil made a claim of superiority, and when tested, it proved false. Hence, under this standard, the district court correctly found literal falsity. Therefore, Castrol sustained its burden of proof, especially given this court's narrow scope of review:

If the district court's account of the evidence is plausible in light of the record viewed in its entirety, the court of appeals may not reverse it even though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently. Where there are two permissible views of the evidence, the factfinder's choice between them cannot be clearly erroneous.

* * * * *

[Moreover,] when a trial judge's finding is based on his decision to credit the testimony of one of two or more witnesses, each of whom has told a coherent and facially plausible story that is not contradicted by extrinsic evidence, that finding, if not internally inconsistent, can virtually never be clear error.

Anderson v. Bessemer City, 470 U.S. 564, 573-75, 105 S.Ct. 1504, 1511-12, 84 L.Ed.2d 518 (1985).⁴

[26] Pennzoil and the dissent assert that the district court declined to allow Pennzoil to rely on the ASTM-3945 Test to substantiate its claims solely because the test is not an industry standard. They argue, therefore, that the court erred because an advertised product's failure to meet industry standards does not render the advertisement literally false. See *ConAgra, Inc. v. Geo. A. Hormel & Co.*, 784 F.Supp. 700 (D.Neb.1992).

[27] We do not disagree that a test which is not an industry standard can yield accurate results. However, the district court did not enjoin Pennzoil's advertisements merely because the ASTM-3945 was not an industry standard test. It did so because it found that the ASTM-3945 Test did not measure viscosity breakdown at all. On the contrary, that test measured *percent viscosity loss*.⁵

⁴ Moreover, Pennzoil failed to meet even the dissent's liberal burden of proving literal truth in this case. The dissent suggests that a defendant need only establish a reasonable basis to support its claims to render the advertisement literally true. However, the ASTM-3945 Test is not a credible test upon which Pennzoil could reasonably rely for its advertisements; it simply does not measure viscosity breakdown.

⁵ The dissent suggests that we have taken an approach that abandons "materiality" and presumes injury from "even the most innocuous of false claims." Dissent at 954-55. Pennzoil, however, argued that its claims were literally true. Pennzoil never argued that the claims were "immaterial" in the sense of being false but innocuous. Thus, the question of materiality is not before us, and we have simply not addressed the issue.

III. THE ENGINE WEAR CLAIM

[The court rejected Pennzoil's argument that its claims regarding superior engine protection were mere "puffery." The court also affirmed the district court's determination that these superiority claims were false by necessary implication.]

IV. THE FIRST AMENDMENT CONCERNS

...

[28] In essence, the district court has enjoined Pennzoil only from broadcasting, publishing, or disseminating the very statements which the court found to be literally false. Pennzoil argues that this is a prior restraint, in contravention of the First Amendment of the United States Constitution. At this moment, however, these claims are false, and it is well settled that false commercial speech is not protected by the First Amendment and may be banned entirely. *Bates v. State Bar of Ariz.*, 433 U.S. 350, 383, 97 S.Ct. 2691, 2709, 53 L.Ed.2d 810 (1977). Moreover, the prior restraint doctrine does not apply in this case because there has been "an adequate determination that [the expression] is unprotected by the First Amendment." *Pittsburgh Press Co. v. Pittsburgh Comm'n on Human Relations*, 413 U.S. 376, 390, 93 S.Ct. 2553, 2561, 37 L.Ed.2d 669 (1973). The injunction is also not overbroad because it only reaches the specific claims that the district court found to be literally false. If, in the future, Pennzoil should improve its motor oil to surpass Castrol for viscosity breakdown, Pennzoil can at that time apply for a modification of the present injunction. See *F.T.C. v. Brown & Williamson Tobacco Corp.*, 778 F.2d 35, 44 (D.C.Cir.1985).

...

[Judge Roth's dissent has not been included.]

c. False Demonstrations



Schick Mfg., Inc. v. Gillette Co.
372 F.Supp.2d 273 (D. Conn. 2005)

HALL, District Judge.

[1] The plaintiff, Schick Manufacturing Company ("Schick"), seeks a preliminary injunction enjoining the defendant, The Gillette Company ("Gillette"), from making certain claims about its M3 Power razor system ("M3 Power"). Schick contends that Gillette has made various false claims in violation of section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) and the Connecticut Unfair Trade Practices Act ("CUTPA"), Conn. Gen.Stat. § 42-110a, *et seq.*

...

[2] In order to succeed on its false advertising claim, Schick must prove five elements of this claim. *Omega Engineering, Inc. v. Eastman Kodak Co.*, 30 F.Supp.2d 226, 255 (D.Conn.1998) (citing various treatises and cases). These are the following:

(1) The defendant has made a false or misleading statement of fact. The statement must be (a) literally false as a factual matter or (b) likely to deceive or confuse. *S.C. Johnson & Son, Inc. v. Clorox Company*, 241 F.3d 232, 238 (2d Cir.2001).

(2) The statement must result in actual deception or capacity for deception “Where the advertising claim is shown to be literally false, the court may enjoin the use of the claim without reference to the advertisement’s impact on the buying public.” *Id.* (internal quotations omitted).

(3) The deception must be material. “[I]n addition to proving falsity, the plaintiff must also show that the defendants misrepresented an inherent quality or characteristic of the product.” *Id.* (internal quotations omitted).

(4) Schick must demonstrate that it has been injured because of potential decline in sales. Where parties are head-to-head competitors, the fact that the defendant’s advertising is misleading presumptively injures the plaintiff. *Coca-Cola Co. v. Tropicana Products, Inc.*, 690 F.2d 312, 317 (2d Cir.1982) (abrogated on other grounds by statute as noted in *Johnson & Johnson v. GAC Int’l, Inc.*, 862 F.2d 975, 979 (2d Cir.1988)).

(5) The advertised goods must travel in interstate commerce.

FACTS

[3] The court held a scheduling conference on the preliminary injunction motion on March 2, 2005. The court allowed the parties to conduct limited discovery prior to conducting a hearing on Schick’s motion for a preliminary injunction. The hearing on the motion was conducted over four days: April 12, 13, 22, and May 2, 2005. During the hearing, Schick called five witnesses: Adel Mekhail, Schick’s Director of Marketing; Peter M. Clay, Gillette’s Vice-President for Premium Systems; Dr. David J. Leffell, Professor of Dermatology; Christopher Kohler, Schick Research Technician; and John Thornton, statistical consultant. Gillette also called five witnesses during the hearing: Dr. Kevin L. Powell, Gillette’s Director of the Advanced Technology Centre; Dr. Michael A. Salinger, Professor of Economics; Peter M. Clay, Gillette’s Vice-President for Premium Systems; Dr. Ian Saker, Gillette Group Leader at the Advanced Technology Centre and Dr. Michael P. Philpott, Professor of Cutaneous Biology.

[4] The men’s systems razor and blade market is worth about \$1.1 billion per year in the United States. Gillette holds about 90% of the dollar share of that market, while Schick holds about 10%. The parties are engaged in head-to-head competition and the court credits testimony that growth in the razor systems market results not from volume increases but “with the introduction of high price, new premium items.” Hr’g Tr. 39:20–21.

[5] Schick launched its Quattro razor system in September of 2003 and expended many millions of dollars in marketing the product. Although Schick had projected \$100 million in annual sales for the Quattro, its actual sales fell short by approximately \$20 million. From May 2004 to December 2004, Quattro’s market share fell from 21% of dollar sales to 13.9% of dollar sales.

[6] Gillette launched the M3 Power in the United States on May 24, 2004. In preparation for that launch, it began advertising that product on May 17, 2004. The M3 Power is sold throughout the United States. The M3 Power includes a number of components including a handle, a cartridge, guard bar, a lubricating strip, three blades, and a battery-powered feature which causes the razor to oscillate. The market share of the M3 Power, launched in May 2004, was 42% of total dollar sales in December 2004.

[7] Gillette's original advertising for the M3 Power centered on the claim that "micropulses raise hair up and away from skin," thus allowing a consumer to achieve a closer shave. This "hair-raising" or hair extension claim was advertised in various media, including the internet, television, print media, point of sale materials, and product packaging. For example, Gillette's website asserted that, in order to combat the problem of "[f]acial hair grow[ing] in different directions," the M3 Power's "[m]icro-pulses raise hair up and away from skin ..." PX 2, Hr'g Tr. 33:25–34:22. Of Gillette's expenditures on advertising, 85% is spent on television advertising. At the time of the launch, the television advertising stated, "turn on the first micro-power shaving system from Gillette and turn on the amazing new power-glide blades. Micro-pulses raise the hair, so you shave closer in one power stroke." PX 14.2(C). The advertisement also included a 1.8 second-long animated dramatization of hairs growing. In the animated cartoon, the oscillation produced by the M3 Power is shown as green waves moving over hairs. In response, the hairs shown extended in length in the direction of growth and changed angle towards a more vertical position.

[8] The court notes that eight months passed between the launch of the M3 Power and the date Schick initiated the instant suit. Schick maintains that there are two factors that excuse this delay. First, Schick invested time in developing a stroke machine and test protocol that would allow it to test the M3 Power with some degree of confidence and effectiveness.¹ Specifically, the development of a machine that would deliver a stroke of consistent pressure to a test subject's face took time. Second, after completing its first tests of Gillette's claims that the M3 Power raises hair in October, Schick chose to pursue its claims in Germany. In November of 2004, Schick sued Gillette in Germany to enjoin it from making claims that the M3 Power raised hairs. In late December of 2004, the Hamburg Regional Court affirmed the lower court's order enjoining Gillette from making such claims in Germany.

[9] While the court finds that it may have been possible to develop testing protocols in a quicker fashion, the court finds the M3 Power was a new product with a feature (the use of battery power) that had never before been present in wet shavers. The court finds the time Schick took to develop testing of and to test the M3 Power is excusable. The court has been presented with no evidence of bad faith or strategic maneuvering behind the timing of the instant lawsuit.

[10] In late January of 2005, Gillette revised its television commercials for the M3 Power in the United States. It chose to do so based on both the German litigation as well as conversations between the parties about Schick's discomfort with certain claims made in the advertising. The animated product demonstration in the television commercials was revised so that the hairs in the demonstration no longer changed angle, and some of the hairs are shown to remain static. The voice-over was changed to say, "Turn it on and micropulses

¹ The court also notes that time spent by Schick testing Gillette's "angle-change" claim, which claim Gillette abandoned in January of 2005.

raise the hair so the blades can shave closer.” PX 14.10C. The product demonstration in the revised advertisements depicts the oscillations to lengthen many hairs significantly. The depiction in the revised advertisements of how much the hair lengthens—the magnitude of the extension—is not consistent with Gillette’s own studies regarding the effect of micropulses on hair. The animated product demonstration depicts many hairs extending, in many instances, multiple times the original length. Gillette began broadcasting the revised television commercials on or about January 31, 2005. Schick provided credible evidence, however, that the prior version of the advertisement is still featured on the Internet and on product packaging.

[11] Television advertisements aim to provide consumers a “reason to believe,” that is, the reason consumers should buy the advertised product. Because of the expense of television advertising, companies have a very short period of time in which to create a “reason to believe” and are generally forced to pitch only the key qualities and characteristics of the product advertised.

[12] Gillette conceded during the hearing that the M3 Power’s oscillations do not cause hair to change angle on the face. Its original advertisements depicting such an angle change are both unsubstantiated and inaccurate. Gillette also concedes that the animated portion of its television advertisement is not physiologically exact insofar as the hairs and skin do not appear as they would at such a level of magnification and the hair extension effect is “somewhat exaggerated.” Gillette Co.’s Prop. Findings of Fact [Dkt. No. 114] ¶ 33. The court finds that the hair “extension” in the commercial is greatly exaggerated. Gillette does contend, however, that the M3 Power’s oscillations cause beard hairs to be raised out of the skin. Gillette contends that the animated product demonstration showing hair extension in its revised commercials is predicated on its testing showing that oscillations cause “trapped” facial hairs to lengthen from the follicle so that more of these hairs’ length is exposed. Gillette propounds two alternative physiological bases for its “hair extension” theory. First, Gillette hypothesizes that a facial hair becomes “bound” within the follicle due to an accumulation of sebum and corneocytes (dead skin cells). Gillette contends that the oscillations could free such a “bound” hair. Second, Gillette hypothesizes that hairs may deviate from their normal paths in the follicle and become “trapped” outside the path until vibrations from the M3 Power restore them to their proper path.

[13] Schick’s expert witness, Dr. David Leffell, Professor of Dermatology and Chief of Dermatologic Surgery at the Yale School of Medicine, testified that, based on his clinical and dermatological expertise, he is aware of no scientific basis for the claim that the oscillations of the M3 Power would result in hair extension, as Gillette contends. Dr. Leffell stated that Gillette’s “hair extension” theory is inconsistent with his 20 years of experience in dermatology. He testified that he has never seen a hair trapped in a sub-clinical manner, as hypothesized by Gillette. Dr. Leffell testified that, in certain circumstances, trapped hairs will result in clinical symptoms, such as infection or inflammation. With respect to Gillette’s hypothesis that the interaction between sebum and corneocytes trap hairs, however, Dr. Leffell stated, and the court credits, that in non-clinical circumstances, sebum and corneocytes do not accumulate sufficiently to inhibit hair growth. Moreover, everyday activities such as washing or shaving remove accumulations of sebum and corneocytes.

[14] Gillette’s expert hair biologist, Dr. Michael Philpott, has studied hair biology for almost twenty years. He testified that, prior to his retention as an expert by Gillette, he had never seen a hair trapped in the manner posited by Gillette. Only after being retained by Gillette did Dr. Philpott first claim to have encountered this hair extension theory. Dr.

Philpott acknowledged that neither of Gillette's two hypothesis of hair extension have any support in medical or scientific literature. With regard to Gillette's theory that hair could become bound in the follicle by sebum and corneocytes, Dr. Philpott admitted that no evidence supports that theory. Dr. Leffell testified that erector pili muscles, which cause hairs to stand up in response to various stimuli, as is commonly seen in the case of goosebumps, may also provide a biological mechanism for hair extension. Neither Dr. Leffell nor Dr. Philpott, however, testified on the relationship between the application of mechanical energy and the erector pili muscles, and neither party has contended that these muscles play a role in Gillette's hair extension theory.

[15] In addition to positing biological mechanisms that might support the claim that the M3 Power's oscillations raise hairs, Gillette introduced evidence of experiments and testing to support those claims. Gillette provided summaries of said testing which were not prepared contemporaneously with the testing, conducted in the early 1990's, they purport to memorialize. Instead, they were prepared in anticipation of litigation in late 2004.

[16] Gillette performed experiments using oscillating razors in 1990, 1991 and 2003. In 1990 and 1991, Gillette performed studies using prototype oscillating razor handles fitted with razor systems other than the M3 Power, the Atra Plus and Sensor razor cartridge, two other Gillette products. In each of these initial experiments, a circle was drawn on a test subject's face. Twenty beard hairs within the circled region were measured with an imaging stereomicroscope manufactured by the Leica Company. That instrument measures hairs three-dimensionally to a resolution of three to four microns. The test subject then stroked the area using an oscillating razor with blunted blades. Then, twenty beard hairs within the circled region were again measured with a stereomicroscope. The same protocol was followed using a non-oscillating razor with blunted blades, and the changes in hair measurement were compared.

[17] The Atra Plus study was performed in 1990 and included 10 test subjects. The study results show that the panelists' average hair length increased by 83.3 microns after five strokes with the oscillating razor versus 6.3 microns with the non-oscillating razor. The Sensor study was performed from 1990 to 1991 and also involved 10 test subjects. The subjects' mean hair length increased by 27.9 microns versus 12.9 microns with the non-oscillating razor. While both tests provided some evidence of a hair extension effect and the magnitude of that effect, neither test indicated what percentage of hairs were lengthened.

[18] Notably, while Gillette found that use of both the oscillating Atra Plus and Sensor razors resulted in an increase in beard hair length, there was significant difference between the average increase caused by the Atra Plus and that caused by the Sensor. Furthermore, no evidence was presented to the court regarding similarities or differences between the M3 Power razor and the Atra Plus or Sensor. The sample size, ten test subjects per study, was small. The twenty beard hairs measured prior to stroking were not necessarily the same hairs measured after stroking. The test included no efforts to keep constant the variables of pressure on the razor or speed of the shaving stroke. In addition, Gillette's chief scientist, Kevin Powell, testified that the pressure or load applied by consumers co-varies to a

statistically significant degree with whether a razor oscillates. All these deficiencies cause this court not to credit the studies' finding that oscillations cause hair lengthening.²

[19] In 2003, Gillette performed a study using a prototype of the M3 Power. In the fall of 2003, Gillette tested a Mach 3 cartridge fitted with an oscillating handle. That prototype was called the "Swan." The Swan prototype's motor, handle, and cartridge differ from those features of the actually-marketed M3 Power. Four test subjects were used.³ The test protocol was identical to that used in 1990 and 1991 except that, instead of using blunted blades, Gillette removed the blades from the razor. The study results suggest that the oscillating-Swan-prototype produced an average increase in hair length of between 32 and 40 microns while the non-oscillating prototype yielded no average increase. That 32 to 40 micron increase represented an average of eight to ten percent increase in hair length. The test does not indicate what percentage of hairs experience any lengthening as a result of oscillations. The court does not credit Dr. Powell's opinion that the differences between the model used in the test and the marketed product has no impact on the testing. Failure to use the marketed product is critical. The court cites the varied results Gillette reports between the Atra Plus, Sensor, and "Swan" tests as only one reason to conclude that failure to use the market product undercuts the 2003 testing. Further, the test protocol and sample size cause the court to question the validity of these study findings.

[20] In addition to testing oscillating battery-powered razors, Gillette conducted what has been called the Microwatcher study. The Microwatcher is a commercially available product consisting of a miniature camera with an illumination system that channels light into an orifice at the tip of a transparent hemispherical dome. The device allows the user to impart mechanical energy into the top and underlying layers of the skin, which, according to Gillette, replicates the mechanical energy imparted by the oscillating razor.⁴ The recorded video images introduced into evidence show individual hairs releasing from just below the skin surface. Gillette did not introduce evidence to describe what the various elements of the photo were. When asked by the court to identify the various elements appearing in the video were, Dr. Philpott could not identify or explain important skin features. For example, the court pointed to an area surrounding the individual hair, of darker hue than the rest of the skin, on the video, but Dr. Philpott could not explain what that area was or what might explain its coloration. The court further finds that Gillette provides no evidence to suggest the relationship between the amount of mechanical energy imparted by the Microwatcher and that imparted by the M3 Power.

[21] Schick performed its own study which it contends proves the falsity of Gillette's advertising with respect to claims regarding hair extension.⁵ Schick's study took place over three days and included 37 test subjects. With respect to each test subject, twenty hairs were

² In Gillette's testing, no effort was made to control for variables, such as pressure on, or speed of, the razor. Failure to control for variable makes Gillette's "results" unscientific and not supportive of any conclusion.

³ The sample size of four was chosen because the 2003 study, according to Gillette, was merely "confirmatory." Because the court finds the earlier tests deficient, the 2003 study cannot be "confirmatory."

⁴

⁵ Schick first performed tests to determine whether the M3 Power changes the angle of beard hairs.

measured before and after strokes with an M3 Power razor with blunted blades in both the power-on and power-off modes. The strokes were taken using an automated shaving device developed specially by Schick for the purposes of testing the M3 Power razor and Gillette's claims with respect to it. Images of the hairs were taken before and after the razor strokes using a camera with a plate that flattened hair onto the face. The images were then downloaded to a computer and hair lengths were assessed using ImagePro software. An independent statistician evaluated the data for all three days. Schick argues that its data indicates that there was no statistically significant difference between the change in hair length with power off and the change in hair length with power on.

[22] Again, however, the court finds the test protocol lacking and results questionable. Schick's testing shows that some hairs shrunk even in the absence of the use of water, which Gillette's testing has found to result in hair shrinkage. Schick's expert testified that this may have been the result of measurement error, and the court agrees.⁶ Furthermore, Gillette provided expert testimony that the glass plate used to flatten hairs so that they could be measured would likely result in distortion, making it difficult to accurately measure hair lengths. Such flaws in Schick's testing cause the court to be skeptical of Schick's test results and the suggestion that these results demonstrate that the M3 Power does not cause hairs to extend.

[23] The flaws in testing conducted by both parties prevent the court from concluding whether, as a matter of fact, the M3 Power raises beard hairs.

II. ANALYSIS

...

B. False Advertising

[24] **1. Literal Falsity.** "Falsity may be established by proving that (1) the advertising is literally false as a factual matter, or (2) although the advertising is literally true, it is likely to deceive or confuse customers." *Nat'l Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 855 (2d Cir.1997). "A plaintiff's burden in proving literal falsity thus varies depending on the nature of the challenged advertisement." *Castrol, Inc.*, 977 F.2d at 63. The Second Circuit has found that where an advertisement alleges that tests have established a product's superiority, a plaintiff must demonstrate that the tests or studies did not prove such superiority. "[A] plaintiff can meet this burden by demonstrating that the tests were not sufficiently reliable to permit a conclusion that the product is superior." *Id.* In addition, "[i]f the plaintiff can show that the tests, even if reliable, do not establish the proposition asserted by the defendant, the plaintiff has obviously met its burden." *Id.*

[25] Where, however, as here, the accused advertising does not allege that tests or clinical studies have proven a particular fact, the plaintiff's burden to come forward with affirmative evidence of falsity is qualitatively different. "To prove that an advertising claim is literally false, a plaintiff must do more than show that the tests supporting the challenged claim are unpersuasive." *Mc-Neil-P.C.C., Inc. v. Bristol-Myers Squibb Co.*, 938 F.2d 1544, 1549 (2d Cir.1991). The plaintiff must prove falsity by a preponderance of the evidence, either using its own scientific testing or that of the defendant. If a plaintiff is to prevail by relying on the defendant's own studies, it cannot do so simply by criticizing the defendant's studies. It

⁶ It may also result from the application of a glass plate meant to flatten the hairs so that they could be measured in two dimensions.

must prove either that “such tests ‘are not sufficiently reliable to permit one to conclude with reasonable certainty that they established’ the claim made” or that the defendant’s studies establish that the defendant’s claims are false. *Id.* at 1549–50.

[26] The challenged advertising consists of two basic components: an animated representation of the effect of the M3 Power razor on hair and skin and a voice-over that describes that effect. The animation, which lasts approximately 1.8 seconds, shows many hairs growing at a significant rate, many by as much as four times the original length. During the animation, the voice-over states the following: “Turn it on and micropulses raise the hair so the blades can shave closer.” Schick asserts that this M3 Power advertising is false in three ways: first, it asserts the razor changes the angle of beard hairs; second, it portrays a false amount of extension; and third, it asserts that the razor raises or extends the beard hair.

[27] With regard to the first claim of falsity, if the voiceover means that the razor changes the angle of hairs on the face, the claim is false. Although Gillette removed the “angle changing” claim from its television advertisements, it is unclear whether it has completely removed all material asserting this angle-change claim. The court concludes that the current advertising claim of “raising” hair does not unambiguously mean to changes angles.⁷ *See Novartis Consumer Health, Inc. v. Johnson & Johnson–Merck Consumer Pharmaceuticals Co.*, 290 F.3d 578, 587 (3d Cir.2002) (“only an unambiguous message can be literally false”). Thus, the revised advertising is not literally false on this basis.

[28] With regard to the second asserted basis of falsity, the animation, Gillette concedes that the animation exaggerates the effect that the razor’s vibration has on hair. Its own tests show hairs extending approximately 10% on average, when the animation shows a significantly greater extension. The animation is not even a “reasonable approximation,” which Gillette claims is the legal standard for non-falsity. *See* Gillette’s Prop. Conclusions of Law at ¶ 32, 37–38 [Dkt. No. 114]. Here, Schick can point to Gillette’s own studies to prove that the animation is false. *See Mc–Neil–P.C.C., Inc.*, 938 F.2d at 1549.

[29] Gillette argues that such exaggeration does not constitute falsity. However, case law in this circuit indicates that a defendant cannot argue that a television advertisement is “approximately” correct or, alternatively, simply a representation in order to excuse a television ad or segment thereof that is literally false. *S.C. Johnson & Son, Inc.*, 241 F.3d at 239–40 (finding that depiction of leaking plastic bag was false where rate at which bag leaked in advertisement was faster than rate tests indicated); *Coca–Cola Co.*, 690 F.2d at 318 (finding that advertisement that displaced fresh-squeezed orange juice being poured into a Tropicana carton was false). Indeed, “[the Court of Appeals has] explicitly looked to the visual images in a commercial to assess whether it is literally false.” *S.C. Johnson*, 241 F.3d at 238.⁸

[30] Gillette’s argument that the animated portion of its advertisement need not be exact is wrong as a matter of law. Clearly, a cartoon will not exactly depict a real-life situation, here, *e.g.*, the actual uneven surface of a hair or the details of a hair plug. However,

⁷ It is the words “up and away” when combined with “raises” that suggest both extension and angle change.

⁸ At least one other circuit has held that picture depictions can constitute false advertising. *Scotts Co. v. United Indus. Corp.*, 315 F.3d 264 (4th Cir.2002) (finding that while ambiguous graphic on packaging did not constitute literally false advertising, an unambiguous graphic could do so).

a party may not distort an inherent quality of its product in either graphics or animation. Gillette acknowledges that the magnitude of beard hair extension in the animation is false. The court finds, therefore, that any claims with respect to changes in angle and the animated portion of Gillette's current advertisement are literally false.

[31] The court does not make such a finding with respect to Schick's third falsity ground, Gillette's hair extension theory generally. Gillette claims that the razor's vibrations raise some hairs trapped under the skin to come out of the skin. While its own studies are insufficient to establish the truth of this claim, the burden is on Schick to prove falsity. Neither Schick's nor Gillette's testing can support a finding of falsity.

[32] While there can be no finding of literal falsity with respect to Gillette's hair extension claim at this stage in the instant litigation, the court expresses doubt about that claim. As described earlier, Gillette's own testing is suspect. Furthermore, Schick introduced expert testimony and elicited evidence from Gillette's expert regarding the lack of scientific foundation for any biological mechanism that would explain the effect described by Gillette in its advertising. Gillette's own expert, Dr. Philpott, testified that no scientific foundation exists to support Gillette's hypothesis that beard hairs might be trapped under the skin by sebum and comeocytes and that the application of mechanical energy might release such hairs. While Dr. Philpott put forward another hypothesis—that a hair's curliness might cause it to be trapped—he also conceded that, prior to his engagement as an expert on Gillette's behalf, in twenty years of studying hair, he had never come across such a phenomenon. The court credits the testimony of Schick's expert, Dr. Leffell, that while certain clinical conditions are characterized by hairs trapped under the surface of the skin, there is no such non-clinical phenomenon.

[33] Nevertheless, putting forth credible evidence that there is no known biological mechanism to support Gillette's contention that the M3Power raises hairs is insufficient to meet Schick's burden. Such evidence is not affirmative evidence of falsity. Further, while Schick successfully attacked Gillette's testing, that attack did not result in evidence of falsity. Unlike in *McNeil*, here Gillette's own tests do not prove hair extension does not occur. Schick merely proved that Gillette's testing is inadequate to prove it does occur.

[34] **2. Actual Deception.** Schick need not prove actual deception if Gillette's advertising is determined to be literally false. *Mc-Neil-P.C.C., Inc.*, 938 F.2d at 1549 (“Where the advertising claim is shown to be literally false, the court may enjoin the use of the claim without reference to the advertisement's impact on the buying public.” (internal quotation marks and citations omitted)). Because the court finds that claims regarding angle change and the magnitude and frequency of hair extension portrayed in the animated portion of Gillette's television advertisement are both literally false, it presumes that these claims result in actual deception.

[35] **3. Materiality.** “It is also well-settled that, in addition to proving falsity, the plaintiff must also show that the defendants misrepresented an inherent quality or characteristic of the product. This requirement is essentially one of materiality, a term explicitly used in other circuits.” *S.C. Johnson & Son, Inc.*, 241 F.3d at 238 (internal quotation marks and citations omitted). In determining that certain allegedly false statements were not material, the Second Circuit considered the relevance of the statements and the fact that “[t]he inaccuracy in the statements would not influence customers.” *Nat'l Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 855 (2d Cir.1997).

[36] It is clear that whether the M3 Power raises hairs is material. Gillette's employees testified that television advertising time is too valuable to include things that are "unimportant". Furthermore, in this case, hair extension is the "reason to believe" that the M3 Power is a worthwhile product. The magnitude and frequency of that effect are also, therefore, material. Whether a material element of a product's performance happens very often and how often that element happens are, in themselves, material.

[37] **4. Injury.** The court finds that, in light of the advertisement's literal falsity, the fact that the parties are head-to-head competitors, and recent declines in the sale of Schick's premiere wet shave system injury will be presumed. *Coca-Cola Co.*, 690 F.2d at 316-317. While Schick has not submitted consumer surveys or market research, the fact that the parties are head-to-head competitors supports an inference of causation.

[38] **5. Interstate Commerce.** The parties do not dispute that this element of the claim has been established.

[39] Accordingly, the court finds that Schick has established a likelihood of success on the merits of its claims insofar as Gillette's claims regarding changes in hair angle and its animation depicting an exaggerated amount of hair extension are literally false. The court finds that Schick has failed to establish a likelihood of success, or even serious questions going to the merits, on the claim of hair "extension."

BOND

[40] Gillette has requested a bond of \$49,579,248. It contends that this amount represents estimated lost profits on future M3 Power sales, over a twelve-month period, if later found to have been wrongfully enjoined. Schick submits that a bond of \$50,000 to \$100,000 is appropriate.

[41] Gillette's calculations assume a precipitous drop in sales as a result of a mandate to correct two admitted falsities in its advertisement.⁹ The court is skeptical that this calculation represents an appropriate bond amount.¹⁰ Instead, the court imposes a bond of \$200,000 on Schick. Absent a record created by Gillette, the court concludes this amount, generally in the range for false advertising cases, is sufficient to protect Gillette. Gillette may move to increase the bond amount upon a showing of likely injury.

CONCLUSION

[42] For the reasons stated above the Motion for Preliminary Injunction [Dkt. No. 7] is GRANTED in part and DENIED in part. The injunction is entered as stated in the accompanying order. Schick's Motion for Leave to Amend [Dkt. No. 103] is GRANTED.

⁹ While Gillette contends that the animated portion of its advertisement is not literally false as a matter of law, it has conceded that, as a factual matter, the animation represents an exaggerated hair-extension effect.

¹⁰ Does it claim that it cannot sell one M3 Power razor without making false claims regarding angle change or the magnitude of hair extension? When it ceased television and print advertising with the "angle change," did its sales drop precipitously?

B. Endorsements, Testimonials, and Reviews

The mission of the Federal Trade Commission (FTC) is to prevent “unfair methods of competition in or affecting commerce and unfair or deceptive acts or practices in or affecting commerce.” FTC Act § 5(a)(2), 15 U.S.C. § 45(a)(2). As its name suggests, the FTC’s Bureau of Competition focuses on “unfair methods of competition” and shares with the Antitrust Division of the Department of Justice authority to enforce American antitrust laws. The FTC’s Bureau of Consumer Protection focuses on the protection of consumers from “unfair or deceptive acts or practices,” including abusive lending and telemarketing practices, violation of data privacy laws, and false advertising. Due to the increasing prominence of endorsements and reviews in social media and on online marketplaces such as Amazon, this subpart briefly surveys FTC policies prohibiting deceptive endorsements and reviews, particularly in the online context.

The FTC Act empowers the FTC to investigate matters either *sua sponte* or in response to complaints submitted to the agency. Pursuant to FTC Act § 20, 15 U.S.C. § 57b-1, the FTC may issue a Civil Investigative Demand (“CID”), which is akin to a subpoena but may also require the recipient to “file written reports or answers to questions.” 15 U.S.C. § 57b-1(c)(1). If the FTC has “reason to believe” that a violation of law has occurred, it may issue a complaint stating its charges. FTC Act § 5(a)(2), 15 U.S.C. § 45(a)(2). The respondent may settle and sign a consent order (which is subject to public comment) or contest the charges before an administrative law judge. The FTC typically seeks a cease and desist order, though it may also pursue injunctive relief such as an order for corrective advertising or consumer refunds. FTC Act § 5(l), 15 U.S.C. Sec. 45(l). The FTC may also seek civil penalties. FTC Act § 5(m), 15 U.S.C. Sec. 45(m). A losing respondent may appeal the ALJ’s decision to the full Commission typically consisting of five Commissioners. The full Commission’s decision may be appealed to any Court of Appeals that has personal jurisdiction and venue over the defendant. The FTC Act provides for no private right of action.

The FTC also engages in formal and informal rulemaking. Its informal rulemaking often takes the form of *FTC Guides* or *FTC Policy Statements* addressing conduct that the FTC considers to be permissible and impermissible. The *FTC Guides Concerning Use of Endorsements and Testimonials in Advertising* offers a comprehensive review of FTC guidelines with respect to endorsements, testimonials, and reviews. *The FTC’s Endorsement Guides: What People Are Asking* focuses on conduct in social media, blogs, and other internet fora.

FTC Guides Concerning Use of Endorsements and Testimonials in Advertising **16 C.F.R. § 255**

§255.0 Purpose and definitions.

(a) The Guides in this part represent administrative interpretations of laws enforced by the Federal Trade Commission for the guidance of the public in conducting its affairs in conformity with legal requirements. Specifically, the Guides address the application of Section 5 of the FTC Act (15 U.S.C. 45) to the use of endorsements and testimonials in advertising. The Guides provide the basis for voluntary compliance with the law by advertisers and endorsers. Practices inconsistent with these Guides may result in corrective action by the Commission under Section 5 if, after investigation, the Commission has reason to believe that the practices fall within the scope of conduct declared unlawful by the statute. The Guides set forth the general principles that the Commission will use in evaluating

endorsements and testimonials, together with examples illustrating the application of those principles. The Guides do not purport to cover every possible use of endorsements in advertising. Whether a particular endorsement or testimonial is deceptive will depend on the specific factual circumstances of the advertisement at issue.

(b) For purposes of this part, an endorsement means any advertising message (including verbal statements, demonstrations, or depictions of the name, signature, likeness or other identifying personal characteristics of an individual or the name or seal of an organization) that consumers are likely to believe reflects the opinions, beliefs, findings, or experiences of a party other than the sponsoring advertiser, even if the views expressed by that party are identical to those of the sponsoring advertiser. The party whose opinions, beliefs, findings, or experience the message appears to reflect will be called the endorser and may be an individual, group, or institution.

(c) The Commission intends to treat endorsements and testimonials identically in the context of its enforcement of the Federal Trade Commission Act and for purposes of this part. The term endorsements is therefore generally used hereinafter to cover both terms and situations.

(d) For purposes of this part, the term product includes any product, service, company or industry.

(e) For purposes of this part, an expert is an individual, group, or institution possessing, as a result of experience, study, or training, knowledge of a particular subject, which knowledge is superior to what ordinary individuals generally acquire.

Example 1: A film critic's review of a movie is excerpted in an advertisement. When so used, the review meets the definition of an endorsement because it is viewed by readers as a statement of the critic's own opinions and not those of the film producer, distributor, or exhibitor. Any alteration in or quotation from the text of the review that does not fairly reflect its substance would be a violation of the standards set by this part because it would distort the endorser's opinion. [See §255.1(b).]

Example 2: A TV commercial depicts two women in a supermarket buying a laundry detergent. The women are not identified outside the context of the advertisement. One comments to the other how clean her brand makes her family's clothes, and the other then comments that she will try it because she has not been fully satisfied with her own brand. This obvious fictional dramatization of a real life situation would not be an endorsement.

Example 3: In an advertisement for a pain remedy, an announcer who is not familiar to consumers except as a spokesman for the advertising drug company praises the drug's ability to deliver fast and lasting pain relief. He purports to speak, not on the basis of his own opinions, but rather in the place of and on behalf of the drug company. The announcer's statements would not be considered an endorsement.

Example 4: A manufacturer of automobile tires hires a well-known professional automobile racing driver to deliver its advertising message in television commercials. In these commercials, the driver speaks of the smooth ride, strength, and long life of the tires. Even though the message is not expressly declared to be the personal opinion of the driver, it may nevertheless constitute an endorsement of the tires. Many consumers will recognize this individual as being primarily a racing driver and not merely a spokesperson or announcer for the advertiser. Accordingly, they may well believe the driver would not speak for an automotive product unless he actually believed in what he was saying and had personal knowledge sufficient to form that belief. Hence, they would think that the

advertising message reflects the driver's personal views. This attribution of the underlying views to the driver brings the advertisement within the definition of an endorsement for purposes of this part.

Example 5: A television advertisement for a particular brand of golf balls shows a prominent and well-recognized professional golfer practicing numerous drives off the tee. This would be an endorsement by the golfer even though she makes no verbal statement in the advertisement.

Example 6: An infomercial for a home fitness system is hosted by a well-known entertainer. During the infomercial, the entertainer demonstrates the machine and states that it is the most effective and easy-to-use home exercise machine that she has ever tried. Even if she is reading from a script, this statement would be an endorsement, because consumers are likely to believe it reflects the entertainer's views.

Example 7: A television advertisement for a housewares store features a well-known female comedian and a well-known male baseball player engaging in light-hearted banter about products each one intends to purchase for the other. The comedian says that she will buy him a Brand X, portable, high-definition television so he can finally see the strike zone. He says that he will get her a Brand Y juicer so she can make juice with all the fruit and vegetables thrown at her during her performances. The comedian and baseball player are not likely to be deemed endorsers because consumers will likely realize that the individuals are not expressing their own views.

Example 8: A consumer who regularly purchases a particular brand of dog food decides one day to purchase a new, more expensive brand made by the same manufacturer. She writes in her personal blog that the change in diet has made her dog's fur noticeably softer and shinier, and that in her opinion, the new food definitely is worth the extra money. This posting would not be deemed an endorsement under the Guides.

Assume that rather than purchase the dog food with her own money, the consumer gets it for free because the store routinely tracks her purchases and its computer has generated a coupon for a free trial bag of this new brand. Again, her posting would not be deemed an endorsement under the Guides.

Assume now that the consumer joins a network marketing program under which she periodically receives various products about which she can write reviews if she wants to do so. If she receives a free bag of the new dog food through this program, her positive review would be considered an endorsement under the Guides.

§255.1 General considerations.

(a) Endorsements must reflect the honest opinions, findings, beliefs, or experience of the endorser. Furthermore, an endorsement may not convey any express or implied representation that would be deceptive if made directly by the advertiser. [See §255.2(a) and (b) regarding substantiation of representations conveyed by consumer endorsements.]

(b) The endorsement message need not be phrased in the exact words of the endorser, unless the advertisement affirmatively so represents. However, the endorsement may not be presented out of context or reworded so as to distort in any way the endorser's opinion or experience with the product. An advertiser may use an endorsement of an expert or celebrity only so long as it has good reason to believe that the endorser continues to subscribe to the views presented. An advertiser may satisfy this obligation by securing the endorser's views at reasonable intervals where reasonableness will be determined by such factors as new information on the performance or effectiveness of the product, a material

alteration in the product, changes in the performance of competitors' products, and the advertiser's contract commitments.

(c) When the advertisement represents that the endorser uses the endorsed product, the endorser must have been a bona fide user of it at the time the endorsement was given. Additionally, the advertiser may continue to run the advertisement only so long as it has good reason to believe that the endorser remains a bona fide user of the product. [See §255.1(b) regarding the “good reason to believe” requirement.]

(d) Advertisers are subject to liability for false or unsubstantiated statements made through endorsements, or for failing to disclose material connections between themselves and their endorsers [see §255.5]. Endorsers also may be liable for statements made in the course of their endorsements.

Example 1: A building contractor states in an advertisement that he uses the advertiser's exterior house paint because of its remarkable quick drying properties and durability. This endorsement must comply with the pertinent requirements of §255.3 (Expert Endorsements). Subsequently, the advertiser reformulates its paint to enable it to cover exterior surfaces with only one coat. Prior to continued use of the contractor's endorsement, the advertiser must contact the contractor in order to determine whether the contractor would continue to specify the paint and to subscribe to the views presented previously.

Example 2: A television advertisement portrays a woman seated at a desk on which rest five unmarked computer keyboards. An announcer says, “We asked X, an administrative assistant for over ten years, to try these five unmarked keyboards and tell us which one she liked best.” The advertisement portrays X typing on each keyboard and then picking the advertiser's brand. The announcer asks her why, and X gives her reasons. This endorsement would probably not represent that X actually uses the advertiser's keyboard at work. In addition, the endorsement also may be required to meet the standards of §255.3 (expert endorsements).

Example 3: An ad for an acne treatment features a dermatologist who claims that the product is “clinically proven” to work. Before giving the endorsement, she received a write-up of the clinical study in question, which indicates flaws in the design and conduct of the study that are so serious that they preclude any conclusions about the efficacy of the product. The dermatologist is subject to liability for the false statements she made in the advertisement. The advertiser is also liable for misrepresentations made through the endorsement. [See §255.3 regarding the product evaluation that an expert endorser must conduct].

Example 4: A well-known celebrity appears in an infomercial for an oven roasting bag that purportedly cooks every chicken perfectly in thirty minutes. During the shooting of the infomercial, the celebrity watches five attempts to cook chickens using the bag. In each attempt, the chicken is undercooked after thirty minutes and requires sixty minutes of cooking time. In the commercial, the celebrity places an uncooked chicken in the oven roasting bag and places the bag in one oven. He then takes a chicken roasting bag from a second oven, removes from the bag what appears to be a perfectly cooked chicken, tastes the chicken, and says that if you want perfect chicken every time, in just thirty minutes, this is the product you need. A significant percentage of consumers are likely to believe the celebrity's statements represent his own views even though he is reading from a script. The

celebrity is subject to liability for his statement about the product. The advertiser is also liable for misrepresentations made through the endorsement.

Example 5: A skin care products advertiser participates in a blog advertising service. The service matches up advertisers with bloggers who will promote the advertiser's products on their personal blogs. The advertiser requests that a blogger try a new body lotion and write a review of the product on her blog. Although the advertiser does not make any specific claims about the lotion's ability to cure skin conditions and the blogger does not ask the advertiser whether there is substantiation for the claim, in her review the blogger writes that the lotion cures eczema and recommends the product to her blog readers who suffer from this condition. The advertiser is subject to liability for misleading or unsubstantiated representations made through the blogger's endorsement. The blogger also is subject to liability for misleading or unsubstantiated representations made in the course of her endorsement. The blogger is also liable if she fails to disclose clearly and conspicuously that she is being paid for her services. [See §255.5.]

In order to limit its potential liability, the advertiser should ensure that the advertising service provides guidance and training to its bloggers concerning the need to ensure that statements they make are truthful and substantiated. The advertiser should also monitor bloggers who are being paid to promote its products and take steps necessary to halt the continued publication of deceptive representations when they are discovered.

§255.2 Consumer endorsements.

(a) An advertisement employing endorsements by one or more consumers about the performance of an advertised product or service will be interpreted as representing that the product or service is effective for the purpose depicted in the advertisement. Therefore, the advertiser must possess and rely upon adequate substantiation, including, when appropriate, competent and reliable scientific evidence, to support such claims made through endorsements in the same manner the advertiser would be required to do if it had made the representation directly, *i.e.*, without using endorsements. Consumer endorsements themselves are not competent and reliable scientific evidence.

(b) An advertisement containing an endorsement relating the experience of one or more consumers on a central or key attribute of the product or service also will likely be interpreted as representing that the endorser's experience is representative of what consumers will generally achieve with the advertised product or service in actual, albeit variable, conditions of use. Therefore, an advertiser should possess and rely upon adequate substantiation for this representation. If the advertiser does not have substantiation that the endorser's experience is representative of what consumers will generally achieve, the advertisement should clearly and conspicuously disclose the generally expected performance in the depicted circumstances, and the advertiser must possess and rely on adequate substantiation for that representation.¹

¹ The Commission tested the communication of advertisements containing testimonials that clearly and prominently disclosed either "Results not typical" or the stronger "These testimonials are based on the experiences of a few people and you are not likely to have similar results." Neither disclosure adequately reduced the communication that the experiences depicted are generally representative. Based upon this research, the Commission believes that similar disclaimers regarding the limited applicability of an

(c) Advertisements presenting endorsements by what are represented, directly or by implication, to be “actual consumers” should utilize actual consumers in both the audio and video, or clearly and conspicuously disclose that the persons in such advertisements are not actual consumers of the advertised product.

Example 1: A brochure for a baldness treatment consists entirely of testimonials from satisfied customers who say that after using the product, they had amazing hair growth and their hair is as thick and strong as it was when they were teenagers. The advertiser must have competent and reliable scientific evidence that its product is effective in producing new hair growth.

The ad will also likely communicate that the endorsers' experiences are representative of what new users of the product can generally expect. Therefore, even if the advertiser includes a disclaimer such as, “Notice: These testimonials do not prove our product works. You should not expect to have similar results,” the ad is likely to be deceptive unless the advertiser has adequate substantiation that new users typically will experience results similar to those experienced by the testimonialists.

Example 2: An advertisement disseminated by a company that sells heat pumps presents endorsements from three individuals who state that after installing the company's heat pump in their homes, their monthly utility bills went down by \$100, \$125, and \$150, respectively. The ad will likely be interpreted as conveying that such savings are representative of what consumers who buy the company's heat pump can generally expect. The advertiser does not have substantiation for that representation because, in fact, less than 20% of purchasers will save \$100 or more. A disclosure such as, “Results not typical” or, “These testimonials are based on the experiences of a few people and you are not likely to have similar results” is insufficient to prevent this ad from being deceptive because consumers will still interpret the ad as conveying that the specified savings are representative of what consumers can generally expect. The ad is less likely to be deceptive if it clearly and conspicuously discloses the generally expected savings and the advertiser has adequate substantiation that homeowners can achieve those results. There are multiple ways that such a disclosure could be phrased, *e.g.*, “the average homeowner saves \$35 per month,” “the typical family saves \$50 per month during cold months and \$20 per month in warm months,” or “most families save 10% on their utility bills.”

Example 3: An advertisement for a cholesterol-lowering product features an individual who claims that his serum cholesterol went down by 120 points and does not mention having made any lifestyle changes. A well-conducted clinical study shows that the product reduces the cholesterol levels of individuals with elevated cholesterol by an average of 15% and the advertisement clearly and conspicuously discloses this fact. Despite the presence of this disclosure, the advertisement would be deceptive if the advertiser does not have

endorser's experience to what consumers may generally expect to achieve are unlikely to be effective.

Nonetheless, the Commission cannot rule out the possibility that a strong disclaimer of typicality could be effective in the context of a particular advertisement. Although the Commission would have the burden of proof in a law enforcement action, the Commission notes that an advertiser possessing reliable empirical testing demonstrating that the net impression of its advertisement with such a disclaimer is non-deceptive will avoid the risk of the initiation of such an action in the first instance.

adequate substantiation that the product can produce the specific results claimed by the endorser (*i.e.*, a 120-point drop in serum cholesterol without any lifestyle changes).

Example 4: An advertisement for a weight-loss product features a formerly obese woman. She says in the ad, “Every day, I drank 2 WeightAway shakes, ate only raw vegetables, and exercised vigorously for six hours at the gym. By the end of six months, I had gone from 250 pounds to 140 pounds.” The advertisement accurately describes the woman’s experience, and such a result is within the range that would be generally experienced by an extremely overweight individual who consumed WeightAway shakes, only ate raw vegetables, and exercised as the endorser did. Because the endorser clearly describes the limited and truly exceptional circumstances under which she achieved her results, the ad is not likely to convey that consumers who weigh substantially less or use WeightAway under less extreme circumstances will lose 110 pounds in six months. (If the advertisement simply says that the endorser lost 110 pounds in six months using WeightAway together with diet and exercise, however, this description would not adequately alert consumers to the truly remarkable circumstances leading to her weight loss.) The advertiser must have substantiation, however, for any performance claims conveyed by the endorsement (*e.g.*, that WeightAway is an effective weight loss product).

If, in the alternative, the advertisement simply features “before” and “after” pictures of a woman who says “I lost 50 pounds in 6 months with WeightAway,” the ad is likely to convey that her experience is representative of what consumers will generally achieve. Therefore, if consumers cannot generally expect to achieve such results, the ad should clearly and conspicuously disclose what they can expect to lose in the depicted circumstances (*e.g.*, “most women who use WeightAway for six months lose at least 15 pounds”).

If the ad features the same pictures but the testimonialist simply says, “I lost 50 pounds with WeightAway,” and WeightAway users generally do not lose 50 pounds, the ad should disclose what results they do generally achieve (*e.g.*, “most women who use WeightAway lose 15 pounds”).

Example 5: An advertisement presents the results of a poll of consumers who have used the advertiser’s cake mixes as well as their own recipes. The results purport to show that the majority believed that their families could not tell the difference between the advertised mix and their own cakes baked from scratch. Many of the consumers are actually pictured in the advertisement along with relevant, quoted portions of their statements endorsing the product. This use of the results of a poll or survey of consumers represents that this is the typical result that ordinary consumers can expect from the advertiser’s cake mix.

Example 6: An advertisement purports to portray a “hidden camera” situation in a crowded cafeteria at breakfast time. A spokesperson for the advertiser asks a series of actual patrons of the cafeteria for their spontaneous, honest opinions of the advertiser’s recently introduced breakfast cereal. Even though the words “hidden camera” are not displayed on the screen, and even though none of the actual patrons is specifically identified during the advertisement, the net impression conveyed to consumers may well be that these are actual customers, and not actors. If actors have been employed, this fact should be clearly and conspicuously disclosed.

Example 7: An advertisement for a recently released motion picture shows three individuals coming out of a theater, each of whom gives a positive statement about the movie. These individuals are actual consumers expressing their personal views about the movie. The advertiser does not need to have substantiation that their views are

representative of the opinions that most consumers will have about the movie. Because the consumers' statements would be understood to be the subjective opinions of only three people, this advertisement is not likely to convey a typicality message.

If the motion picture studio had approached these individuals outside the theater and offered them free tickets if they would talk about the movie on camera afterwards, that arrangement should be clearly and conspicuously disclosed. [See §255.5.]

§255.3 Expert endorsements.

(a) Whenever an advertisement represents, directly or by implication, that the endorser is an expert with respect to the endorsement message, then the endorser's qualifications must in fact give the endorser the expertise that he or she is represented as possessing with respect to the endorsement.

(b) Although the expert may, in endorsing a product, take into account factors not within his or her expertise (*e.g.*, matters of taste or price), the endorsement must be supported by an actual exercise of that expertise in evaluating product features or characteristics with respect to which he or she is expert and which are relevant to an ordinary consumer's use of or experience with the product and are available to the ordinary consumer. This evaluation must have included an examination or testing of the product at least as extensive as someone with the same degree of expertise would normally need to conduct in order to support the conclusions presented in the endorsement. To the extent that the advertisement implies that the endorsement was based upon a comparison, such comparison must have been included in the expert's evaluation; and as a result of such comparison, the expert must have concluded that, with respect to those features on which he or she is expert and which are relevant and available to an ordinary consumer, the endorsed product is at least equal overall to the competitors' products. Moreover, where the net impression created by the endorsement is that the advertised product is superior to other products with respect to any such feature or features, then the expert must in fact have found such superiority. [See §255.1(d) regarding the liability of endorsers.]

Example 1: An endorsement of a particular automobile by one described as an "engineer" implies that the endorser's professional training and experience are such that he is well acquainted with the design and performance of automobiles. If the endorser's field is, for example, chemical engineering, the endorsement would be deceptive.

Example 2: An endorser of a hearing aid is simply referred to as "Doctor" during the course of an advertisement. The ad likely implies that the endorser is a medical doctor with substantial experience in the area of hearing. If the endorser is not a medical doctor with substantial experience in audiology, the endorsement would likely be deceptive. A non-medical "doctor" (*e.g.*, an individual with a Ph.D. in exercise physiology) or a physician without substantial experience in the area of hearing can endorse the product, but if the endorser is referred to as "doctor," the advertisement must make clear the nature and limits of the endorser's expertise.

Example 3: A manufacturer of automobile parts advertises that its products are approved by the "American Institute of Science." From its name, consumers would infer that the "American Institute of Science" is a bona fide independent testing organization with expertise in judging automobile parts and that, as such, it would not approve any automobile part without first testing its efficacy by means of valid scientific methods. If the American Institute of Science is not such a bona fide independent testing organization (*e.g.*, if it was established and operated by an automotive parts manufacturer), the endorsement would be

deceptive. Even if the American Institute of Science is an independent bona fide expert testing organization, the endorsement may nevertheless be deceptive unless the Institute has conducted valid scientific tests of the advertised products and the test results support the endorsement message.

Example 4: A manufacturer of a non-prescription drug product represents that its product has been selected over competing products by a large metropolitan hospital. The hospital has selected the product because the manufacturer, unlike its competitors, has packaged each dose of the product separately. This package form is not generally available to the public. Under the circumstances, the endorsement would be deceptive because the basis for the hospital's choice—convenience of packaging—is neither relevant nor available to consumers, and the basis for the hospital's decision is not disclosed to consumers.

Example 5: A woman who is identified as the president of a commercial “home cleaning service” states in a television advertisement that the service uses a particular brand of cleanser, instead of leading competitors it has tried, because of this brand's performance. Because cleaning services extensively use cleansers in the course of their business, the ad likely conveys that the president has knowledge superior to that of ordinary consumers. Accordingly, the president's statement will be deemed to be an expert endorsement. The service must, of course, actually use the endorsed cleanser. In addition, because the advertisement implies that the cleaning service has experience with a reasonable number of leading competitors to the advertised cleanser, the service must, in fact, have such experience, and, on the basis of its expertise, it must have determined that the cleaning ability of the endorsed cleanser is at least equal (or superior, if such is the net impression conveyed by the advertisement) to that of leading competitors' products with which the service has had experience and which remain reasonably available to it. Because in this example the cleaning service's president makes no mention that the endorsed cleanser was “chosen,” “selected,” or otherwise evaluated in side-by-side comparisons against its competitors, it is sufficient if the service has relied solely upon its accumulated experience in evaluating cleansers without having performed side-by-side or scientific comparisons.

Example 6: A medical doctor states in an advertisement for a drug that the product will safely allow consumers to lower their cholesterol by 50 points. If the materials the doctor reviewed were merely letters from satisfied consumers or the results of a rodent study, the endorsement would likely be deceptive because those materials are not what others with the same degree of expertise would consider adequate to support this conclusion about the product's safety and efficacy.

§255.4 Endorsements by organizations.

Endorsements by organizations, especially expert ones, are viewed as representing the judgment of a group whose collective experience exceeds that of any individual member, and whose judgments are generally free of the sort of subjective factors that vary from individual to individual. Therefore, an organization's endorsement must be reached by a process sufficient to ensure that the endorsement fairly reflects the collective judgment of the organization. Moreover, if an organization is represented as being expert, then, in conjunction with a proper exercise of its expertise in evaluating the product under §255.3 (expert endorsements), it must utilize an expert or experts recognized as such by the organization or standards previously adopted by the organization and suitable for judging the relevant merits of such products. [See §255.1(d) regarding the liability of endorsers.]

Example: A mattress seller advertises that its product is endorsed by a chiropractic association. Because the association would be regarded as expert with respect to judging mattresses, its endorsement must be supported by an evaluation by an expert or experts recognized as such by the organization, or by compliance with standards previously adopted by the organization and aimed at measuring the performance of mattresses in general and not designed with the unique features of the advertised mattress in mind.

§255.5 Disclosure of material connections.

When there exists a connection between the endorser and the seller of the advertised product that might materially affect the weight or credibility of the endorsement (*i.e.*, the connection is not reasonably expected by the audience), such connection must be fully disclosed. For example, when an endorser who appears in a television commercial is neither represented in the advertisement as an expert nor is known to a significant portion of the viewing public, then the advertiser should clearly and conspicuously disclose either the payment or promise of compensation prior to and in exchange for the endorsement or the fact that the endorser knew or had reason to know or to believe that if the endorsement favored the advertised product some benefit, such as an appearance on television, would be extended to the endorser. Additional guidance, including guidance concerning endorsements made through other media, is provided by the examples below.

Example 1: A drug company commissions research on its product by an outside organization. The drug company determines the overall subject of the research (*e.g.*, to test the efficacy of a newly developed product) and pays a substantial share of the expenses of the research project, but the research organization determines the protocol for the study and is responsible for conducting it. A subsequent advertisement by the drug company mentions the research results as the “findings” of that research organization. Although the design and conduct of the research project are controlled by the outside research organization, the weight consumers place on the reported results could be materially affected by knowing that the advertiser had funded the project. Therefore, the advertiser’s payment of expenses to the research organization should be disclosed in this advertisement.

Example 2: A film star endorses a particular food product. The endorsement regards only points of taste and individual preference. This endorsement must, of course, comply with §255.1; but regardless of whether the star’s compensation for the commercial is a \$1 million cash payment or a royalty for each product sold by the advertiser during the next year, no disclosure is required because such payments likely are ordinarily expected by viewers.

Example 3: During an appearance by a well-known professional tennis player on a television talk show, the host comments that the past few months have been the best of her career and during this time she has risen to her highest level ever in the rankings. She responds by attributing the improvement in her game to the fact that she is seeing the ball better than she used to, ever since having laser vision correction surgery at a clinic that she identifies by name. She continues talking about the ease of the procedure, the kindness of the clinic’s doctors, her speedy recovery, and how she can now engage in a variety of activities without glasses, including driving at night. The athlete does not disclose that, even though she does not appear in commercials for the clinic, she has a contractual relationship with it, and her contract pays her for speaking publicly about her surgery when she can do so. Consumers might not realize that a celebrity discussing a medical procedure in a television interview has been paid for doing so, and knowledge of such payments would likely affect

the weight or credibility consumers give to the celebrity's endorsement. Without a clear and conspicuous disclosure that the athlete has been engaged as a spokesperson for the clinic, this endorsement is likely to be deceptive. Furthermore, if consumers are likely to take away from her story that her experience was typical of those who undergo the same procedure at the clinic, the advertiser must have substantiation for that claim.

Assume that instead of speaking about the clinic in a television interview, the tennis player touts the results of her surgery—mentioning the clinic by name—on a social networking site that allows her fans to read in real time what is happening in her life. Given the nature of the medium in which her endorsement is disseminated, consumers might not realize that she is a paid endorser. Because that information might affect the weight consumers give to her endorsement, her relationship with the clinic should be disclosed.

Assume that during that same television interview, the tennis player is wearing clothes bearing the insignia of an athletic wear company with whom she also has an endorsement contract. Although this contract requires that she wear the company's clothes not only on the court but also in public appearances, when possible, she does not mention them or the company during her appearance on the show. No disclosure is required because no representation is being made about the clothes in this context.

Example 4: An ad for an anti-snoring product features a physician who says that he has seen dozens of products come on the market over the years and, in his opinion, this is the best ever. Consumers would expect the physician to be reasonably compensated for his appearance in the ad. Consumers are unlikely, however, to expect that the physician receives a percentage of gross product sales or that he owns part of the company, and either of these facts would likely materially affect the credibility that consumers attach to the endorsement. Accordingly, the advertisement should clearly and conspicuously disclose such a connection between the company and the physician.

Example 5: An actual patron of a restaurant, who is neither known to the public nor presented as an expert, is shown seated at the counter. He is asked for his “spontaneous” opinion of a new food product served in the restaurant. Assume, first, that the advertiser had posted a sign on the door of the restaurant informing all who entered that day that patrons would be interviewed by the advertiser as part of its TV promotion of its new soy protein “steak.” This notification would materially affect the weight or credibility of the patron's endorsement, and, therefore, viewers of the advertisement should be clearly and conspicuously informed of the circumstances under which the endorsement was obtained.

Assume, in the alternative, that the advertiser had not posted a sign on the door of the restaurant, but had informed all interviewed customers of the “hidden camera” only after interviews were completed and the customers had no reason to know or believe that their response was being recorded for use in an advertisement. Even if patrons were also told that they would be paid for allowing the use of their opinions in advertising, these facts need not be disclosed.

Example 6: An infomercial producer wants to include consumer endorsements for an automotive additive product featured in her commercial, but because the product has not yet been sold, there are no consumer users. The producer's staff reviews the profiles of individuals interested in working as “extras” in commercials and identifies several who are interested in automobiles. The extras are asked to use the product for several weeks and then report back to the producer. They are told that if they are selected to endorse the product in the producer's infomercial, they will receive a small payment. Viewers would not

expect that these “consumer endorsers” are actors who were asked to use the product so that they could appear in the commercial or that they were compensated. Because the advertisement fails to disclose these facts, it is deceptive.

Example 7: A college student who has earned a reputation as a video game expert maintains a personal weblog or “blog” where he posts entries about his gaming experiences. Readers of his blog frequently seek his opinions about video game hardware and software. As it has done in the past, the manufacturer of a newly released video game system sends the student a free copy of the system and asks him to write about it on his blog. He tests the new gaming system and writes a favorable review. Because his review is disseminated via a form of consumer-generated media in which his relationship to the advertiser is not inherently obvious, readers are unlikely to know that he has received the video game system free of charge in exchange for his review of the product, and given the value of the video game system, this fact likely would materially affect the credibility they attach to his endorsement. Accordingly, the blogger should clearly and conspicuously disclose that he received the gaming system free of charge. The manufacturer should advise him at the time it provides the gaming system that this connection should be disclosed, and it should have procedures in place to try to monitor his postings for compliance.

Example 8: An online message board designated for discussions of new music download technology is frequented by MP3 player enthusiasts. They exchange information about new products, utilities, and the functionality of numerous playback devices. Unbeknownst to the message board community, an employee of a leading playback device manufacturer has been posting messages on the discussion board promoting the manufacturer's product. Knowledge of this poster's employment likely would affect the weight or credibility of her endorsement. Therefore, the poster should clearly and conspicuously disclose her relationship to the manufacturer to members and readers of the message board.

Example 9: A young man signs up to be part of a “street team” program in which points are awarded each time a team member talks to his or her friends about a particular advertiser's products. Team members can then exchange their points for prizes, such as concert tickets or electronics. These incentives would materially affect the weight or credibility of the team member's endorsements. They should be clearly and conspicuously disclosed, and the advertiser should take steps to ensure that these disclosures are being provided.

The FTC's Endorsement Guides: What People Are Asking (May 2015)

Introduction

Suppose you meet someone who tells you about a great new product. She tells you it performs wonderfully and offers fantastic new features that nobody else has. Would that recommendation factor into your decision to buy the product? Probably.

Now suppose the person works for the company that sells the product – or has been paid by the company to tout the product. Would you want to know that when you're evaluating the endorser's glowing recommendation? You bet. That common-sense premise is at the heart of the Federal Trade Commission's (FTC) Endorsement Guides.

The Guides, at their core, reflect the basic truth-in-advertising principle that endorsements must be honest and not misleading. An endorsement must reflect the honest

opinion of the endorser and can't be used to make a claim that the product's marketer couldn't legally make.

In addition, the Guides say if there's a connection between an endorser and the marketer that consumers would not expect and it would affect how consumers evaluate the endorsement, that connection should be disclosed. For example, if an ad features an endorser who's a relative or employee of the marketer, the ad is misleading unless the connection is made clear. The same is usually true if the endorser has been paid or given something of value to tout the product. The reason is obvious: Knowing about the connection is important information for anyone evaluating the endorsement.

Say you're planning a vacation. You do some research and find a glowing review on someone's blog that a particular resort is the most luxurious place he has ever stayed. If you knew the hotel had paid the blogger hundreds of dollars to say great things about it or that the blogger had stayed there for several days for free, it could affect how much weight you'd give the blogger's endorsement. The blogger should, therefore, let his readers know about that relationship.

Another principle in the Guides applies to ads that feature endorsements from people who achieved exceptional, or even above average, results. An example is an endorser who says she lost 20 pounds in two months using the advertised product. If the advertiser doesn't have proof that the endorser's experience represents what people will generally achieve using the product as described in the ad (for example, by just taking a pill daily for two months), then an ad featuring that endorser must make clear to the audience what the generally expected results are.

Here are answers to some of our most frequently asked questions from advertisers, ad agencies, bloggers, and others.

About the Endorsement Guides

Do the Endorsement Guides apply to social media?

Yes. Truth in advertising is important in all media, whether they have been around for decades (like, television and magazines) or are relatively new (like, blogs and social media).

Isn't it common knowledge that bloggers are paid to tout products or that if you click a link on a blogger's site to buy a product, the blogger will get a commission?

No. Some bloggers who mention products in their posts have no connection to the marketers of those products – they don't receive anything for their reviews or get a commission. They simply recommend those products to their readers because they believe in them. Moreover, the financial arrangements between some bloggers and advertisers may be apparent to industry insiders, but not to everyone else who reads a particular blog. Under the law, an act or practice is deceptive if it misleads "a significant minority" of consumers. Even if some readers are aware of these deals, many readers aren't. That's why disclosure is important.

Are you monitoring bloggers?

Generally not, but if concerns about possible violations of the FTC Act come to our attention, we'll evaluate them case by case. If law enforcement becomes necessary, our focus usually will be on advertisers or their ad agencies and public relations firms.

Action against an individual endorser, however, might be appropriate in certain circumstances.

Does the FTC hold online reviewers to a higher standard than reviewers for paper-and-ink publications?

No. The FTC Act applies across the board. The issue is – and always has been – whether the audience understands the reviewer’s relationship to the company whose products are being recommended. If the audience understands the relationship, a disclosure isn’t needed.

If you’re employed by a newspaper or TV station to give reviews – whether online or offline – your audience probably understands that your job is to provide your personal opinion on behalf of the newspaper or television station. In that situation, it’s clear that you did not buy the product yourself – whether it’s a book or a car or a movie ticket. On a personal blog, a social networking page, or in similar media, the reader might not realize that the reviewer has a relationship with the company whose products are being recommended. Disclosure of that relationship helps readers decide how much weight to give the review.

What is the legal basis for the Guides?

If an endorser is acting on behalf of an advertiser, what she or he is saying is usually going to be commercial speech – and commercial speech violates the FTC Act if it’s deceptive. The FTC conducts investigations and brings cases involving endorsements under Section 5 of the FTC Act, which generally prohibits deceptive advertising.

The Guides are intended to give insight into what the FTC thinks about various marketing activities involving endorsements and how Section 5 might apply to those activities. The Guides themselves don’t have the force of law. However, practices inconsistent with the Guides may result in law enforcement actions for violations of the FTC Act. Although there are no fines for violations of the FTC Act, law enforcement actions can result in orders requiring the defendants in the case to give up money they received from their violations.

When Does the FTC Act Apply to Endorsements?

I’m a blogger. I heard that every time I mention a product on my blog, I have to say whether I got it for free or paid for it myself. Is that true?

No. If you mention a product you paid for yourself, there isn’t an issue. Nor is it an issue if you get the product for free because a store is giving out free samples to its customers.

The FTC is only concerned about endorsements that are made on behalf of a sponsoring advertiser. For example, an endorsement would be covered by the FTC Act if an advertiser – or someone working for an advertiser – pays you or gives you something of value to mention a product. If you receive free products or other perks with the expectation that you’ll promote or discuss the advertiser’s products in your blog, you’re covered. Bloggers who are part of network marketing programs where they sign up to receive free product samples in exchange for writing about them also are covered.

What if all I get from a company is a \$1-off coupon, an entry in a sweepstakes or a contest, or a product that is only worth a few dollars? Does that still have to be disclosed?

The question you need to ask is whether knowing about that gift or incentive would affect the weight or credibility your readers give to your recommendation. If it could, then it should be disclosed. For example, being entered into a sweepstakes or a contest for a chance to win a thousand dollars in exchange for an endorsement could very well affect how people view that endorsement. Determining whether a small gift would affect the weight or credibility of an endorsement could be difficult. It's always safer to disclose that information.

Also, even if getting one free item that's not very valuable doesn't affect your credibility, continually getting free stuff from an advertiser or multiple advertisers could suggest you expect future benefits from positive reviews. If a blogger or other endorser has a relationship with a marketer or a network that sends freebies in the hope of positive reviews, it's best to let readers know about the free stuff.

Even an incentive with no financial value might affect the credibility of an endorsement and would need to be disclosed. The Guides give the example of a restaurant patron being offered the opportunity to appear in television advertising before giving his opinion about a product. Because the chance to appear in a TV ad could sway what someone says, that incentive should be disclosed.

What if I upload a video to YouTube that shows me reviewing several products? Should I disclose when I got them from an advertiser?

Yes. The guidance for videos is the same as for websites or blogs.

What if I return the product after I review it? Should I still make a disclosure?

That might depend on the product and how long you are allowed to use it. For example, if you get free use of a car for a month, we recommend a disclosure even though you have to return it. But even for less valuable products, it's best to be open and transparent with your readers.

I have a website that reviews local restaurants. It's clear when a restaurant pays for an ad on my website, but do I have to disclose which restaurants give me free meals?

If you get free meals, you should let your readers know so they can factor that in when they read your reviews. Some readers might conclude that if a restaurant gave you a free meal because it knew you were going to write a review, you might have gotten special food or service.

Several months ago a manufacturer sent me a free product and asked me to write about it in my blog. I tried the product, liked it, and wrote a favorable review. When I posted the review, I disclosed that I got the product for free from the manufacturer. I still use the product. Do I have to disclose that I got the product for free every time I mention it in my blog?

It might depend on what you say about it, but each new endorsement made without a disclosure could be deceptive because readers might not see the original blog post where you said you got the product free from the manufacturer.

A trade association hired me to be its "ambassador" and promote its upcoming conference in social media, primarily on Facebook, Twitter, and in my blog. The association is only hiring me for five hours a week. I disclose my relationship with the association in my blogs and in the tweets and posts I make about the event during the hours I'm working. But sometimes I get questions about the conference in my off time. If I respond via Twitter when I'm not officially working, do I need to make a disclosure? Can that be solved by placing a badge for the conference in my Twitter profile?

You have a financial connection to the company that hired you and that relationship exists whether or not you are being paid for a particular tweet. If you are endorsing the conference in your tweets, your audience has a right to know about your relationship. That said, some of your tweets responding to questions about the event might not be endorsements, because they aren't communicating your opinions about the conference (for example, if someone just asks you for a link to the conference agenda).

Also, if you respond to someone's questions about the event via email or text, that person probably already knows your affiliation or they wouldn't be asking you. You probably wouldn't need a disclosure in that context. But when you respond via social media, all your followers see your posts and some of them might not have seen your earlier disclosures.

With respect to posting the conference's badge on your Twitter profile page, a disclosure on a profile page isn't sufficient because many people in your audience probably won't see it. Also, depending upon what it says, the badge may not adequately inform consumers of your connection to the trade association. If it's simply a logo or hashtag for the event, it won't tell consumers of your relationship to the association.

I share in my social media posts about products I use. Do I actually have to say something positive about a product for my posts to be endorsements covered by the FTC Act?

Simply posting a picture of a product in social media, such as on Pinterest, or a video of you using it could convey that you like and approve of the product. If it does, it's an endorsement.

You don't necessarily have to use words to convey a positive message. If your audience thinks that what you say or otherwise communicate about a product reflects your opinions or beliefs about the product, and you have a relationship with the company marketing the product, it's an endorsement subject to the FTC Act.

Of course, if you don't have any relationship with the advertiser, then your posts simply are not subject to the FTC Act, no matter what you show or say about the product. The FTC Act covers only endorsements made on behalf of a sponsoring advertiser.

My Facebook page identifies my employer. Should I include an additional disclosure when I post on Facebook about how useful one of our products is?

It's a good idea. People reading your posts in their news feed – or on your profile page – might not know where you work or what products your employer makes. Many businesses are so diversified that readers might not realize that the products you're talking about are sold by your company.

A famous athlete has thousands of followers on Twitter and is well-known as a spokesperson for a particular product. Does he have to disclose that he's being paid every time he tweets about the product?

It depends on whether his followers understand that he's being paid to endorse that product. If they know he's a paid endorser, no disclosure is needed. But if a significant portion of his followers don't know that, the relationship should be disclosed. Determining whether followers are aware of a relationship could be tricky in many cases, so we recommend disclosure.

A famous celebrity has millions of followers on Twitter. Many people know that she regularly charges advertisers to mention their products in her tweets. Does she have to disclose when she's being paid to tweet about products?

It depends on whether her followers understand that her tweets about products are paid endorsements. If a significant portion of her followers don't know that, disclosures are needed. Again, determining that could be tricky, so we recommend disclosure.

Product Placements

What does the FTC have to say about product placements on television shows?

Federal Communications Commission (FCC, not FTC) law requires TV stations to include disclosures of product placement in TV shows.

FTC staff has expressed the opinion that under the FTC Act, product placement (that is, merely showing products or brands in third-party entertainment or news content – as distinguished from sponsored content or disguised commercials), doesn't require a disclosure that the placement was paid-for by the advertiser.

What if the host of a television talk show expresses her opinions about a product – let's say a videogame – and she was paid for the promotion? The segment is entertainment, it's humorous, and it's not like the host is an expert. Is that different from a product placement and does the payment have to be disclosed?

If the host endorses the product – even if she is just playing the game and saying something like “wow, this is awesome” – it's more than a product placement. If the payment for the endorsement isn't expected by the audience and it would affect the weight the audience gives the endorsement, it should be disclosed. It doesn't matter that the host isn't an expert or the segment is humorous as long as the endorsement has credibility that would be affected by knowing about the payment. However, if what the host says is obviously an advertisement – think of an old-time television show where the host goes to a different set, holds up a cup of coffee, says “Wake up with ABC Coffee. It's how I start my day!” and takes a sip – a disclosure probably isn't necessary.

Endorsements by Individuals on Social Networking Sites

Many social networking sites allow you to share your interests with friends and followers by clicking a button or sharing a link to show that you're a fan of a particular business, product, website or service. Is that an "endorsement" that needs a disclosure?

Many people enjoy sharing their fondness for a particular product or service with their social networks.

If you write about how much you like something you bought on your own and you're not being rewarded, you don't have to worry. However, if you're doing it as part of a sponsored campaign or you're being compensated – for example, getting a discount on a future purchase or being entered into a sweepstakes for a significant prize – then a disclosure is appropriate.

I am an avid social media user who often gets rewards for participating in online campaigns on behalf of brands. Is it OK for me to click a “like” button, pin a picture, or share a link to show that I'm a fan of a particular business, product, website or service as part of a paid campaign?

Using these features to endorse a company's products or services as part of a sponsored brand campaign probably requires a disclosure.

We realize that some platforms – like Facebook's “like” buttons – don't allow you to make a disclosure. Advertisers shouldn't encourage endorsements using features that

don't allow for clear and conspicuous disclosures. However, we don't know at this time how much stock social network users put into "likes" when deciding to patronize a business, so the failure to disclose that the people giving "likes" received an incentive might not be a problem.

An advertiser buying fake "likes" is very different from an advertiser offering incentives for "likes" from actual consumers. If "likes" are from non-existent people or people who have no experience using the product or service, they are clearly deceptive, and both the purchaser and the seller of the fake "likes" could face enforcement action.

I posted a review of a service on a website. Now the marketer has taken my review and changed it in a way that I think is misleading. Am I liable for that? What can I do?

No, you aren't liable for the changes the marketer made to your review. You could, and probably should, complain to the marketer and ask them to stop using your altered review. You also could file complaints with the FTC, your local consumer protection organization, and the Better Business Bureau.

How Should I Disclose That I Was Given Something for My Endorsement?

Is there special wording I have to use to make the disclosure?

No. The point is to give readers the essential information. A simple disclosure like "Company X gave me this product to try . . ." will usually be effective.

Do I have to hire a lawyer to help me write a disclosure?

No. What matters is effective communication, not legalese. A disclosure like "Company X sent me [name of product] to try, and I think it's great" gives your readers the information they need. Or, at the start of a short video, you might say, "Some of the products I'm going to use in this video were sent to me by their manufacturers." That gives the necessary heads-up to your viewers.

When should I say more than that I got a product for free?

It depends on what else (if anything) you received from the company.

For example, if an app developer gave you their 99-cent app for free in order for you to review it, that might not have much effect on the weight that readers give to your review. But if the app developer also gave you \$100, that would have a much greater effect on the credibility of your review. So a disclosure that simply said you got the app for free wouldn't be good enough.

Similarly, if a company gave you a \$50 gift card to give away to one of your readers and a second \$50 gift card to keep for yourself, it wouldn't be good enough to only say that the company gave you a gift card to give away.

I'm doing a review of a videogame that hasn't been released yet. The manufacturer is paying me to try the game and review it. I was planning on disclosing that the manufacturer gave me a "sneak peak" of the game. Isn't that enough to put people on notice of my relationship to the manufacturer?

No, it's not. Getting early access doesn't mean that you got paid. Getting a "sneak peak" of the game doesn't even mean that you get to keep the game. If you get early access, you can say that, but if you are paid, you should say so.

Are you saying that I need to list the details of everything I get from a company for reviewing a product?

No. As long as your audience knows the nature of your relationship, it's good enough. So whether you got \$50 or \$1,000 you could simply say you were "paid." (That wouldn't be good enough, however, if you're an employee or co-owner.)

Would a single disclosure on my home page that "many of the products I discuss on this site are provided to me free by their manufacturers" be enough?

A single disclosure on your home page doesn't really do it because people visiting your site might read individual reviews or watch individual videos without seeing the disclosure on your home page.

If I upload a video to YouTube and that video requires a disclosure, can I just put the disclosure in the description that I upload together with the video?

No, because it's easy for consumers to miss disclosures in the video description. Many people might watch the video without even seeing the description page, and those who do might not read the disclosure. The disclosure has the most chance of being effective if it is made clearly and prominently in the video itself. That's not to say that you couldn't have disclosures in both the video and the description.

Would a button that says DISCLOSURE, LEGAL, or something like that which links to a full disclosure be sufficient?

No. A hyperlink like that isn't likely to be sufficient. It does not convey the importance, nature, and relevance of the information to which it leads and it is likely that many consumers will not click on it and therefore miss necessary disclosures. The disclosures we are talking about are brief and there is no reason to hide them behind a hyperlink.

What about a platform like Twitter? How can I make a disclosure when my message is limited to 140 characters?

The FTC isn't mandating the specific wording of disclosures. However, the same general principle – that people get the information they need to evaluate sponsored statements – applies across the board, regardless of the advertising medium. The words "Sponsored" and "Promotion" use only 9 characters. "Paid ad" only uses 7 characters. Starting a tweet with "Ad:" or "#ad" – which takes only 3 characters – would likely be effective.

The Guides say that disclosures have to be clear and conspicuous. What does that mean?

To make a disclosure "clear and conspicuous," advertisers should use clear and unambiguous language and make the disclosure stand out. Consumers should be able to notice the disclosure easily. They should not have to look for it. In general, disclosures should be:

- close to the claims to which they relate;
- in a font that is easy to read;
- in a shade that stands out against the background;
- for video ads, on the screen long enough to be noticed, read, and understood;
- for audio disclosures, read at a cadence that is easy for consumers to follow and in words consumers will understand.

A disclosure that is made in both audio and video is more likely to be noticed by consumers. Disclosures should **not** be hidden or buried in footnotes, in blocks of text people are not likely to read, or in hyperlinks. If disclosures are hard to find, tough to understand, fleeting, or buried in unrelated details, or if other elements in the ad or

message obscure or distract from the disclosures, they don't meet the "clear and conspicuous" standard. With respect to online disclosures, FTC staff has issued a guidance document, [.com Disclosures: How to Make Effective Disclosures in Digital Advertising](#), which is available on [ftc.gov](#).

I've been paid to endorse a product in social media. My posts, videos, and tweets will be in Spanish. In what language should I disclose that I've been paid for the promotion?

The connection between an endorser and a marketer should be disclosed in whatever language or languages the endorsement is made, so your disclosures should be in Spanish.

I guess I need to make a disclosure that I've gotten paid for a video review that I'm uploading to YouTube. When in the review should I make the disclosure? Is it ok if it's at the end?

It's more likely that a disclosure at the end of the video will be missed, especially if someone doesn't watch the whole thing. Having it at the beginning of the review would be better. Having multiple disclosures during the video would be even better. Of course, no one should promote a link to your review that bypasses the beginning of the video and skips over the disclosure. If YouTube has been enabled to run ads during your video, a disclosure that is obscured by ads is not clear and conspicuous.

I'm getting paid to do a videogame playthrough and give commentary while I'm playing. The playthrough – which will last several hours – will be live streamed. Would a disclosure at the beginning of the stream be ok?

Since viewers can tune in any time, they could easily miss a disclosure at the beginning of the stream or at any other single point in the stream. People should see a disclosure no matter when they tune in. There could be multiple, periodic disclosures throughout the stream. To be cautious, you could have a continuous, clear and conspicuous disclosure throughout the entire stream.

Other Things for Endorsers to Know

Besides disclosing my relationship with the company whose product I'm endorsing, what are the essential things I need to know about endorsements?

The most important principle is that an endorsement has to represent the accurate experience and opinion of the endorser:

- You can't talk about your experience with a product if you haven't tried it.
- If you were paid to try a product and you thought it was terrible, you can't say it's terrific.

You can't make claims about a product that would require proof the advertiser doesn't have. The Guides give the example of a blogger commissioned by an advertiser to review a new body lotion. Although the advertiser does not make any claims about the lotion's ability to cure skin conditions and the blogger does not ask the advertiser whether there is substantiation for the claim, she writes that the lotion cures eczema. The blogger is subject to liability for her unsubstantiated claims.

Social Media Contests

My company runs contests and sweepstakes in social media. To enter, participants have to send a Tweet or make a pin with the hashtag, #XYZ_Rocks. ("XYZ" is the name of my product.) Isn't that enough to notify readers that the posts were incentivized?

No. It's likely that many readers would not understand such a hashtag to mean that those posts were made as part of a contest or that the people doing the posting had received something of value (in this case, a chance to win the contest prize). Making the word "contest" or "sweepstakes" part of the hashtag should be enough. However, the word "sweeps" probably isn't, because it is likely that many people would not understand what that means.

Online Review Programs

My company runs a retail website that includes customer reviews of the products we sell. We believe honest reviews help our customers and we give out free products to a select group of our customers for them to review. We tell them to be honest, whether it's positive or negative. What we care about is how helpful the reviews are. Do we still need to disclose which reviews were of free products?

Yes. Knowing that reviewers got the product they reviewed for free would probably affect the weight your customers give to the reviews, even if you didn't intend for that to happen. And even assuming the reviewers in your program are unbiased, your customers have the right to know which reviewers were given products for free. It's also possible that the reviewers may wonder whether your company would stop sending them products if they wrote several negative reviews – despite your assurances that you only want their honest opinions – and that could affect their reviews.

My company, XYZ, operates one of the most popular multi-channel networks on YouTube. We just entered into a contract with a videogame marketer to pay some of our network members to produce and upload video reviews of the marketer's games. We're going to have these reviewers announce at the beginning of each video (before the action starts) that it's "sponsored by XYZ" and also have a prominent simultaneous disclosure on the screen saying the same thing. Is that good enough?

Many consumers could think that XYZ is a neutral third party and won't realize from your disclosures that the review was really sponsored (and paid for) by the videogame marketer, which has a strong interest in positive reviews. If the disclosure said, "Sponsored by [name of the game company]," that would be good enough.

Soliciting Endorsements

My company wants to contact customers and interview them about their experiences with our service. If we like what they say about our service, can we ask them to allow us to quote them in our ads? Can we pay them for letting us use their endorsements?

Yes, you can ask your customers about their experiences with your product and feature their comments in your ads. If they have no reason to expect compensation or any other benefit before they give their comments, there's no need to disclose your payments to them.

However, if you've given these customers a reason to expect a benefit from providing their thoughts about your product, you should disclose that fact in your ads. For example, if customers are told in advance that their comments might be used in advertising, they might expect to receive a payment for a positive review, and that could influence what they say, even if you tell them that you want their honest opinion. In fact, even if you tell your customers that you aren't going to pay them but that they might be featured in your advertising, that opportunity might be seen as having a value, so the fact that they knew this when they gave the review should be disclosed (e.g., "Customers were told in advance they might be featured in an ad.").

I'm starting a new Internet business. I don't have any money for advertising, so I need publicity. Can I tell people that if they say good things about my business in online reviews, I'll give them a discount on items they buy through my website?

It's not a good idea. Endorsements must reflect the honest opinions or experiences of the endorser, and your plan could cause people to make up positive reviews even if they've never done business with you. However, it's okay to invite people to post reviews of your business after they've actually used your products or services. If you're offering them something of value in return for these reviews, tell them in advance that they should disclose what they received from you. You should also inform potential reviewers that the discount will be conditioned upon their making the disclosure. That way, other consumers can decide how much stock to put in those reviews.

What Are an Advertiser's Responsibilities for What Others Say in Social Media?

Our company uses a network of bloggers and other social media influencers to promote our products. We understand we're responsible for monitoring our network. What kind of monitoring program do we need? Will we be liable if someone in our network says something false about our product or fails to make a disclosure?

Advertisers need to have reasonable programs in place to train and monitor members of their network. The scope of the program depends on the risk that deceptive practices by network participants could cause consumer harm – either physical injury or financial loss. For example, a network devoted to the sale of health products may require more supervision than a network promoting, say, a new fashion line. Here are some elements every program should include:

1. Given an advertiser's responsibility for substantiating objective product claims, explain to members of your network what they can (and can't) say about the products – for example, a list of the health claims they can make for your products;
2. Instruct members of the network on their responsibilities for disclosing their connections to you;
3. Periodically search for what your people are saying; and
4. Follow up if you find questionable practices.

It's unrealistic to expect you to be aware of every single statement made by a member of your network. But it's up to you to make a reasonable effort to know what participants in your network are saying. That said, it's unlikely that the activity of a rogue blogger would be the basis of a law enforcement action if your company has a reasonable training and monitoring program in place.

Our company's social media program is run by our public relations firm. We tell them to make sure that what they and anyone they pay on our behalf do complies with the FTC's Guides. Is that good enough?

Your company is ultimately responsible for what others do on your behalf. You should make sure your public relations firm has an appropriate program in place to train and monitor members of its social media network. Ask for regular reports confirming that the program is operating properly and monitor the network periodically. Delegating part of your promotional program to an outside entity doesn't relieve you of responsibility under the FTC Act.

What About Intermediaries?

I have a small network marketing business. Advertisers pay me to distribute their products to members of my network who then try the product for free. How do the principles in the Guides affect me?

You should tell the participants in your network that if they endorse products they have received through your program, they should make it clear they got them for free. Advise your clients – the advertisers – that if they provide free samples directly to your members, they should remind them of the importance of disclosing the relationship when they talk about those products. Put a program in place to check periodically whether your members are making those disclosures, and to deal with anyone who isn't complying.

My company recruits "influencers" for marketers who want them to endorse their products. We pay and direct the influencers. What are our responsibilities?

Because of your role in recruiting and directing the influencers, your company is responsible for any failures by the influencers you pay to adequately disclose that they received payments for their endorsements. Teach your influencers to adequately disclose their compensation for endorsements and take reasonable steps to monitor their compliance with that obligation.

What About Affiliate or Network Marketing?

I'm an affiliate marketer with links to an online retailer on my website. When people read what I've written about a particular product and then click on those links and buy something from the retailer, I earn a commission from the retailer. What do I have to disclose? Where should the disclosure be?

If you disclose your relationship to the retailer clearly and conspicuously on your site, readers can decide how much weight to give your endorsement.

In some instances – like when the affiliate link is embedded in your product review – a single disclosure may be adequate. When the review has a clear and conspicuous disclosure of your relationship and the reader can see both the review containing that disclosure and the link at the same time, readers have the information they need. You could say something like, "I get commissions for purchases made through links in this post." But if the product review containing the disclosure and the link are separated, readers may lose the connection.

As for where to place a disclosure, the guiding principle is that it has to be clear and conspicuous. The closer it is to your recommendation, the better. Putting disclosures in

obscure places – for example, buried on an ABOUT US or GENERAL INFO page, behind a poorly labeled hyperlink or in a “terms of service” agreement – isn’t good enough. Neither is placing it below your review or below the link to the online retailer so readers would have to keep scrolling after they finish reading. Consumers should be able to notice the disclosure easily. They shouldn’t have to hunt for it.

Is “affiliate link” by itself an adequate disclosure? What about a “buy now” button?

Consumers might not understand that “affiliate link” means that the person placing the link is getting paid for purchases through the link. Similarly, a “buy now” button would not be adequate.

What if I’m including links to product marketers or to retailers as a convenience to my readers, but I’m not getting paid for them?

Then there isn’t anything to disclose.

Does this guidance about affiliate links apply to links in my product reviews on someone else’s website, to my user comments, and to my tweets?

Yes, the same guidance applies anytime you endorse a product and get paid through affiliate links.

It’s clear that what’s on my website is a paid advertisement, not my own endorsement or review of the product. Do I still have to disclose that I get a commission if people click through my website to buy the product?

If it’s clear that what’s on your site is a paid advertisement, you don’t have to make additional disclosures. Just remember that what’s clear to you may not be clear to everyone visiting your site, and the FTC evaluates ads from the perspective of reasonable consumers.

Expert Endorsers Making Claims Outside of Traditional Advertisements

One of our company’s paid spokespersons is an expert who appears on news and talk shows promoting our product, sometimes along with other products she recommends based on her expertise. Your Guides give an example of a celebrity spokesperson appearing on a talk show and recommend that the celebrity disclose her connection to the company she is promoting. Does that principle also apply to expert endorsers?

Yes, it does. Your spokesperson should disclose her connection when promoting your products outside of traditional advertising media (in other words, on programming that consumers won’t recognize as paid advertising). The same guidance also would apply to comments by the expert in her blog or on her website.

Employee Endorsements

I work for a terrific company. Can I mention our products to people in my social networks? How about on a review site? My friends won’t be misled since it’s clear in my online profiles where I work.

First, we recommend that you check with your employer to make sure you’re complying with its policies before using any form of social media to talk about the company’s products.

If your company allows employees to use social media to talk about its products, you should make sure that your relationship is disclosed to people who read your online

postings about your company or its products. Put yourself in the reader's shoes. Isn't the employment relationship something you would want to know before relying on someone else's endorsement? Listing your employer on your profile page isn't enough. After all, people who just read what you post on a review site won't get that information.

People reading your posting on a review site probably won't know who you are. You definitely should disclose your employment relationship when making an endorsement.

Our company's policy says that employees should not post positive reviews online about our products without clearly disclosing their relationship to the company. All of our employees agree to abide by this policy when they are hired. But we have several thousand people working here and we can't monitor what they all do on their own computers and other devices when they aren't at work. Are we liable if an employee posts a review of one of our products, either on our company website or on a social media site and doesn't disclose that relationship?

It wouldn't be reasonable to expect you to monitor every social media posting by all of your employees. However, you should establish a formal program to remind employees periodically of your policy, especially if the company encourages employees to share their opinions about your products. Also, if you learn that an employee has posted a review on the company's website or a social media site without adequately disclosing his or her relationship to the company, you should remind them of your company policy and ask them to remove that review or adequately disclose that they're an employee.

What about employees of an ad agency or public relations firm? Can my agency ask our employees to spread the buzz about our clients' products?

First, an ad agency (or any company for that matter) shouldn't ask employees to say anything that isn't true. No one should endorse a product they haven't used or say things they don't believe, and an employer certainly shouldn't encourage employees to do that.

Moreover, employees of an ad agency or public relations firm have a connection to the advertiser, which should be disclosed in all social media posts. Agencies asking their employees to spread the word must instruct those employees about their responsibilities to disclose their relationship.

Using Testimonials That Don't Reflect the Typical Consumer Experience

We want to run ads featuring endorsements from consumers who achieved the best results with our company's product. Can we do that?

Testimonials claiming specific results usually will be interpreted to mean that the endorser's experience reflects what others can also expect. Statements like "Results not typical" or "Individual results may vary" won't change that interpretation. That leaves advertisers with two choices:

1. Have adequate proof to back up the claim that the results shown in the ad are typical, or
2. Clearly and conspicuously disclose the generally expected performance in the circumstances shown in the ad.

How would this principle about testimonialists who achieved exceptional results apply in a real ad?

The Guides include several examples with practical advice on this topic. One example is about an ad in which a woman says, “I lost 50 pounds in 6 months with WeightAway.” If consumers can’t generally expect to get those results, the ad should say how much weight consumers can expect to lose in similar circumstances – for example, “Most women who use WeightAway for six months lose at least 15 pounds.”

Our company website includes testimonials from some of our more successful customers who used our product during the past few years and mentions the results they got. We can’t figure out now what the “generally expected results” were back then. What should we do? Do we have to remove those testimonials?

There are two issues here. First, according to the Guides, if your website says or implies that the endorser currently uses the product in question, you can use that endorsement only as long as you have good reason to believe the endorser does still use the product. If you’re using endorsements that are a few years old, it’s your obligation to make sure the claims still are accurate. If your product has changed, it’s best to get new endorsements.

Second, if your product is the same as it was when the endorsements were given and the claims are still accurate, you probably can use the old endorsements if the disclosures are consistent with what the generally expected results are now.