

1993

Lanham Act Does Not Require Proof of Actual Confusion if Advertisement Contains Factually False Statements

Colby M. Green

Follow this and additional works at: <http://lawcommons.luc.edu/lclr>

 Part of the [Consumer Protection Law Commons](#)

Recommended Citation

Colby M. Green *Lanham Act Does Not Require Proof of Actual Confusion if Advertisement Contains Factually False Statements*, 5 *Loy. Consumer L. Rev.* 126 (1993).

Available at: <http://lawcommons.luc.edu/lclr/vol5/iss4/6>

This Recent Case is brought to you for free and open access by LAW eCommons. It has been accepted for inclusion in Loyola Consumer Law Review by an authorized administrator of LAW eCommons. For more information, please contact law-library@luc.edu.

Recent Cases

Lanham Act Does Not Require Proof of Actual Confusion if Advertisement Contains Factually False Statements

In *Castrol Inc. v. Pennzoil Co.*, 987 F.2d 939 (3d Cir. 1993), the Third Circuit Court of Appeals held that facially untrue advertising violates § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1992), whether or not consumers were actually misled or confused. Additionally, the court held that the First Amendment affords no protection for commercial speech containing false claims.

Pennzoil's Advertisements and the Lanham Act

Castrol Inc. ("Castrol") sued Pennzoil Co. ("Pennzoil") in a New Jersey United States District Court, alleging that Pennzoil made false representations in its advertisements. Specifically, Castrol claimed that Pennzoil's assertions that Pennzoil motor oil outperformed other leading brands in viscosity breakdown and engine protection were false. Castrol contended that these claims violated § 43(a) of the Lanham Act, which prohibits false advertising through false or misleading representations of fact.

The district court found that Pennzoil's claims were "literally false," and permanently enjoined Pennzoil from broadcasting the false advertisements or any revised or reformulated version thereof. Pennzoil appealed, asserting that: (1) its advertisements did not contain false claims; (2) Castrol failed to prove the consumer confusion necessary to prevail under the Lanham Act; and (3) the district court's injunc-

tion violated Pennzoil's right to free speech under the First Amendment to the United States Constitution.

Motor Oil Viscosity Tests

On appeal, the Third Circuit first noted that the automotive industry developed two primary tests for measuring the quality of a motor oil: the Shear Stability or Stay-in-Grade test, and the High Temperature/High Shear ("HTHS") test. The Stay-in-Grade test requires that a motor oil maintain a minimum viscosity after testing. The HTHS test, in contrast, measures an oil's reduced viscosity after exposure to high temperatures and high shear forces. The court stated that at trial, both parties agreed that Pennzoil did not outperform Castrol in the Stay-in-Grade test. Furthermore, the court found that Castrol's oils actually outperformed Pennzoil's with respect to the HTHS test.

Pennzoil, however, relied on a third test promulgated by the American Society for Testing and Materials ("ASTM"), the ASTM D-3945 test, to substantiate its claims of superior protection against viscosity breakdown. The ASTM D-3945 test measures the percentage of the loss of the oil's initial viscosity. Pennzoil asserted that under this test, its motor oil suffered less viscosity loss percentage than Castrol's product. Therefore, Pennzoil concluded that these results supported its advertising claims.

The court, however, disagreed with the applicability of the ASTM D-3945 test. The court noted that expert testimony concluded that the ASTM D-3945 test merely measures the quality of different batches of a manufacturer's oil, and that the test cannot be used to compare oils consisting of different polymers. Since the oil produced by Pennzoil and Castrol consisted of different polymers, the court held that the ASTM D-3945 test was not a true measure of viscosity breakdown. Ac-

cordingly, the court found Pennzoil's claims untrue.

Advertisements Violate the Lanham Act if False or Misleading

Pennzoil also argued that Castrol's failure to show that consumers were actually confused or misled by Pennzoil's advertising should result in a judgment for Pennzoil. In support, Pennzoil cited *Sandoz Pharmaceuticals Corp. v. Richardson-Vicks, Inc.*, 902 F.2d 222 (3d Cir. 1990), in which the Third Circuit required proof of actual consumer deception for a Lanham Act claim. Pennzoil further asserted that *Sandoz* required proof not only of literally false advertisements, but also of actual consumer deception.

The court, however, stated that *Sandoz* resorted to proof of consumer confusion only after it had found that the advertising claims were not literally false. This differed from Pennzoil's case, because the trial court found Pennzoil's advertisements to be literally false. Additionally, the court stated that according to *Johnson & Johnson v. GAC International, Inc.*, 862 F.2d 975 (2d Cir. 1988), a party may recover if the advertisement is either: (1) false on its face; or (2) literally true, but nevertheless likely, in the merchandising context, to mislead and confuse consumers. Therefore, the court held that Castrol could recover against Pennzoil even without showing consumer confusion because it proved that Pennzoil's advertisements were literally false.

Pennzoil's Asserts Falsity Not Proven

Pennzoil, however, argued that Castrol failed to prove its advertising claims were literally false. Pennzoil contended that Castrol never offered proof to refute Pennzoil's claims, but merely cast doubt on Pennzoil's research. Pennzoil asserted that this circumvented the general principle that

in Lanham Act cases, a claimant claiming false advertising of product superiority must affirmatively prove that the product is equal or inferior in order to prevail.

The court acknowledged that Castrol was required to affirmatively prove that Pennzoil's product was equal or inferior, but held that Castrol had sustained this burden of proof. The court noted that Castrol had tested both its products and Pennzoil's under the Stay-in-Grade and HTHS standards. Both Pennzoil and Castrol met the Stay-in-Grade requirements. However, while all Castrol motor oils and most Pennzoil motor oils met the HTHS standards, Pennzoil's 5W-30 and 10W-30 oils failed to pass this test. Therefore, the court held that Castrol had adequately proven that Pennzoil's products were equal, or in some cases inferior, to Castrol's motor oils.

Moreover, the court found that Castrol had properly discredited the evidence with which Pennzoil sought to substantiate its viscosity breakdown claim. Pennzoil based its claim on the fact that its motor oils had suffered less viscosity loss percentage than Castrol oils in the ASTM D-3945 test. However, Castrol proved that the ASTM D-3945 test was never intended to compare the viscosity breakdown of oils of different polymer classes, and could not perform this function accurately. Since Pennzoil and Castrol are oils of different polymer classes, the court held that Pennzoil's advertising claims were literally false.

Pennzoil's Claim to Better Engine Protection False by Implication

Pennzoil next contended that the district court erred in deciding that its claims of superior engine protection were false by necessary implication. The appellate court, however, disagreed with this contention. The court noted that Pennzoil's advertisements claimed, although falsely, that Pennzoil outperforms any leading motor oil against viscosity breakdown. Pennzoil also claimed that viscosity breakdown led

to engine failure and that Pennzoil provided better protection against engine failure. This left consumers with the necessary implication that Pennzoil protected better against engine failure because it outperformed any leading motor oil against viscosity breakdown. Having found the viscosity breakdown claim to be literally false, the court ruled that the engine failure claim must also be false by necessary implication.

False Speech Not Protected By The First Amendment

Pennzoil argued that the district court's injunction violated Pennzoil's right to free speech under the First Amendment to the United States Constitution. Pennzoil contended that the order would prohibit Pennzoil from claiming that its motor oils provided superior protection against viscosity breakdown at any time in the future. Thus, even if Pennzoil improved its product so that the prohibited statement became true, it would still be barred from stating this truth. Therefore, Pennzoil argued that the injunction was an unconstitutional restraint on its free speech.

The court rejected this argument, holding that the First Amendment does not protect false commercial speech. The court stated that Pennzoil's claim that its motor oils provided better protection against viscosity breakdown was false at the present time and therefore was not protected by the First Amendment. The court suggested that Pennzoil could apply for a modification of the injunction if its viscosity breakdown claim became true at some later date.

Dissent Urges that Consumer Survey Evidence Crucial

The dissent argued that both the majority and the district court improperly ignored the consumer survey evidence presented by Pennzoil. It noted that Pennzoil had introduced a consumer survey which purported to demonstrate that consumers largely ignored Pennzoil's claims of superior engine protection and greater protection against

viscosity breakdown. The dissent urged that because the Lanham Act was intended to provide a private remedy to a commercial plaintiff whose commercial interests have been harmed by a competitor's false advertising, the critical question was not the content of the advertisement, but the message it conveyed to consumers. ♦

— Colby M. Green

Students Enrolled in Non-Accredited Course Not Aggrieved Consumers

In *Finstad v. Washburn Univ. of Topeka*, 845 P.2d 685 (Kan. 1993), the Kansas Supreme Court held that students who were not aggrieved consumers as defined by the Kansas Consumer Protection Act could not sue to recover damages from enrolling in non-accredited courses. Additionally, the court found that no legally recognizable claim for education malpractice exists.

False Statement of Accreditation

Washburn University of Topeka ("Washburn") began offering a court reporting program in 1984. In 1985, the University hired Debra Smith ("Smith"), a Certified Shorthand Reporter and a Registered Professional Reporter, as the instructor for this new program. Until 1989, Smith's students judged her satisfactorily in instructor evaluations. However, in the fall of 1989, students began complaining about poor instruction in the court reporting program. As a result, Washburn undertook remedial measures against Smith, who subsequently resigned in the spring of 1990.

At the commencement of the court reporting program in 1984, Washburn sought course accreditation from the National Shorthand Reporters Asso-