



Advertising and Promotion Law News

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I. ADVERTISING

No Injunction Right of Publicity/Lanham Act Claim Re Use of Fred Astaire's Name In Tribute

Robyn Astaire, the widow Fred Astaire, sued her stepdaughter, Phyllis Astaire McKenzie, to enjoin her from presenting the "Fred and Adele Astaire Awards." Specifically, the complaint alleges that McKenzie's use of Fred Astaire's name violates the Lanham Act, infringes a common law trademark, and violates the California right of publicity. The court held that the Lanham Act does not create a right of publicity without either secondary meaning or likelihood of confusion,

the essential elements of a trademark claim. The court found that Robyn Astaire failed to show that an "Astaire Awards" presentation acquired a secondary meaning, and that there is no indication that consumers will be deceived into believing that the late Fred Astaire endorsed McKenzie's awards, which are described as "in tribute" to Fred and Adele Astaire. Accordingly, the court denied Robyn Astaire's motion for a temporary restraining order.

TIP: While the use of "in tribute" to Fred Astaire was held not to be a Lanham Act or right of publicity violation, using such a designation could likely result in a different decision in another court, and at the very least, was very expensive in terms of legal fees for the defendant.

False Endorsement Leads to \$10 Million Verdict

In a recent false advertising case, a jury awarded the plaintiff a \$10 million verdict where the jury determined, among other things, that the defendant's marketing video falsely implied that the video's narrator, self-titled the "Airbag Detective," had conducted independent investigations of various vehicle mounting systems and the video represented his analysis. The plaintiff alleged that the narrator's statements, in particular his references to the defendant as "they" and statements such as "I have stripped down and analyzed" the mounting structures, falsely conveyed to consumers that the narrator was an independent authority, had conducted the tests himself, and had reached the conclusions and opinions stated in the video on his own. In fact, the narrator was a paid to merely read a teleprompter and did not conduct any analysis of the products or hold the opinions stated in the video. While this case was not a Federal Trade Commission action, the FTC endorsement and testimonial guidelines address this exact type of advertising. The guidelines provide that when an advertisement implies, directly or indirectly, that an endorser is an expert, the endorser must be appropriately qualified and must have actually evaluated the endorsed product to form the expert's conclusions. Furthermore, the FTC guidelines also require the disclosure of material connections, such as payment of an endorser, when the consuming public would not have a reason to believe that the endorser was compensated in any manner and such knowledge would affect the weight the consumer would give the endorsement.

TIP: Failure to adhere to the principles contained in the FTC endorsement and testimonial guidelines may expose advertisers not only to an FTC action but also to false advertising liability under state and/or federal law.

Copyright Law Preempts State Law Claims Regarding TV Show Idea

The Ninth Circuit recently held that the copyright law preempts state law breach of contract claims when there was no implied promise of payment regarding a partnership to produce a television program. In *Montz v. Pilgrim Films & Television Inc.*, the plaintiffs sued NBC, the Syfy Channel, and several others involved in the production of Syfy's *Ghost Hunters*, claiming the show was based on a concept they had presented to them. The copyright law preempts state law claims, such as contract and implied contract claims, when those claims pertain to copyrightable "works of authorship" and are "equivalent" to the rights of the copyright owner. Here, the court held that the rights asserted by the plaintiffs were equivalent because there was no implied promise of payment, only an expectation that the plaintiffs would retain control over

their work, a right equivalent to ownership. While the court's reasoning is not entirely clear, the case does suggest that most copyright holders disclosing ideas to third parties will ultimately have to rely on their copyright rights as opposed to any state law claims.

TIP: When pitching an idea, agree in writing that if the idea is used, you will be paid a set amount or an amount to be negotiated, subject to a stated floor. Also, state that the idea is confidential. If receiving an idea, try not to agree to payment. Instead, agree that the one pitching the idea will rely solely on copyright for protection. Note, the more the idea is fully expressed—in a script, book, storyboard, drawing or rip-o-matic—the more protection the idea has. Ideas that have been committed to paper only in the most limited form are not entitled to much protection, even under copyright law, which protects only the literal expression of the idea.

Court Rules Politician's Use of Music in a Political Ad Is Satire, Not a Fair Use Parody

Musician Don Henley sued Charles DeVore, claiming that DeVore violated Henley's copyright in "The Boys of Summer" and "All She Wants To Do Is Dance." DeVore produced two YouTube videos. One video contained "The Hope of November," a play on "The Boys of Summer," which was intended to poke fun at President Obama and Nancy Pelosi. A second video contained, "All She Wants To Do Is Tax," intended to criticize Sen. Barbara Boxer and cap-and-trade global warming policies. DeVore downloaded an instrumental-only, karaoke version of both songs and supplied the lyrics/vocals for each. The use constituted a copyright infringement of the underlying publishing rights to the songs. The court held that DeVore's use was not a fair use, because the songs were not parodies. Rather than a protected parody, DeVore's use was satire (by failing to take aim at the song or Henley), insufficiently transformative, used for a commercial purpose, and appropriated the entire melody, rhyme scheme, syntax, and a majority of Henley's lyrics. The court also found that DeVore's use constituted willful infringement, because DeVore was aware that his use would infringe, of the problems political campaigns have had licensing music, and he failed to consult a copyright attorney even after notification from Henley that his use was infringing. As a final matter, the court rejected Henley's claim that the use of the songs constituted false endorsement under §43(a) of the Lanham Act.

TIP: A parody which may be protected by the First Amendment must at minimum comment on the copyrighted work or its creator, rather than merely using the work to make commentary generally.

FCC Settles Case with CBS Over CBS-affiliated Reseller Website

The Federal Communications Commission ("FCC") announced it has settled charges that a DJ for a CBS affiliate violated Section 508 of the Communications Act by failing to comply with the FCC's contest rules which prohibit false and deceptive statements with respect to contests. The settlement is pursuant to a complaint that a DJ falsely stated that he would give away \$1 million to the 13th caller and \$1 million an hour thereafter. CBS had attempted to assert that the statement was a joke, and the statements were not subject to the FCC's Contest requirements. Pursuant to the settlement with the FCC, CBS agreed to make a \$6,000 contribution to the U.S. Treasury, and prepare a memo regarding the FCC's contest rules to employees involved in the

radio broadcast. Additionally, CBS agreed to distribute the FCC's contest rules and train employees regarding such compliance.

TIP: Companies who permit radio or television hosts to announce or promote a sweepstakes or contest during a normal broadcast should review the prepared statements to make sure that the announcer's statements comply with the FCC's contest rules as well as laws which prohibit deceptive acts and practices generally.

Apple Sued Over iPhone Warranty

A class action complaint was filed against Apple, Inc. alleging that Apple uses faulty and defective methods to refuse to honor warranties as void for broken iPhones in violation of the California Unfair Competition Law, False Advertising Law, and the Song-Beverly Warranty Act. The complaint alleges that Apple is aware that its method to determine whether an iPhone has experienced water damage cannot be relied upon, and that independent testing allegedly demonstrates that the iPhone water damage indication methods are triggered by exposure to cold weather, sweat and humidity.

TIP: To the extent that your product warranty is limited to problems which arise relating to defects in materials and/or workmanship, you should have reasonable processes in place to differentiate such defects from consumer negligence.

Summary Judgment Denied in Energy Drink False Advertising Case

Hansen Beverage Company, an energy drink marketer, sued its competitor Vital Pharmaceutical for false advertising for a number of claims Vital made in connection with its seven hour energy shot beverage product. Hansen first argued that Vital's claim that its product provides "seven hour energy" constituted a comparative superiority claim against Hansen's products and further implied that the 7-hour duration claim is supported by product testing. The court rejected these claims, and found that because Vital did not expressly represent that its claim was based on product testing, it is Hansen's burden to prove that the claim is false. Consequently, on cross motions for summary judgment, the court considered the evidence from both parties supporting and refuting the "seven hour energy" claim and denied the motions, finding that there exists a genuine issue of material fact as to whether the claim is literally false. Hansen also argued that Vital's claims that its product would result in "No Crash" for the consumer, that its product is "The #1 Energy Shot in Los Angeles," and that its product provides "mood enhancement" and "appetite suppression," which is "nothing short of euphoric" are false and misleading. Again, the court concluded that there was a genuine issue of fact as to truth or falsity of the claim. However, ruling in favor Vital, the court found concluded that the statements "Amped to the max" and "ready to tear apart the weights and wear out the treadmill like a tiger released from its cage!" constituted mere puffery upon which no reasonable buyer would rely.

TIP: Unlike a false advertising claim brought in front of the National Advertising Division of the Better Business Bureau (NAD) in which the advertiser has the initial burden of providing a reasonable basis for the challenged claim, in false advertising claims brought under the Federal Lanham Act, the burden is on the plaintiff to prove that the challenged claim is false or misleading.

Use of Photograph on Book Cover Violates Right of Privacy

A New York state court recently found a book publisher liable for using a photograph of plaintiff Tasleema Yasin for the cover of its fictional book entitled Baby Doll. New York's Civil Rights Law provides that it is a misdemeanor to use a person's name, portrait or picture for advertising or trade purposes without obtaining written consent from the person. While the defendants initially argued that they had obtained the necessary release for the image from the photographer who originally took Ms. Yasin's picture, the release did not include Ms. Yasin's right of privacy. Because it was undisputed that the defendant used Ms. Yasin's picture without her written consent, the key question before the court was whether the use of the picture on the book cover constituted use of photograph for advertising or trade purposes. The court held that the use of the photograph on the book cover did constitute use for "marketing and trade purposes." The court reasoned that the use of the photograph did not fall within the newsworthy or public interest exception because there is no relationship between Ms. Yasin's picture and the book's subject matter, and the court further concluded that the use was not itself a work of art. Consequently, the court issued a permanent injunction, prohibiting the defendants from further selling the book or using Ms. Yasin's image.

TIP: When obtaining releases for the use of content in advertising, ensure that you obtain rights not only to the copyright, but also to the right to use the right to use any individual depicted in the work. Furthermore, use of a person's image without permission for merely commercial purposes may raise right of publicity concerns, even when in connection with a work otherwise protected by the First Amendment.

The Sports Authority Enjoined Related to Alleged Ambush Marketing

The United States Soccer Federation, Inc. ("U.S. Soccer") received a preliminary injunction against TSA Stores ("The Sports Authority") for trademark infringement and unfair competition. U.S. Soccer filed a claim against The Sports Authority, alleging that The Sports Authority was running an advertisement featuring a U.S. Soccer Team member wearing the National Team uniform prominently displaying the U.S. Crest Logo in conflict with its contract with Dick's Sporting Goods, and its exclusive right to use the U.S. Soccer Marks. While it seems that The Sports Authority did sell licensed apparel, it seems that it did not have U.S. Soccer's permission to display its logos in advertising of the sale of the products. The Sports Authority allegedly aired the advertisement during the United States and England match of the 2010 FIFA World Cup. The court granted U.S. Soccer's motion for a preliminary injunction, and required The Sports Authority to post a \$25,000 bond.

TIP: Retailers who wish display third party trademarks of goods sold in their stores should take care when using such trademarks in connection with noteworthy events, due to the fact that third party trademark owners frequently have exclusive agreements with competing retailers, which could give rise to claims of trademark infringement/unfair competition.

Advertiser Sued for Right of Publicity for Character Arguably Evocative of Hulk Hogan

Terry Bollea, famously known as Hulk Hogan, recently sued Post Foods for false endorsement and misappropriation of his right of publicity over certain Post Foods' television commercials

promoting Cocoa Pebbles. One commercial featured an animated wrestling character allegedly bearing Bollea's name and likeness. Bollea alleges that the television commercials at issue, entitled COCOA SMASHDOWN, portray a brief animated story of a wrestling match between a wrestler named "Hulk Boulder" and various Flintstones characters, in which Hulk Boulder ultimately loses to the Flintstones' Bam-Bam. In the advertisements, the Hulk Boulder character has long blond hair and a blond Fu Manchu mustache, which Bollea argues are associated with Bollea. Bollea alleges that the depictions of "Hulk Boulder" and use of the "Hulk Boulder" name in the COCOA SMASHDOWN advertising constitutes the publication and display of Bollea's name, portrait, photograph, and likeness. Bollea is seeking injunctive relief, an accounting and award of Post Foods' profits, and punitive damages for willful infringement of Bollea's rights.

TIP: Using characters, depictions, or references that evoke celebrities could lead to claims for right of publicity violation, even if such depictions are not identical to the celebrity.

II. PRIVACY

Tagged.com Settles Case with San Francisco District Attorney for \$650,000

The San Francisco District Attorney settled a recent case it brought against Tagged.com, a social networking site based in San Francisco, for \$650,000 in civil penalties and investigative costs to the San Francisco District Attorney's Office. The settlement followed an investigation by the District Attorney's Office into the website's mass e-mail campaign, in which Tagged.com sent 40-60 million e-mails in an effort to attract new members to its website. The e-mails falsely stated that a Tagged.com member had sent the recipient a photograph or private message (which in most cases did not exist). Before a recipient could access the promised photograph or private message, he or she was required to complete a registration pathway that misled consumers into unknowingly giving Tagged.com access to the recipient's e-mail contact list. Tagged.com then repeated the process by sending the same set of deceptive e-mail invitations to all of the individuals in the recipient's e-mail contact list. Many consumers only learned later that Tagged.com had sent bogus e-mail invitations in their names to all the people in the consumer's contact list. The settlement also includes an injunction requiring Tagged.com to implement a system of clear disclosures, informed consent, and other safeguards to protect both Tagged.com members and the general public from unfair business practices.

TIP: Companies who wish to obtain personal identifiable information from consumers should exercise caution if attempting to obtain information through third parties (consumers' friends). Companies should also use caution if using technology that allows information to be collected passively, and should take care not to send messages that may be viewed as misleading or deceptive.

Internet Marketer Settles CAN-SPAM Allegations for \$2.9 Million

Florida-based ModernAd Media LLC recently agreed to pay \$2.9 million to settle an investigation by the Florida Attorney General that the company had violated the CAN-SPAM Act. The Florida AG's office began the investigation in response to e-mail messages being sent

by the company that, according to the AG's office, consumers were told that they could get products for "free," when those products were not, in fact, free. Under the terms of the settlement agreement, the company has agreed to clearly and conspicuously disclose that any items offered for "free" are offered subject to a consumer's completion of certain requirements. The agreement also requires that the company include adequate disclosures informing consumers that they are entering into a continuity program and prohibits the use of pre-checked boxes in an offer intended to be used for acceptance of terms and conditions. Finally, the settlement requires that the company clearly and conspicuously disclose all material information so that consumers can make informed decisions before purchasing merchandise or participating in trial offers.

TIP: Be sure to clearly and conspicuously disclose all material terms of offers made in an e-mail marketing campaign

Classmates.com Agrees To Pay \$11 Million To Settle Fraud Class Action

Classmates.com has reached an agreement with plaintiffs in a class action alleging violations of the Washington Commercial Electronic Mail Act and Washington Consumer Protection Act. The agreement, if approved by the court, will require that Classmates.com pay almost \$11 million to settle claims that it engaged in a practice of sending "materially misleading and deceptive" e-mails to its users. The allegations stem from Classmates.com's alleged practice of sending users e-mails that falsely suggested that others were attempting to contact the user, but that a paid membership was required in order to view the activity. Although Classmates.com continues to deny wrongdoing, the parties agree that the settlement should be approved. In addition to requiring the payment of almost \$11 million, Classmates.com will be required to make changes to its privacy policy to clarify how cookies are used on the site and to alter its marketing e-mail practices.

TIP: When implementing an e-mail marketing campaign, don't forget about standard advertising requirements. In particular, think about whether consumers will understand the claims that you are making in the messages.

Unauthorized Use of Singer's Photo on Book Cover Violated Right of Publicity

Q-Boro Holdings, LLC and Urban Books, LLC were sued for violation of an individual's right of privacy under New York law. Specifically, the individual claimed that the publishers used a photograph of her, without her consent, for the cover of its book, entitled *Baby Doll*. Although the individual did agree to have the pictures in question taken to promote her career as a singer and songwriter, she did not sign a release allowing the photographer or any other person to use her photograph. When, three years after sitting for the photos, she learned that her image appeared on the front cover of the book, she brought suit against the publishers. The publishers stated that they had a written agreement with the photographer, in which the photographer certified that he had obtained the necessary release for the image and had acquired the right to use the photograph. Nevertheless, the court held that the publisher's unauthorized use of the image on the front cover of the book violated her statutory right to privacy, and granted the permanent injunction against the publishers.

TIP: When purchasing photographs and images to include in your advertisements or products, which photographs include identifiable individuals, be sure to complete your own due diligence to confirm that the photographs do not violate the subject's right of publicity.

Student's Comment on Another's Website May Proceed in Hate Crime Case

A 15-year-old high school student was pursuing a career in entertainment and maintained a Facebook page for that purpose. Several of his fellow students posted messages on his Facebook page, making derogatory comments about his perceived sexual orientation and threatening him with bodily harm. The aggrieved student and his parents filed suit against the other students and their parents, alleging a statutory claim under California's hate crimes laws. In response, one of the defendants filed a special motion to strike, contending that the action was a strategic lawsuit against public participation ("SLAPP"), and that the speech was protected under the First Amendment. The trial court denied the anti-SLAPP motion on the ground that the lawsuit did not arise out of a statement made in connection with a public issue. The appellate court affirmed, noting that the defendants had not demonstrated that the posted message was protected speech.

TIP: We are seeing a rise in cases where parties are debating the right to make postings on public forums. When encouraging others to use the forums on your behalf, carefully consider the types of liability that might arise as a result.

Arbitration Clause in Comcast Contract Found Enforceable

A Tennessee court recently compelled arbitration based on a clause contained in a revision to Comcast's subscriber agreement. In the suit that gave rise to the ruling, a customer alleged that Comcast had engaged in unauthorized billing. In response, Comcast sought to compel arbitration, based on an arbitration clause that was added as a part of its subscriber agreement. The arbitration provision was added by mailing the new provision to subscribers, and the provision provided customers 30 days to reject the change to the subscriber agreement. The plaintiff argued that the arbitration clause was unenforceable, because there was "no meeting of the minds," since the plaintiff did not read the contract, because it constituted a contract of adhesion, because the provision was unconscionable, and because the provision contained a class action waiver. The court rejected each of these arguments, first noting that Congress has expressed a strong public policy favoring arbitration. The court then explained that Tennessee courts have consistently found that mailing amendments to consumer contracts is valid provided the party receiving the terms "has an opportunity to read them and unconditional right to cancel the contract if he is dissatisfied with the terms." The court further noted that under Tennessee law, it is not necessary that the plaintiff actually read the provision or sign it for there to be a meeting of the minds. Finally, the court concluded that the arbitration provision was not a contract of adhesion because the plaintiff was provided with an opportunity to opt-out, the provision was not unconscionable because there is "nothing exception or unduly harsh" about the provision, and the majority of courts have rejected the argument that an arbitration provision is unconscionable because it waives the right to bring a class-action lawsuit.

TIP: Take care when drafting arbitration provisions or amending agreements to add new material terms. Because these provisions are frequently challenged, and the strength of these clauses may vary depending on the jurisdiction, it is important to ensure that

consumers are adequately informed of any changes and have the opportunity to opt out and/or cease use of a product or service prior to the effective date of the change.

If you have any questions about items that appeared in this bulletin, or would like to learn more about any of these topics, please contact one of the following attorneys:

CHICAGO

Monique Bhargava	(312) 558-3732
Stephen P. Durchslag	(312) 558-5288
Brian D. Fergemann	(312) 558-8024
Jason W. Gordon	(312) 558-6145
Brian L. Heidelberger	(312) 558-5897
Robert H. Newman	(312) 558-8125
Mary Hutchings Reed	(312) 558-5721
Ronald Y. Rothstein	(312) 558-7464
Liisa M. Thomas	(312) 558-8121
Marc H. Trachtenberg	(312) 558-7964

LOS ANGELES

David Aronoff	(213) 615-1866
Steven D. Atlee	(213) 615-1827

NEW YORK

Michael S. Elkin	(212) 294-6745
Thomas P. Lane	(212) 294-6869

Michael J. Friedman	(212) 294-2608
Joe DiBenedetto	(212) 294-6709
H. Joseph Mello	(212) 294-6736
Virginia R. Richard	(212) 294-4639

PARIS

Emmanuel Draï	33 (0) 1 53 64 82 09
Patrick Dunaud	33 (0) 1 53 64 82 12
Nathalie Hadjadj-Cazier	33 (0) 1 53 64 81 50

SAN FRANCISCO

David S. Bloch	(415) 591-1452
Andrew P. Bridges	(415) 591-1482
Kimberly Eckhart	(415) 591-6805
Jennifer A. Golinveaux	(415) 591-1056
Becky L. Troutman	(415) 591-1401

WASHINGTON, D.C.

Michael L. Sibarium	(202) 282-5702
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