

ABA
SECTION OF

**ANTITRUST
LAW**

**Promoting Competition
Protecting Consumers**

**PRIVATE ADVERTISING LITIGATION (PAL)
RECENT LITIGATION DEVELOPMENTS
[Cases from December 18 to January 3, 2011]**

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RECENT DECISIONS

Lanham Act

The U.S. District Court for the Southern District of New York denies cross-motions for summary judgment on the defendant's cross-claims of false advertising relating to the plaintiff's representations that its pomegranate juice products contain "100% Pomegranate Juice." The court held that neither side was entitled to summary judgment, finding that the arguments were more suitable for trial, including arguments regarding alleged methodological flaws in consumer surveys that tend to support the defendant's claims of the implied meaning of product advertising. (*POM Wonderful LLC v. Organic Juice USA Inc.*, No. 09cv04916, 2011 WL 70562 (S.D.N.Y. Jan. 3, 2011)).

The U.S. District Court for the District of Utah grants the plaintiff's request for injunctive relief in Lanham Act action alleging trademark and trade dress infringement, and dilution of the plaintiff's "Hummer" mark for automobiles. The court held that there was a likelihood of confusion between the Hummer trade dress and the defendant's "body kits." The court, however, refused to award the plaintiff its requested costs and attorneys' fees because it concluded that the defendant's dilution was not willful and, similarly, that there was insufficient evidence to find that the defendant's infringement was fraudulent. (*Gen. Motors Co. v. Urban Gorilla, LLC*, No. 2:06-cv-00133, 2010 WL 5395065 (D. Utah Dec. 27, 2010)).

The U.S. District Court for the Central District of California grants, in part, and denies, in part, cross-motions for summary judgment in the Mattel-MGA "Bratz" doll trade secret and copyright infringement litigation. Among other things, the court (1) granted MGA's motion as to Mattel's counter-claims for aiding and abetting breach of fiduciary duty; (2) granted, in part, and denied, in part, MGA's motion as to Mattel's counter-claims for copyright infringement, misappropriation of trade secrets, conversion, aiding and abetting breach of duty of loyalty, and intentional interference with contract; and (3) granted Mattel's motion as to MGA's claims for trade dress infringement, trade dress dilution, and common law unfair competition. (*Mattel, Inc. v. MGA Entertainment, Inc.*, No. 04cv9049, 2010 WL 5422504 (C.D. Cal. Dec. 27, 2010)).

The U.S. District Court for the Eastern District of Pennsylvania grants the plaintiff's request for a preliminary injunction in a Lanham Act action to prevent the defendant from continuing to infringe upon the plaintiff's "MarbleLife" trademark and trade dress, among other alleged unlawful conduct, pending resolution of a separate arbitration proceeding in Dallas, Texas. (*Marblelife, Inc. v. Stone Resources Inc.*, No. 10-2480, 2010 WL 5257815 (E.D. Pa. December 23, 2010)).

The U.S. District Court for the Southern District of Florida, in an action under the Lanham Act and various state laws, partially grants the defendant-doctor's motion to dismiss the plaintiff's claims. Opting not to exercise supplemental jurisdiction, the court dismissed the plaintiff's state law claims without prejudice. However, the court rejected the defendant's jurisdictional challenge, finding that it implicated the merits of plaintiff's claim that the defendant's advertisements of her medical practice were literally false and misleading. (*Holy Cross Hosp., Inc. v. Baskot*, No. 10-62133, 2010 WL 5418999 (S.D. Fla. Dec. 23, 2010)).

The U.S. District Court for the Southern District of Florida, in an action under the Lanham Act and various state laws, partially denies the plaintiff's motion to strike the defendant's affirmative defense, holding that, because the defendant's trademark licensees, would have standing to bring a false designation of origin claim essentially asserting the rights of the licensor, it naturally follows that the licensee must also be able to assert the defenses of a licensor in defending a false designation of origin claim. (*Pandora Jewelers 1995, Inc. v. Pandora Jewelry, LLC*, No. 09-61490, 2010 WL 5393265 (S.D. Fla. Dec. 21, 2010)).

The U.S. District Court for the Northern District of Illinois, in an action under the Lanham Act and various state laws, grants Defendant's motion for summary judgment, holding that the mere unauthorized sale of a trademarked item does not result in a Lanham Act violation. (*Leonel & Noel Corp. v. Cerveceria Centro Americana, S.A.*, No. 08-5556, 2010 WL 5368373 (N.D. Ill. Dec. 20, 2010)).

The U.S. District Court for the District of New Jersey, in an action under the Lanham Act and various state laws, denies the plaintiff's motion to strike a portion of the defendant's false advertising counterclaim, finding that the defendant's references to Environmental Protection Agency ("EPA") audits of the plaintiff and the plaintiff's guilty plea to the felony of obstruction of an EPA audit may be relevant to the defendant's false representation claim under the Lanham Act. (*Harrison Research Lab., Inc. v. HCRAmerica, LLC*, No. 09-6326, 2010 WL 5343197 (D.N.J. Dec. 20, 2010)).

Other Federal Law

The U.S. District Court for the Eastern District of California grants the plaintiff's motion for preliminary injunction in a Digital Millennium Copyright Act action relating to the defendant's notices of copyright infringement that were sent to eBay regarding the plaintiff's online sales of outdoor wicker patio furniture, which resulted in eBay taking action against plaintiff. Specifically, the court enjoined the defendant from notifying eBay that the defendant has copyrights in the patio furniture. (*Design Furnishings, Inc. v. Zen Path, LLC*, No. 10cv2765, 2010 WL 5418893 (E.D. Cal. Dec. 23, 2010)).

Class Actions

The U.S. Court of Appeals for the Sixth Circuit reverses and remands a district court ruling that dismissed a putative class action against the defendant-motorcycle helmet manufacturer for fraudulent and negligent misrepresentation under Tennessee state law, among other causes of action. The named plaintiff purchased two large sized helmets manufactured by the defendant and marketed

as approved by the Department of Transportation. The plaintiff alleged that he relied upon defendant's "DOT approved" claims when he purchased the helmets, which the defendants allegedly knew were unsafe at the time of that purchase. (*Fabian v. Fulmer Helmets, Inc.*, No. 10-5009, 2010 WL 5185851 (6th Cir. Dec. 23, 2010)).

The U.S. District Court for New Jersey denies class treatment of consumer fraud claims where the plaintiffs alleged that the defendant violated the consumer fraud statutes of fifty states and the District of Columbia. The court explained that the consumer fraud statute of the state in which each plaintiff resides governs the respective plaintiff's fraud claim, and applying dozens of statutes that are sufficiently different weighs against a finding that the claims at issue satisfy Rule 23's predominance requirement for class certification. (*Agostino v. Quest Diagnostics, Inc.*, No. 04-4362, 2010 WL 5392688 (D.N.J. Dec. 22, 2010)).

The U.S. District Court for the Northern District of California grants, in part, and denies, in part, the defendant's motion for judgment on the pleadings in a case alleging that defendant violated California's Unfair Competition Law and False Advertising Law when it falsely advertised a computer as being priced at a \$50 savings from defendant's regular price. The plaintiff alleged that the defendant created the illusion of a discount through false discounts from false former prices. The court held that the plaintiffs did not allege breach of a valid contract and the motion as to that claim should be granted, but that the plaintiffs' allegations that the defendant falsely represented the value of the computers were sufficient to survive dismissal. (*Brazil v. Dell Inc.*, No. 07cv1700, 2010 WL 5258060 (N.D. Cal. Dec. 21, 2010)). [The court also granted, in part, and denied, in part, the plaintiffs' motion for class certification,. Specifically, the court certified a class California residents who purchased products from the defendant's website, which were advertised with a represented former price, but denied certification to a class of purchasers who were exposed only to the defendant's "Starting Price" promotions, as opposed to "Slash-Thru" pricing program. (*Brazil v. Dell Inc.*, No. 07cv1700, 2010 WL 5387831 (N.D. Cal. Dec. 21, 2010))].

State Consumer Protection Statutes and Common Law

The U.S. District Court for the Northern District of California grants, in part, and denies, in part, the defendant's motion for summary judgment, and denies the plaintiff's motion for summary judgment in a case alleging misappropriation of trade secrets and violations of California's Unfair Competition Law. The court held that triable issues of fact preclude summary judgment on the majority of the plaintiff's trade secret claim, contract claim and statutory unfair competition claim arising out of the defendant's development of a competing e-reader device, the "NOOK." (*Spring Design, Inc. v. BarnesandNoble.com, LLC*, No. 09cv5185, 2010 WL 5422556 (N.D. Cal. Dec. 27, 2010)).

The U.S. District Court for the Northern District of Illinois denies the defendant's motion to dismiss the plaintiffs' claims under the Illinois Consumer Fraud Act because the defendant's conduct in charging customers a purported "one time \$60" gym membership fee, in addition to their monthly charges, before they could terminate their contracts upon 60-days notice gave the plaintiffs no reasonable alternative to avoid incurring a charge or penalty. (*Wendorf v. Landers*, No. 1:10-cv-01658, 2010 WL 5174422 (N.D. Ill. Dec. 21, 2010)).

The U.S. District Court for the Southern District of Texas, in an action under state deceptive trade practices laws, grants the defendant's motion to compel arbitration, finding that the plaintiff signed a valid, enforceable arbitration agreement, which covered his claims, as part of his contract for Internet service. (*Johnson v. AT & T Mobility, L.L.C.*, No. 09-4104, 2010 WL 5342825 (S.D. Tex. Dec. 21, 2010)).

RECENT FILINGS

Lanham Act

Complaint filed against USA Connect, LLC in the U.S. District Court for the Central District of California, alleging trademark and trade dress infringement under the Lanham Act, violation of California's Unfair Competition Law, and common law unfair competition and trademark infringement. More specifically, the plaintiff claims that the defendant unlawfully advertised and sold silicone wristbands that were knock-offs of the plaintiff's "Power Balance" hologram wristband. (*Power Balance, LLC v. USA Connect, LLC, et al.*, No. 8:10-cv-01972 (C.D. Cal. Complaint filed on

Complaint filed against Water Systems of Birmingham, Inc. and other companies in the U.S. District Court for the Northern District of Illinois, alleging trademark infringement and false advertising under the Lanham Act, and violations of Illinois' Deceptive Trade Practices Act and common law. The plaintiff alleges that it terminated the defendants' license to use its "CULLIGAN" trademark, but the defendants continued to use that mark and falsely advertised that they were affiliated with the plaintiff. (*Culligan Int'l Co. v. Water Sys. of Birmingham, Inc., et al.*, No. 1:10-cv-08199 (N.D. Ill. complaint filed on Dec. 27, 2010)).

Complaint filed against Bissell Homecare, Inc. in the U.S. District Court for the Northern District of Illinois, alleging that Bissell falsely advertised the air filtration performance and health benefits of its vacuums. The complaint alleges causes of action for false advertising under the Lanham Act, violations of Illinois' Uniform Deceptive Trade Practices Act, and Consumer Fraud and Deceptive Trade Practices Act, and common law unfair competition. (*Dyson, Inc. v. Bissell Homecare, Inc.*, No. 1:10-cv-08126 (N.D. Ill. complaint filed on Dec.22, 2010)).

Class Actions

Putative California-only consumer class action filed against PatentHEALTH, LLC in the U.S. District Court for the Central District of California. The complaint brings claims under California consumer protection laws based on allegations that the defendant falsely advertises its product, Apatrim, which it characterizes as "willpower in a bottle," as effective to cause users to lose weight without exercising or diet. (*Foerster v. PatentHEALTH LLC*, No. 10cv9936 (C.D. Cal. complaint filed on Dec. 27, 2010)).

Putative nationwide class action against Yellow Book Sales and Distribution Company, Inc. removed from the Illinois Circuit Court (Cook County) to the U.S. District Court for the Northern District of Illinois. The plaintiff alleges that Yellow Book violated the Illinois Consumer Fraud and

Deceptive Business Practices Act by misrepresenting that it could and would publish an advertisement that conformed to the plaintiff's express specifications and at a certain price; by misrepresenting that the domain name and the content of a website would belong to the plaintiff; and that it would actively market the plaintiff's website. According to the complaint, Yellow Book, in fact, had no intention of providing the services as represented. (*Law Offices of Joseph Younes, et al. v. Yellow Book Sales and Distrib. Co., Inc.*, No. 1:10cv8152 (N.D. Ill. complaint removed on Dec. 23, 2010)).

Putative nationwide class action against Hartz Mountain Corporation and Sergeant's Pet Care Products, Inc. filed in the U.S. District Court for the District of New Jersey, alleging violations of the New Jersey Consumer Fraud Act and state common law. The plaintiffs allege that the defendants advertised their over-the-counter pet flea and tick protection products as being safe and effective when, in fact, the products contained an ingredient that caused skin irritations, serious illnesses, and even death to those animals. (*Zippi, et al. v. Hartz Mountain Corp., et al.*, No. 2:10-cv-06720 (D.N.J. complaint filed on December 22, 2010)).

Putative nationwide consumer class action complaint filed against Sunny Delight Beverages Co. in the U.S. District Court for the Northern District of California. The complaint brings claims under California consumer protection laws based on allegations that the defendant falsely advertises "Fruit₂O Essentials" as containing high nutrient levels when, in fact, the levels are significantly less than the levels found in the fruit that is referenced to market the product. (*Burley v. Sunny Delight Beverages Co.*, No. 10cv5796 (N.D. Cal. complaint filed on Dec. 21, 2010)).

Putative California-only class action filed against FIJI Water Company LLC and others in the U.S. District Court for the Central District of California, alleging that FIJI Water marketed its water as "carbon negative" although the advertised carbon reductions (*i.e.*, taking more carbon out of the environment than a company currently produces) had not yet occurred. The plaintiff claims that such advertising violates California's Consumer Legal Remedies Act, Unfair Competition Law, and False Advertising Law. (*Worthington, et al. v. FIJI Water Company LLC, et al.*, No. 2:10-cv-09795 (C.D. Cal. complaint filed on Dec. 20, 2010)).