



**AMERICAN BAR ASSOCIATION**

**Defending Liberty, Pursuing Justice**

**PRIVATE ADVERTISING LITIGATION (PAL)**

**RECENT LITIGATION DEVELOPMENTS**

**[Cases from June 12 to June 29, 2010]**

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**RECENT DECISIONS**

**Lanham Act**

The U.S. District Court for the Southern District of New York denies motion to dismiss complaint alleging trademark infringement, counterfeiting, and associated claims under the Lanham Act, and trademark infringement and unfair competition under New York state law against credit card processors that enabled a website to sell faux Gucci products. Gucci argued that the processors' services were essential to the sale of counterfeit products, that the processors knew of the website's trademark violations, and, thus, were equally responsible for the infringement and counterfeiting engaged on their client's website. The court found that it had personal jurisdiction and that, although Gucci did not sufficiently allege direct and vicarious liability for trademark violations, Gucci sufficiently stated a claim for contributory liability. (*Gucci Am., Inc. v. Frontline Processing Corp.*, 09 Civ. 6925, 2010 U.S. Dist. LEXIS 62654 (S.D.N.Y. June 23, 2010)).

The U.S. District Court for the District of Kansas, in an action under the Lanham Act and various state laws, denies, *inter alia*, defendant's motion for relief from a judgment; defendant's motion to amend the findings or alternatively for a new trial; and plaintiff's motion for attorneys' fees. The court held that each of these motions was premature as the court's judgment was not certified as a final judgment because claims still were pending against one of the defendants who had filed for bankruptcy after the case was brought. (*Mr. Elec. Corp. v. Khalil*, No. 06-C-2414, 2010 WL 2545998 (D. Kan. June 22, 2010)).

The U.S. District Court for the Southern District of New York denies defendants' motion to transfer venue in an action alleging that defendants sold women's hair care products, which infringed plaintiff's trademarks and trade dress; and grants plaintiffs' motion to amend its complaint to add claims of counterfeiting under the Lanham Act and trademark dilution under New York state law. The court held that the defendants' motion to transfer venue was without merit as plaintiffs' choice of forum, the location of the operative facts, and the interests of justice all weighed in favor of the court retaining jurisdiction. The court also found that plaintiffs could amend their complaint to add claims of counterfeiting under the Lanham Act and trademark dilution under New York State law because these claims were not being made in bad faith and were not futile. (*It's a 10, Inc. v. PH Beauty Labs, Inc.*, No. 10-C-0972, 2010 WL 2402848 (S.D.N.Y. June 14, 2010)).

The U.S. District for Middle District of Florida declines to strike a motion to dismiss for improper venue, but, then, denies the motion to dismiss for improper venue in action for willful copyright infringement and false endorsement and false advertising under the Lanham Act relating to seven copyrighted photographs. The court held the proper venue for a copyright infringement suit is determined by the Copyright Act, not the general provision governing suits in federal courts. Under the Copyright Act, venue is proper if the plaintiff or his agent resides or may be found in the district where the action is pending. (*Liberty Media Holdings, LLC v. Wintice Group, Inc.*, No. 6:10cv44, 2010 WL 2367227 (M.D. Fla. June 13, 2010)).

### **State Consumer Protection Laws**

The U.S. District Court for the Southern District of California grants, in part, defendants' motion to strike and denies defendants' motion to dismiss in an action, brought under California consumer protection laws, alleging misrepresentations on product packaging and in television commercials that One A Day Men's 50+ Advantage can reduce the risk of prostate cancer. The court held that multiple paragraphs taken directly from another complaint filed in a different district should not be stricken because plaintiffs' attorneys made a reasonable inquiry into whether the factual contentions have evidentiary support. However, the court struck allegations that defendants have been caught in illegal behavior in the past unrelated to the products and acts in the action. The court also held that plaintiffs have standing to pursue the claims and that they adequately alleged that the advertisements were false or likely to deceive customers. (*Johns v. Bayer Corporation*, No. 09cv1935, 2010 WL 2573493 (S.D. Cal. June 24, 2010)).

The U.S. District Court for the Northern District of California denies plaintiffs' motion to stay and grants, in part, defendant's motion for judgment on the pleadings in case alleging, among other things, false advertising in violation of California consumer protection laws based on defendant's inadvertent posting on its web site its members' internet searches, including confidential information. The court held that there was no basis to stay the case while a writ proceeding was pending before the Ninth Circuit relating to reinstating claims pursuant to the Electronic Communications Privacy Act because it was not necessary to promote efficiency. The court further held that plaintiffs had standing to seek injunctive relief based on allegations that defendant had taken no steps to avoid similar disclosure in the future. The court also dismissed, without prejudice, plaintiffs' California Consumers Legal Remedies Action ("CLRA") damages claim due to plaintiffs' failure to comply with pre-filing notice, but found that plaintiffs -- as to their CLRA and California Unfair Competition Law and False Advertising Law claims -- sufficiently alleged injury and causation, and satisfied Rule 9(b)'s heightened pleading requirements. Finally, the court dismissed plaintiffs' California Consumer Records Act claim because it applies only where a business intends to discard confidential records. (*Ramkissoo v. AOL LLC*, -- F.Supp.2d --, No. C 06-5866, 2010 WL 2524494 (N.D. Cal. June 23, 2010)).

California Court of Appeal affirms order dismissing plaintiff's complaint brought under California's Unfair Competition Law ("UCL") because the claim was barred by the UCL's four year statute of limitations and the continuing violations doctrine does not apply to UCL claims. (*Aryeh v. Canon Bus. Solutions, Inc.*, No. B213104, 2010 WL 2491415 (Cal. Ct. App. June 22, 2010)).

The U.S. District Court for the Northern District of California grants plaintiff's motions for judgment on the pleadings and for class certification, and denies defendants' motion for judgment on the pleadings in action under California consumer protection laws alleging false and deceptive labeling on beverages that falsely indicate the product's affiliation with Santa Fe, New Mexico. The court held the claims were not expressly preempted by the Food, Drug and Cosmetic Act, the claims were not preempted as conflicting with federal law, the case should not be dismissed or stayed based on primary jurisdiction of the Food & Drug Administration, and the plaintiffs satisfied Rule 23 class certification requirements. (*Chavez v. Blue Sky Natural Beverage Co.*, No. C 06-6609, 2010 U.S. Dist. LEXIS 60554 (N.D. Cal. June 18, 2010)).

### **Class Actions**

The U.S. District Court for the Northern District of California grants plaintiff's motion for class certification, and denies defendants' motions to strike and for summary judgment in action alleging, among other claims, violations of California's Unfair Competition Law and False Advertising Law relating to marketing and selling deferred annuity products. The court held that plaintiffs satisfied the Rule 23(a) class certification requirements and showed that common questions of fact predominated under Rule 23(b). (*Kennedy v. Jackson National Life Ins. Co.*, No. C 07-0371, 2010 WL 2524360 (N.D. Cal. June 23, 2010)).

The U.S. Court of Appeals for the Third Circuit reverses the district court's decision to vacate preliminary approval of settlement agreement between consumer class and Verizon Wireless, although new legislation eliminated plaintiffs' federal Fair and Accurate Credit Transaction Act cause of action, because new law was enacted after the parties arrived at a settlement. (*Ehrheart v. Verizon Wireless*, -- F.3d --, No. 08-4323, 2010 WL 2365867 (3d Cir. June 15, 2010)).

### **RECENT FILINGS**

#### **Lanham Act**

Complaint alleging false advertising, unfair competition, and trademark infringement in violation of the Lanham Act, and violation of Illinois' Deceptive Trade Practices Act filed against Dejac, Inc. and others in the U.S. District Court for the Northern District of Illinois. Plaintiff alleges that after it terminated the defendant's chicken and pasta restaurant franchise agreement, the defendants opened a competing restaurant in the same location with a similar menu. Plaintiff further alleges that the defendants used the plaintiff's names, marks, and telephone numbers without authorization. (*Brown's Chicken and Pasta, Inc. v. Bolnius, et al.*, No. 1:10-cv-03947 (N.D. Ill. complaint filed June 24, 2010)).

Complaint alleging consumer fraud, trademark dilution, and deceptive business practices under the Lanham Act, and Illinois' Consumer Fraud and Deceptive Business Practices Act, and Deceptive Trade Practices Act, and common law business libel, filed against The National Council Against Health Fraud, Inc. and others in the U.S. District Court for the Northern District of Illinois. The plaintiff alleges that the individual-doctor defendant unfairly posted derogatory and false information about the plaintiff's business on his websites in order to sell purported consumer

advocacy publications, encourage lawsuits against healthcare professionals by associated attorneys, and to collect fees for advertising. (*Doctor's Data, Inc. v. National Council Against Health Fraud, Inc., et al.*, No. 1:10cv3795 (N.D. Ill. complaint filed June 18, 2010)).

Complaint alleging false advertising under the Lanham Act and patent infringement filed against Teva Pharmaceuticals USA, Inc. and others in the U.S. District Court for the Northern District of Illinois. Plaintiffs allege that the defendants falsely marketed their generic oral contraceptive, Giani, as containing identical active ingredients and strengths as the plaintiffs' contraceptive, Yaz. (*Bayer Schering Pharma AG, et al. v. Teva Pharms USA, Inc., et al.*, No. 1:10cv3697 (N.D. Ill. complaint filed June 15, 2010)).

### **State Consumer Protection Laws**

Law firm filed complaint against Champion Pet Foods, Ltd. in the California Superior Court (Los Angeles County). The complaint seeks "catalyst attorneys' fees" under California law based upon defendant altering its pet food product packaging to cease making the claim the pet food was fit for human consumption after plaintiff made a California Consumers Legal Remedies Act demand. (*Newport Trial Group v. Champion Pet Foods, Ltd.*, No. BC439551 (Cal. Super. Ct. complaint filed June 11, 2010)).

### **Class Actions**

Putative California-only class action filed against Adrenal Fatigue Institute, Inc. in California Superior Court (Orange County). The complaint pleads under California consumer protection laws and alleges that defendant produces, markets and sells "Cylapril," a pill advertised as able to combat adrenal fatigue burnout and associated weight gain. Plaintiffs allege that "adrenal fatigue" is not an actual medical condition and Cylapril is a worthless product. (*Jimenez v. Adrenal Fatigue Institute, Inc.*, No. 30-2010-00384356 (Cal. Super. Ct. complaint filed June 24, 2010)).

Putative nationwide class action filed against T-Mobile USA, Inc. in the U.S. District Court for the Eastern District of New York, alleging violation of New York General Business Law § 349. Specifically, the plaintiff alleges that T-Mobile included unauthorized, misleading, and deceptive charges on its subscribers' telephone bills by allowing third parties to obtain billing authorization rather than obtaining its subscribers' authorization directly. (*Cohen, et al. v. T-Mobile USA, Inc., et al.*, No. 1:10-cv-02913 (E.D.N.Y. complaint filed June 24, 2010)).

Putative nationwide class action filed against Procter & Gamble Co. in the U.S. District Court for the District of New Jersey, alleging that Procter & Gamble failed to disclose or adequately warn that certain of its disposable diapers were defective and contained toxic chemicals that caused skin irritations and chemical burns to babies. The complaint sets forth causes of action for violations of New Jersey's Consumer Fraud Act and state common law. (*Tatum, et al. v. Procter & Gamble Co., et al.*, No. 2:10-cv-03223 (D.N.J. complaint filed June 23, 2010)).

Putative Illinois-only class action filed against Instruction and Education Enterprises, Inc. d/b/a Barbizon School of Schaumburg in Illinois Circuit Court (Cook County), alleging violation of Illinois' Consumer Fraud and Deceptive Business Practices Act and other state law. Plaintiffs allege

that the defendants made numerous false claims in order to induce students to enroll in professional modeling courses at Barbizon, including representing that graduates would find work paying at least \$50 to \$150 per hour as models, and that they would receive lifetime representation through the defendants' placement agency. (*Jass, et al. v. Instruction and Educ. Enterprises, Inc. d/b/a Barbizon School of Schaumburg, et al.*, No. 2010 CH 26892 (Ill. Cir. Ct. complaint filed June 23, 2010)).

Putative New Jersey-only class action filed against For The Earth Corporation in the U.S. District Court for the District of New Jersey, alleging violation of the New Jersey Consumer Fraud Act and other state law. The complaint alleges that the defendants falsely advertised that consumers would receive a free \$10 Wal-Mart gift card or gift certificate with every purchase of the defendants' "What Odor?" air freshener product when, in reality, no gift cards or gift certificates were provided. (*Parker, et al. v. For the Earth Corp., et al.*, No. 1:10-cv-03186 (D.N.J. complaint filed June 22, 2010)).

Putative California-only class action filed against Nutrex Research, Inc. in California Superior Court (Los Angeles County). The complaint pleads under California consumer protection laws and alleges that defendant markets and sells sports nutrition products, including "Lipo-6 Hers" and "Ignite." Plaintiffs allege that defendant falsely claims the products are dietary supplements that burn fat and that the ingredients, including Methylsynephrine and Oxilofrine, allow takers to lose weight. (*Broadbent v. Nutrex Research, Inc.*, No. BC440031 (Cal. Super. Ct. complaint filed June 21, 2010)).

Putative nationwide class action filed against The J.M. Smucker Company in the U.S. District Court for the Central District of California. The complaint pleads under the Lanham Act and California consumer protection laws, and alleges that defendants advertise Crisco Original Shortening, Crisco Butter Flavor Shortening, and Uncrustables Sandwiches in a misleading manner by falsely claiming that the products contain low saturated fat, or are wholesome and made with whole wheat and whole grain, but are actually not healthy because they contain dangerous levels of trans fat. (*Henderson v. The J.M. Smucker Company*, No. 10cv4524 (C.D. Cal. complaint filed June 18, 2010)).

Putative nationwide class action filed against Johnson & Johnson Consumer Companies, Inc. in the U.S. District Court for the District of New Jersey, alleging that the defendant advertised its "Johnson's Baby Shampoo" product as being, among other things, gentle and safe for babies when, in fact, the shampoo was contaminated with a probable cancer-causing chemical. Plaintiff alleges violations of 48 states' and the District of Columbia's common law and respective unfair and deceptive acts and practices acts. (*James, et al. v. Johnson & Johnson Consumer Cos., Inc.*, No. 2:10-cv-03049 (D.N.J. complaint filed June 15, 2010)).