SECTION OF

ANTITRUST LAW

Promoting Competition
Protecting Consumers

PRIVATE ADVERTISING LITIGATION (PAL)
RECENT LITIGATION DEVELOPMENTS
[Cases from March 17 to March 28, 2011]

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RECENT DECISIONS

Lanham Act

The U.S. District Court for the Northern District of California grants in part and denies in part the defendant's motion to dismiss a second amended complaint asserting claims under the Lanham Act and California consumer protection laws. Plaintiff alleged that the defendant misrepresented and disparaged the plaintiff's MP3 music player products, including spreading word throughout the industry that the plaintiff was selling cheap knock-offs and cheap and illegal copies of the defendant's products. Defendant argued that the *Noerr-Pennington* doctrine protected its actions because it had sought and obtained inunctions in Germany and Taiwan relating to the plaintiff's marketing of the underlying products. The court rejected the plaintiff's arguments that the "sham" and "pattern" exceptions to the *Noerr-Pennington* doctrine applied, and also rejected its argument that *Noerr-Pennington* does not apply to foreign lawsuits. The court, however, agreed with the plaintiff that certain of the defendant's general threat letters to the plaintiff's customers – issued after the filing of the foreign lawsuits and urging the customers not to do business with the plaintiff, but without suggesting the possibility of a lawsuit or mentioning the enforcement of any intellectual property rights against the customers – were distinguishable from protected pre-suit demand letters that threatened potential litigation. The court, therefore, concluded that the defendant was not entitled to immunity for the threatening letters to the plaintiff's customers. However, the court ruled that the demand letters did not constitute promotions or marketing of the defendant's products and that the defendant did not try to persuade the plaintiff's customers to buy its products; thus, the plaintiff did not allege facts giving rise to a false advertising claim under the Lanham Act. The court dismissed the false advertising claim with leave to amend. (*Luxpro Corporation v. Apple Inc.*, No. C 10-03058, 2011 WL 1086027 (N.D. Cal. March 24, 2011)).

The U.S. District Court for the District of New Jersey, in an action alleging violations of the Lanham Act, and New Jersey statutory and common law, among other things, arising out of the defendants' sale of a bodybuilding supplement that incorrectly listed one of the plaintiff's patented substances among its ingredients, denied the plaintiff's motion to amend its complaint to revive certain causes of action previously dismissed by the court. The court determined that any amendment by the plaintiff to revive its claims for tortious interference, common law misappropriation, and accounting would be futile. (*Advanced Oral Techs., LLC v. Nutrex Research, Inc.*, No. 10-C-5303, 2011 WL 108024 (D.N.J. March 21, 2011)).

The U.S. District Court for the Eastern District of Michigan adopts the Report and Recommendation of its magistrate judge, and grants the plaintiff's motion for default judgment in a suit alleging trademark infringement and false advertising under the Lanham Act and Michigan common law. Specifically, the plaintiff challenged the defendant's marketing of its energy drink as "6 Hour Energy" when the plaintiff marketed its similar energy drink as "5 Hour Energy." (*Innovation Ventures, LLC v. Martoon, LLC*, No. 08-cv-15331, 2011 WL 995899 (E.D. Mich. March 21, 2011)).

The U.S. Court of Appeals for the Eighth Circuit affirms the district court's award of summary judgment to the plaintiff-owner of the trademark "Reorganized Church of Jesus Christ of Latter Day Saints" in an action alleging trademark infringement under the Lanham Act, and unfair competition, dilution, and common law infringement under Missouri law. The court held that the plaintiff's mark was valid and enforceable, and that the defendant's use of the same phrase created a likelihood of confusion. (*Cmty. of Christ Copyright Corp. v. Devon Park Restoration Branch of Jesus Christ's Church*, -- F.3d --, No. 10-1707, 2011 U.S. App. LEXIS 5680 (8th Cir. Mar. 21, 2011).

The U.S. District Court for the Southern District of New York grants the plaintiff's motion for a preliminary injunction prohibiting the defendant from further use of the plaintiff's trademark, "Gordon Carpet." The court ruled that the plaintiff's mark was descriptive but had acquired secondary meaning through the exclusive use in the region for over sixty years by the mark's former owner. (*Marks Org., Inc. v. Joles*, No. 09 CV 10629, 2011 WL 1044386 (S.D.N.Y. Mar. 18, 2011)).

State Consumer Protection Laws

The U.S. District Court for the District of New Jersey denies the defendant's motion to dismiss the plaintiffs' claims under the Federal Food and Drug Cosmetic Act and the New Jersey Consumer Fraud Act where the plaintiffs' claims mirror the federal law's requirements, and the plaintiffs sufficiently pled an "ascertainable loss" under state law. Plaintiffs allege that they were misled by the labeling and advertising for Campbell's less-sodium tomato soup and thereby motivated to purchase the higher-priced less-sodium soup, when, in fact, the sodium content was actually equal to that of Campbell's regular tomato soup. (*Smajlaj v. Campbell Soup Co.*, No. 10-1332, 2011 WL 1086764 (D.N.J. Mar. 23, 2011)).

Class Actions

The U.S. District Court for the Northern District of California vacates the clerk's entry of default against the defendants in a putative class action under California's consumer protection laws. The plaintiff alleged that she was deceived by the defendants' misrepresentations as to the availability of 4G SmartPhones, resulting in her entering into a long term service contract and purchasing a SmartPhone that was incapable of performing as advertised. Plaintiff included an amended complaint in the packet of materials initially served, which also included the original complaint. Defendants claimed that they neither realized the amended complaint was included, and subsequently filed a motion making it clear they did not know the amended complaint had been served. Plaintiff never responded to the motion. Plaintiff then filed proofs of service and moved for entry of default, which the clerk granted the same day. The court found that defendants made a sufficient showing of good cause to set aside the default. (*Arellano v. T-Mobile USA, Inc.*, No. C 10-05663, 2011 WL 1086043 (N.D. Cal. March 24, 2011)).

The U.S. District Court for the Southern District of New York denies the plaintiffs' motion for final approval of the proposed settlement in the "Google Books" litigation, which centers on Google's digitization of books and other writings in a digital library. The court noted its concerns about copyright infringement, usurpation of Congress's right to legislate copyright, the negative impact on absent class members, and the objection to the settlement by the United States Department of Justice based on antitrust issues. (*The Authors Guild v. Google Inc.*, No. 05 Civ. 8136, 2011 WL 986049 (S.D.N.Y. Mar. 22, 2011)).

The U.S. District Court for the District of New Jersey, in a class action suit alleging that the defendants violated, among other things, the New Jersey Consumer Fraud Act and various related state and common laws in connection with their alleged off-label marketing and sales of the drug, Risperdal, granted the defendants' motion to dismiss the complaint. The court determined that the plaintiff's complaint failed to allege facts sufficient to support any claims for relief. (*District 1199P Health & Welfare Plan v. Janssen L.P.*, No. 10-C-2021, 2011 WL 1086004 (D.N.J. March 21, 2011)).

The U.S. Court of Appeals for the Seventh Circuit, in a class action alleging a violation of the Telephone Consumer Protection Act arising out of an unsolicited facsimile advertisement, grants the defendant's request for permission to appeal the district court's class certification order, vacates the order certifying the class, and remands the case for further proceedings. The court ruled that the district court needed to reconsider its ruling that the named plaintiff was a proper class representative in light of the fact that the plaintiff may have invited or permitted the faxed advertisements upon which the lawsuit was based. (*CE Design Ltd. v. King Architectural Metals, Inc.*, No. 10-8050, 2011 WL 938900 (7th Cir. Mar. 18, 2011)).

RECENT FILINGS

Class Actions

Putative nationwide class action (excluding Massachusetts residents) filed against Adaptive Marketing LLC and Vertrue, Inc. in the U.S. District Court for the District of Connecticut, alleging, among other things, violation of Connecticut's Unfair Trade Practices Act. Plaintiffs claim that the defendants "dupe" Internet consumers into enrolling into membership savings programs without those consumers' informed consent. Defendants allegedly offer "free" rewards or "cash back" to consumers after they have transacted business online at unrelated websites, and use logos and other visual cues to induce consumers into thinking that they still are dealing with the original companies. (*Sedik, et al. v. Adaptive Marketing LLC, et al.*, No. 3:11-cv-474 (D. Conn. Complaint filed on March 28, 2011)).

Putative nationwide class action (excluding New York residents) filed against Priceline.com, Inc. in the U.S. District Court for the District of Connecticut, alleging, among other things, violation of Connecticut's Unfair Trade Practices Act. Specifically, the plaintiffs claim that Priceline.com failed to disclose that the wholesale price for hotel rooms reserved through its website, in fact, is a marked

up rate, and that the plaintiffs paid the retail rate while Priceline.com retained the difference. Plaintiffs also claim that Priceline.com refuses to book hotel rooms unless the actual price of the room is less than what the consumer offers; under that scheme, Priceline.com retains the difference. (*Johnson, et al. v. Priceline.com, Inc.*, No. 3:11-cv-00465 (D. Conn. Complaint filed on March 25, 2011)).