# State of Litigation

Virtual Event Series: Part 3

June 23, 2021



Lathrop GPM

# Supreme Court Highlights

**Professor Erwin Chemerinsky**
**University of California, Berkeley School of Law**

## Kansas CLE code:

# LGPM2021




## Notable Developments in Intellectual Property Litigation

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# Trademark Law

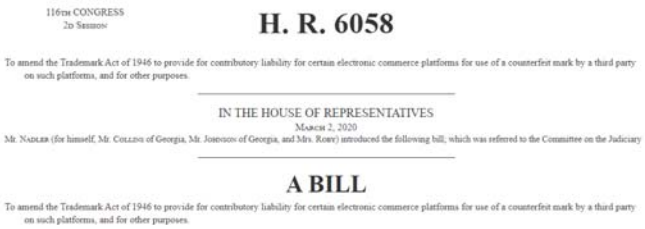



## Trademark Modernization Act

- Restored the rebuttable presumption of irreparable harm
- Established tools to remove or cancel marks without the required use
- Proposed rulemaking ongoing

## SHOP Safe Act of 2021 (H.R. 6058)

- Possible contributory infringement liability for online platforms
- Incentivize online platforms to enact "best practices" to prevent sale of goods/services under counterfeit marks.
- Provides safe harbor



116TH CONGRESS
2D SESSION

**H. R. 6058**

To amend the Trademark Act of 1946 to provide for contributory liability for certain electronic commerce platforms for use of a counterfeit mark by a third party on such platforms, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 2, 2020

Mr. NADLER (for himself, Mr. COLLINS of Georgia, Mr. JOHNSON of Georgia, and Mrs. ROBY) introduced the following bill; which was referred to the Committee on the Judiciary

**A BILL**

To amend the Trademark Act of 1946 to provide for contributory liability for certain electronic commerce platforms for use of a counterfeit mark by a third party on such platforms, and for other purposes.




## *Ezaki Glico Kabushiki Kaisha v. Lotte Int'l Am. Corp.* 986 F.3d 250 (3d Cir. 2021)

- Court held that the Pocky product design is ineligible for trade dress protection because the design is "useful."
  - The Pocky design is "useful" because the partial chocolate covering makes it easier to hold and the thin shape allows them to be packed closely together in a box.
- "We are careful to keep trademark law in its lane."
  - Trade dress protection is not intended to create patent-like rights in innovative aspects of product design.
- Competitors may copy unpatented functional designs.
  - To protect their trade dress, marketers should carefully consider how they promote certain product features.
  - A manufacturer's emphasis on ease of handling, storage, or consumption may make product features more susceptible to the "functionality" defense.


## *VIP Products LLC v. Jack Daniel's Properties Inc.* 953 F.3d 1170 (9th Cir. 2020)

- Court held that "Bad Spaniels" dog toy did not violate Jack Daniel's trade dress and bottle design trademark because it is an expressive work entitled to First Amendment protection.
- The Ninth Circuit explained that a product is not rendered non-expressive simply because it is sold commercially.
- This decision expands the three-part *Rogers* test that is applied determining whether the use of another's mark in an expressive work will be actionable under the Lanham Act.
- Expands the scope of First Amendment protection beyond traditionally expressive works.





## *Select Comfort Corp. v. Baxter,* 996 F.3d 925 (8th Cir. 2021)

- Adopts for the Eighth Circuit the theory of trademark infringement liability based on initial-interest confusion.
- Confirmed that trademark infringement does not require confusion at the time of sale. Earlier caselaw established that post-sale confusion was actionable in the 8th Circuit.
- Note that initial-interest confusion may not be available if the relevant purchasers are sufficiently sophisticated, but the 8th Circuit held that, on the facts here, the sophistication of mattress shoppers was a jury question.

# Copyright Law

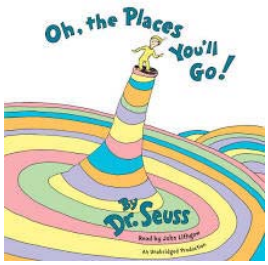



## *Google LLC v. Oracle America, Inc.* 141 S. Ct. 1183 (2021)

- When Google implemented its Android Operating System, it wrote its own programming language based on Java, which is owned by Oracle. Google's version used the same names, organization, and functionality as Java's Application Programming Interfaces ("APIs"). Oracle sued Google for copyright infringement.
- The Supreme Court held that Google's use of the Java APIs was fair use.
  - 6-2 decision authored by Justice Breyer.
  - The Court did not answer whether the declaring code was copyrightable in the first place.
- "Applying copyright law to computer programs is like assembling a jigsaw puzzle whose pieces do not quite fit."
  - This decision does not overturn or modify earlier Supreme Court cases involving fair use because it applies only to cases involving a very specific subset of API code.
  - Software developers can benefit from this decision because it gives more legal certainty to the common practice of using, reusing, and re-implementing software interfaces written by others.

## *Dr. Seuss Enterprises, L.P. v. ComicMix LLC* 983 F.3d 443 (9th Cir. 2020)

- Copyright holder of works by Dr. Suess sued ComicMix LLC for copyright infringement over a mash-up of Seuss's iconic *"Oh, the Places You'll Go!"* with a Star Trek theme, entitled *"Oh, the Places You'll Boldly Go!".*
  - ComicMix argued its use was fair use.
- The Ninth Circuit held that the mash-up book was not fair use of Seuss' copyright because the book did not parody or critique Seuss' works, it copied extensively from Seuss' books, and it was likely to usurp Seuss' market for derivative works.
- This decision protects the interests of creators and copyright holders by finding that mash-ups are not automatically fair use.





# Patent Litigation

## United States V. Arthrex, Inc., et al, 594 U. S. ____ (2021)

- Supreme Court ruled this week that PTAB judgements must be subject to review by the Director of the PTO.
  - PTAB judges are inferior officers of the Executive Branch, who must be accountable to presidential appointees.
    - The AIA as written provides no true mechanism for the Director to change or influence the outcome of IPRs.
    - The Federal Circuit focused on the appointment of ALJs, but SCOTUS focused on the exercise of their power.
  - SCOTUS remedy was to sever portion of AIA mandating that only PTAB could grant rehearing.
  - The decision preserves the system of IPRs before ALJs
    - Unclear how - or if - the Director will exercise their power of review
    - May impact other administrative agencies that have similar mechanisms
      - E.g. Social Security, EEOC, etc.




## *Am. Axle & Mfg., Inc. v. Neapco Holdings LLC* 967 F.3d 1285 (Fed. Cir. 2020)

- The cert petition for this case is currently pending.
- American Axle sued Neapco for patent infringement of a method of manufacturing driveline propeller shafts with liners that are designed to "attenuate[e] … vibrations transmitted through a shaft assembly."
- The Federal Circuit held that manufacturing methods that invoke natural laws, **and nothing more**, are not patentable subject mater under 35 U.S.C. § 101.
  - Dissent states that this decision incorrectly reduces the standard for patent eligibility to a one step "nothing more" test.
- This decision creates even more confusion regarding the already unpredictable standard for patent eligibility under 35 U.S.C. § 101. Even mechanical patents are not safe from post-*Alice* § 101 scrutiny!
  - Illustrates the need for the Supreme Court to clarify the patent eligibility standard it put forth in *Alice Corp. v. CLS Bank.*

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# Advertising Litigation: the FTC, Competitor Challenges and Class Actions

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## Federal Trade Commission

- Independent federal agency with authority over marketing of most consumer products
- FTCA provides authority over "deceptive acts and practices" – e.g.,
  - Influencers and endorsements, "Green" marketing, "Made in the USA," Multi-level marketing, Jewelry marketing, Health-related marketing
- Authority from specific laws – e.g.,
  - Autoship programs (ROSCA), Consumer reviews (CRFA)
- Authority from rules – e.g.,
  - Mail Order Rule, Funeral Rule, Fuel Rating Rule, Deceptive Pricing Rule, Contact Lens Rule




## Federal Trade Commission

- Extensive civil investigatory power
- 1-2 year investigations – close, settle, litigate
- Significant monetary remedies

$170 million


$23 million

$62 million

$5 billion

University of Phoenix

$191 million

Airborne

$23.3 million

HERBALIFE NUTRITION

$200 million

## Federal Trade Commission

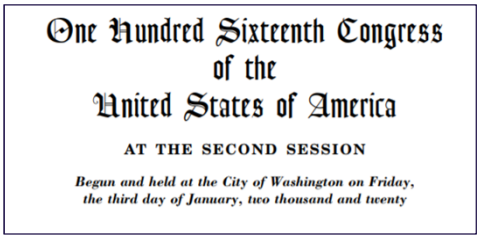
*AMG Capital Management, LLC v. FTC*, 141 S. Ct. 1341 (2021)

- Unanimous court rejected manner in which FTC has obtained monetary remedies for decades
- FTCA Section 13(b) does not authorize FTC to seek, or a court to award, equitable monetary relief such as restitution or disgorgement
- FTC still has authority to obtain monetary relief but, in most cases, must go through its administrative court first
- FTC litigations against companies currently in flux across nation
- Legislation has been introduced to address decision




## FTC Civil Penalty Authority

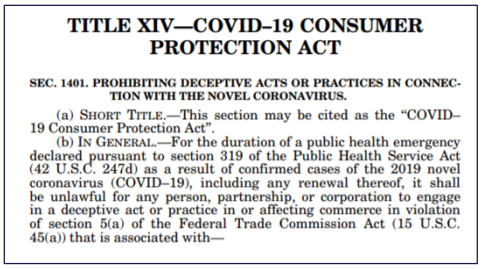
- Congress granted FTC civil penalty authority over "deceptive act[s] or practice[s] in or affecting commerce associated with the treatment, cure, prevention, mitigation, or diagnosis of COVID-19 or a government benefit related to COVID-19"
- Current maximum civil penalty per FTCA violation = $43,792
- FTC staff has signaled each ad and each day an ad runs = separate violations
- 1 ad running for 1 month = $1.3 million
- 100 ads running 1 day = $4.4 million
- 10 ads running for a year = $160 million



One Hundred Sixteenth Congress
of the
United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Friday, the third day of January, two thousand and twenty*



**TITLE XIV—COVID–19 CONSUMER PROTECTION ACT**

**SEC. 1401. PROHIBITING DECEPTIVE ACTS OR PRACTICES IN CONNECTION WITH THE NOVEL CORONAVIRUS.**

(a) SHORT TITLE.—This section may be cited as the "COVID–19 Consumer Protection Act".

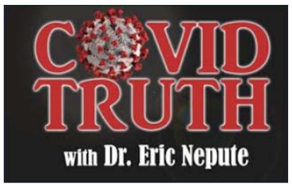
(b) IN GENERAL.—For the duration of a public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) as a result of confirmed cases of the 2019 novel coronavirus (COVID–19), including any renewal thereof, it shall be unlawful for any person, partnership, or corporation to engage in a deceptive act or practice in or affecting commerce in violation of section 5(a) of the Federal Trade Commission Act (15 U.S.C. 45(a)) that is associated with—

# FTC Civil Penalty Authority

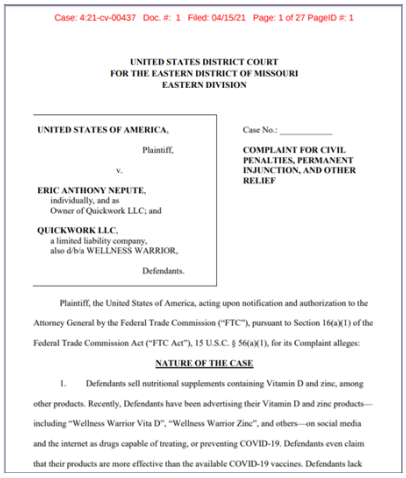




# FTC Civil Penalty Authority





Case: 4:21-cv-00437 Doc. #: 1 Filed: 04/15/21 Page: 1 of 27 PageID #: 1

**UNITED STATES DISTRICT COURT**
**FOR THE EASTERN DISTRICT OF MISSOURI**
**EASTERN DIVISION**

**UNITED STATES OF AMERICA,**
Plaintiff,
v.
**ERIC ANTHONY NEPUTE,**
individually, and as
Owner of Quickwork LLC; and
**QUICKWORK LLC,**
a limited liability company,
also d/b/a WELLNESS WARRIOR,
Defendants.

Case No.: _____

**COMPLAINT FOR CIVIL PENALTIES, PERMANENT INJUNCTION, AND OTHER RELIEF**

Plaintiff, the United States of America, acting upon notification and authorization to the Attorney General by the Federal Trade Commission ("FTC"), pursuant to Section 16(a)(1) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 56(a)(1), for its Complaint alleges:

**NATURE OF THE CASE**

1. Defendants sell nutritional supplements containing Vitamin D and zinc, among other products. Recently, Defendants have been advertising their Vitamin D and zinc products—including "Wellness Warrior Vita D", "Wellness Warrior Zinc", and others—on social media and the internet as drugs capable of treating, or preventing COVID-19. Defendants even claim that their products are more effective than the available COVID-19 vaccines. Defendants lack

# Competitor Challenges

**Demand Letter to Competitor**

- Identify problematic advertising; threaten NAD action or litigation

**National Advertising Division**

- Self-regulatory "mini-court" that's part of BBB National Programs
- Competitors, consumers, or self-regulators themselves can challenge advertising before NAD
- No monetary remedies but NAD refers matters to federal regulators if advertiser refuses to participate or follow NAD recommendations
- FTC prioritizes NAD referrals, often encouraging companies to participate or comply with NAD recommendations
- Many, many companies use NAD




# Competitor Challenges

- **Lanham Act**
  - Allows competitors to challenge each other's advertising in court
- **State Consumer Protection Laws**
  - Private right of action allows competitors to challenge each other's advertising in court

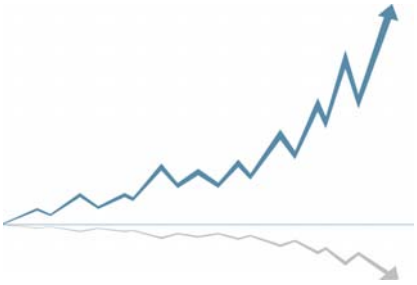

- *Ariix, LLC v. NutriSearch Corp.*, 985 F.3d 1107 (9th Cir. 2021): Biased review sites can be subject to Lanham Act challenge
- *Molson Coors Beverage Co. USA LLC v. Anheuser-Busch Cos., LLC*, 957 F.3d 837 (7th Cir. 2020): Claims that Coors is "made using corn syrup" is not false or misleading

# Class Actions




## Class Actions

***Trends***



## Class Actions

- Intersection of several areas of the law:
  - Labelling Laws
  - Government Regulations
    - Multiple agencies, fed and state
  - State Consumer Protection Laws
    - Reasonable Consumer Expectations
      - Is it misleading?
      - As a matter of law?

 29

## Health Based Labels

- "All Natural"
- "Real" "Holistic" "Organic" "Premium"
- Trans Fat
- "Healthy"


 30

## "No Artificial Flavors," "No Artificial Preservatives"

- Allegations: Claims are misleading where ingredients act as preservatives or flavor even if added for other reasons
- Primary targets: Citric acid, malic acid







## Vanilla Class Actions

- Ice cream, vanilla soy milk, vanilla almond milk, vanilla almond cluster cereal, etc.
- Lawsuits claim no or minimal actual vanilla
  - Flavor comes from artificial flavors vanillin and ethyl vanillin, and labels are therefore deceptive
- D's argue nothing says made with vanilla, and that vanilla is a flavor not an ingredient
- Prevalent Plaintiff's Law firm; Many cases have settled
- Imagery and wording matter



## Vanilla Class Actions

- Several courts have rejected vanilla theory on MTD
  - Matter of Law: vanilla does not falsely communicate to the reasonable consumer that flavor derives from the real vanilla ingredient
  - Some preemption of state law claims by labelling regs
  - Often finding FDA rule does not necessarily align with reasonable consumer expectations





## Chocolate

- Costco's Kirkland brand "Chocolate Almond Dipped Vanilla Ice Cream Bars"
  - Plaintiff claims misleading b/c not coated in real chocolate, and contain mainly vegetable oil.
    - Claims should be labeled "Milk Chocolate and Vegetable Oil Coating……."
    - Suit alleges that chocolate can have some positive effects on heart and arteries.
  - Costco claims is accurate description of taste
    - FDA compliant
    - Nobody is eating these for nutritive properties


## Other Ingredient Class Actions

- Ginger Ale
  - No real ginger v. name of a product or a flavor
- Truffle Oil
  - No truffles. Synthetic truffles in olive oil
- Onions
  - Yumions
    - Claim misleading b/c no real onions---just onion powder
  - TGI Fridays Onion Ring Snacks
    - Claim misleading b/c no real onions—just powder and flavor




## Unclear Labelling Class Actions

- Trader Joe's retained water in chicken
  - "Maximum of 5% of retained water"
  - Lab testing showed on average 9%
  - BUT:
    - Poultry Product Inspection Act preempts
      - Regulates retained water collection, testing, and labelling process
      - Label, including retained water, was approved
- Plant-based proteins
  - What is meat? What is milk?
  - States are regulating
    - And these statutes are being challenged in courts

## Class Actions on Undefined Terms

- Class actions targeting “hypoallergenic” cosmetics, personal care products
- Class actions targeting “plant based” personal care products, home cleaning
- Class actions targeting “clean”
- Class actions targeting “natural” claims



## Tips for Crafting Claims Around Undefined Terms

- Obtain and disclose reliable certification(s); OR
- Set definition that is likely to meet reasonable consumer expectations, follow that definition, and if necessary for qualification purposes, disclose definition to consumers







## Packaging Class Actions

- Slack Fill Cases
  - Allege that packaging deceives consumer into thinking more product in package than really is
  - Examples:
    - Potato Chips
    - Candy
- Underfill Cases
  - Not as much product in the package as they say
  - Example" "contains x servings"
- Compostable or Recyclable
  - Product claims it is, but may not meet technical specifications, even though may in fact be
  - FTC standard for "recyclable": recycling facilities for item are available to at least 60% of communities where item is sold and attributes like size or shape do no limit recyclability; otherwise, claim must be qualified
  - Examples: Coffee pods, Coca-Cola and others relating to plastic bottles.

 39

## Product Effectiveness

- "Effective against 99.99% of illness causing germs"
- Examples:
  - Sanitizers
  - Health foods combating covid

 40

## Other Class Actions

- Stating or implying a country of origin that is not accurate
  - Beck's "German brewed beer" but made in the USA
  - Made in the USA
    - California requires 100% of product
  - Failure to label country of origin

## Other Class Actions—Pet Food

## Other Class Actions

- Pet Food
  - Same issues of “natural” or “real”
  - “Grain-free”
  - “A reasonable customer would not be so absolutist as to require that ‘natural’ means there is no glyphosate, even an accidental and innocuous amount, in the products.” When Parks amended the complaint and refiled the suit, it was again dismissed on defendants’ motion. The court again emphasized reasonable consumer expectations, stating, “[t]he level of glyphosate in the tested Products is negligible and significantly lower than the FDA’s limit, which supports a finding that the Products’ glyphosate residue is not likely to affect consumer choice, and that labeling them ‘natural’ is not materially misleading to a reasonable consumer.” *Parks v. Ainsworth Pet Nutrition*

## *Be Vigilant (Don’t be Complacent)*

- 303 Tractor Hydraulic Fluid
- 1960s and early 70s: JD-303 or “303”
- Sperm whale oil essential ingredient
- Ultimately, no 303 specifications
- Imagery with modern tractors
- MO Dept of Ag, Div. Wts. and Measures
- Manufacturers and Retailers (private label)

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# Thank you for attending!

 