

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF  
PENNSYLVANIA**

REGSCAN, INC. : CIVIL  
 : ACTION : : :  
v. : NO. 04-6043

DEAN MARK BREWER, et al.

**MEMORANDUM**

**Baylson, J.**

**September 5, 2006**

**I. Introduction**

On February 17, 2006 this Court previously granted summary judgment in favor of Defendants on all of the Plaintiff's claims except for Lanham Act and Unfair Competition claims. See Regscan v. Brewer, 2006 WL 401852 (E.D. Pa. Feb. 17, 2006).

After a discovery period on these two claims, Defendants filed additional dispositive motions and the Court held oral argument on August 22, 2006. At the conclusion of the oral argument, the Court found that there was insufficient evidence in the record to conclude that a rational jury could find for the Plaintiff as to most of the of the claims regarding the Lanham Act and Unfair Competition.<sup>1</sup> This Memorandum further explains the Court's ruling and will discuss each category of statements made by Defendants which Plaintiff alleges to have violated the statutes in question. The categories are as follows: (1) Claims relating to the Citation Advisory Board; (2) Claims relating to the origin of data used by Citation; (3) Claims relating to

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Under the jurisprudence of this Court, the underlying elements of the Lanham Act and unfair competition under Pennsylvania common law are the same except for the requirement of an effect on interstate commerce. See Lawman Armor Corp. v. Master Lock Co., 2004 WL 362210, at \*2 (E.D. Pa. Feb. 27, 2004) (citing Int'l Hobby Corp. v. Rivarossi S.p.A., 1998 WL 376053, at \*7 n.7 (E.D. Pa. June 29, 1998), aff'd 203 F.3d 817 (3d Cir. 1999)); S&C Rest. Corp. v. Sofia's Diner, Inc., 1999 WL 627914, at \*3 n.1 (E.D. Pa. Aug. 18, 1999). At oral argument, Defendants conceded that the interstate commerce prong of the Lanham Act had been satisfied in this case. Therefore, for purposes of this opinion, the Court will address the Lanham Act and unfair competition claims simultaneously.

international data mentioned on Citation’s website; and (4) Claims relating to an allegedly patented technology touted by Citation.<sup>2</sup>

## **II. Summary of Argument**

### **A. Advisory Board Statements**

Defendants’ argue that the statements on the website concerning the Advisory Board are undisputedly not false, see Defs’ Answer to Amended Complaint; Spence Affidavit, Defs’ Br., Ex. A. Defendants maintain that Plaintiff, despite knowing the name of all of the Advisory Board members, has failed to develop any evidence on their actions, responsibilities, and knowledge. They assert that testimony which Plaintiff did gather from Advisory Board member Gary Crouth actually supports Defendants’ position, since the surveys he discusses constitute the very duties described on the website for Advisory Board members. Also, Defendants argue that the Advisory Board statements are not false because the documents gleaned from the Goldmine database, see Defs’ Br., Ex. B, demonstrate the accuracy of the website statements. Specifically, they claim that these documents demonstrate that Advisory Board members were communicating their preferences as to the collection and delivery of regulatory data, thus fulfilling their “duties”

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The Court had a brief discussion at oral argument with counsel about Defendants’ contention that Plaintiff’s claims concerning international data and the patent issue came too late in the litigation. Defendants in their reply brief argue that the issues of international data and patented technology were sprung on Defendants during the closing weeks, and even days, of discovery and are merely evidence of a “fishing expedition” by Plaintiff in an effort to sustain a litigation that is on its last legs. In the absence of a grant of summary judgment on all pending claims, Defendants suggest a grant of summary judgment to Defendant on the existing issues and an order that any pursuit of the “additional” issues must be pursued through a new case in a properly prepared complaint. Defs’ Reply at 20–21.

The Court, however, is satisfied that Plaintiff raised the international data and patent issues in a timely fashion and will therefore consider them in ruling on the pending motion for summary judgment. Although it could have allowed the Plaintiff to amend its Complaint to add these issues, the Court concluded that this would constitute needless motion practice, and under the principles of notice pleading, the claims should be considered. That said, the Court concluded that because Plaintiff raised these issues so late in the proceedings, in fairness to both parties, there should be an additional period of discovery. See Order of Aug. 22, 2006 and Section IV.D, infra.

as set forth on the website. Defendants also argue that Plaintiff is unable to show that the Advisory Board statements are misleading, since they are, in fact, true. Moreover, they argue that even if it shows that the statements are misleading, Plaintiff has failed to show “actual deception,” since it presents no evidence that consumers were actually misled. In particular, Defendants point out that there is no consumer survey evidence.

In response, Plaintiff argues that the Advisory Board, far from providing “insight, advice and direction,” functioned as a method of supplying potential customers with a reference. Pl’s Resp. at 17. Plaintiff divides into four categories the Goldmine entries provided by Defendants as evidence of the truth of their Advisory Board statements, none of which demonstrate the validity of the Board. These categories are titled: (1) Expressing excitement about products to be offered for purchase; (2) Expressing satisfaction with products offered for purchase; (3) Expressing dissatisfaction with products offered for purchase; (4) Using Advisory Board members as references and advocates. In short, Plaintiffs argue that the Advisory Board is a tool used by Citation in order to spread positive reviews of its product to potential clients and the claims Defendants made as to the function of the Board on Citation’s website are so inaccurate as to constitute statutory violations as asserted in the Complaint.

**B. Statements Concerning Origin of Citation’s Information**

Defendants make four main arguments in regard the statements on the website concerning the origin of the information. The first two are identical to the arguments set forth above as to the Advisory Board, namely that the statements in question are literally true and even if not literally true they are not misleading. Again Defendants argue that Plaintiff has failed to show that there was actual deception of consumers and they also allege that Plaintiff has been unable to show that it suffered actual damages. In addition, Defendants argue that because state regulatory data is not protected information, it is irrelevant where Citation obtained its information. They

cite to a 2003 United States Supreme Court opinion in arguing that the Lanham Act does not prevent the unaccredited copying of an uncopyrighted work. See Dastar v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003). In the alternative, Defendants also assert that even if the state regulatory data was somehow protected, a Lanham Act suit is an inappropriate remedy. See id. at 34.

In response, Plaintiff does not contest the arguments put forth by Defendants concerning the unprotected nature of the state regulatory data. Instead, Plaintiff states that the reason for the focus on the misappropriation of data was to show that Defendant Citation could not have “acquired, reformatted, or enhanced” that data through a “highly automated, software-driven” process, as Citation asserted. Pl’s Resp. at 15. Specifically, Plaintiff maintains that the data was acquired by Citation from competitors and was therefore formatted and enhanced by competitors. Plaintiff cites to specific statements and actions of former and current Citation employees in support of its contentions. See, e.g., Calendire Declaration, Pl’s Resp., Ex. 22; David Vostrejs Declaration, Pl’s Resp., Ex 23.

### **C. Statements on International Data**

Plaintiff argues that Citation’s website contains literally false advertising statements about the scope and nature of its international data, because it does not provide fully searchable, full text regulations for Brazil, Poland, and the European Union. Moreover, Plaintiff maintains that an internal e-mail from Citation acknowledges the regulations for France and the European Union “are still somewhat under construction,” thus admitting that full-text versions for those regulations were not, in fact, available.

As for the international data, Defendants again argue that Plaintiff has failed to make out

a case of literal falsity and is therefore unable to prove its Lanham Act claim. Specifically, Defendants examine many of the statements and e-mails upon which Plaintiff relied in its arguments on international data and contend that the implications upon which Plaintiff seizes simply do not rise to the standard set forth by the Third Circuit for a showing of literal falsity. For instance, Defendants note that Citation can have full text regulations for a jurisdiction but not yet have a promotion running for that data. Similarly, full text regulations can be available while some of the data is still under construction. Also, Defendants argue that no representations were made on the website as to searchability and Plaintiff's attempt to establish such a statement through implication must fail.

**D. Statements on Patented Technology**

On the issue of Defendants' statements regarding patented technology, Plaintiff argues that Citation's website contains literally false advertising statements "trumpeting the existence of a non-existent patent and patented technology." Plaintiff states that Defendants own no such patent and that the patent is merely pending, but nonetheless the Citation sales force is using the "patented" language as a method of attracting new customers. Defendants acknowledge that the website should have referred to a patent as pending rather than an actual patent, and even concede that they are therefore in technical violation of the Lanham Act. That said, Defendants argue that the mistake was a minor one and understandable since Citation is a small and growing business. Still, Defendants contend that Plaintiff has failed to prove damages as required under the Lanham Act and that summary judgment should thus be granted on the statements related to the patent.

**III. Legal Standard**

Summary judgment is appropriate “if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law.” F.R. Civ. P. 56(c). An issue is “genuine” if the evidence is such that a reasonable jury could return a verdict for the non-moving party. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986). A factual dispute is “material” if it might affect the outcome of the case under governing law. Id. A party seeking summary judgment always bears the initial responsibility for informing the district court of the basis for its motion and identifying those portions of the record that it believes demonstrate the absence of a genuine issue of material fact. Celotex Corp. v. Catrett, 477 U.S. 317, 322 (1986). Where the non-moving party bears the burden of proof on a particular issue at trial, the moving party’s initial burden can be met simply by “pointing out to the district court that there is an absence of evidence to support the non-moving party’s case.” Id. at 325. After the moving party has met its initial burden, “the adverse party’s response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial.” F.R. Civ. P. 56(e). Summary judgment is appropriate if the non-moving party fails to rebut by making a factual showing “sufficient to establish the existence of an element essential to that party’s case, and on which that party will bear the burden of proof at trial.” Celotex, 477 U.S. at 322. Under Rule 56, the Court must view the evidence presented on the motion in the light most favorable to the opposing party.

Anderson, 477 U.S. at 255.

#### **IV. Discussion**

Section 43(a)(1) of the Lanham Act provides in relevant part:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which- (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1). In order to establish a Lanham Act claim based on a false or misleading representation of a product, the plaintiff must show: (1) that the defendant has made false or misleading statements as to his own product [or another's]; (2) that there is actual deception or at least a tendency to deceive a substantial portion of the intended audience; (3) that the deception is material in that it is likely to influence purchasing decisions; (4) that the advertised goods traveled in interstate commerce; and (5) that there is a likelihood of injury to the plaintiff in terms of declining sales, loss of good will, etc. Werner-Lambert Co. v. Brathasure, Inc., 204 F.3d 87, 92 (3d Cir. 2000) (citing Johnson & Johnson-Merck Consumer Pharmaceuticals Co. v. Rhone-Poulenc Rorer Pharmaceuticals, Inc., 19 F.3d 125, 129 (3d Cir. 1994)). The Werner Lambert court continued, noting, “However, ‘if a plaintiff proves a challenged claim is literally false, a court may grant relief without considering whether the buying public was misled.’” Id. (quoting Johnson & Johnson-Merck, 19 F.3d at 129)).

Thus, there are two ways to prove a false advertising claim under the Lanham Act. Either the advertisement must be literally false, or it must be literally true but misleading to the consumer. Castrol Inc. v. Pennzoil Co., 987 F.2d 939, 943 (3d Cir. 1993). “If an advertisement

is literally false, the plaintiff does not have to prove actual consumer deception. Highmark, Inc. v. UPMC Health Plan, 276 F.3d 160, 171 (3d Cir. 2001) (citing Castrol, 987 F.2d at 943). If, on the other hand, an advertisement is literally true but misleading, the plaintiff must prove actual deception by a preponderance of the evidence. Id. If a claim is literally true, a plaintiff “cannot obtain relief by arguing how consumers could react; it must show how consumers actually do react.” Castrol, 987 F.2d at 943 (quoting Sandoz Pharm. Corp. v. Richardson-Vicks, Inc., 902 F.2d 222, 228–29 (3d Cir. 1990)).

In Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharmaceuticals Co., 290 F.3d 578 (3d Cir. 2002), the Third Circuit provided a more detailed discussion of literally false statements under the Lanham Act. In ascertaining literal falsity a court must determine, first, “the unambiguous claims made by the advertisement or product name, and second, whether those claims are false.” Id. at 586 (citing Clorox Co. v. Proctor & Gamble Commercial Co., 228 F.3d 24, 34 (1st Cir. 2000)). The Novartis court also held that a statement could be deemed literally false by implication if “considering the advertisement in its entirety, the audience would recognize the claim as readily as if it had been explicitly stated.” Id. at 586–87 (quoting Clorox, 228 F.3d at 35). However, there is a well-defined limitation upon a court’s ability to find a statement literally false by means of implication, since “only an unambiguous message can be literally false.” Id. at 587. “The greater the degree to which a message relies upon the viewer or consumer to integrate its components and draw the apparent conclusion, however, the less likely it is that a finding of literal falsity will be supported.” Id. (quoting United Indus. Corp. v. Clorox Co., 140 F.3d 1175, 1181 (8th Cir. 1998)).

At the oral argument, Plaintiff’s counsel acknowledged what had seemed clear to the



Court from its responsive brief — that it was relying only on the “literally false” prong of the Lanham Act cases. Essentially, Plaintiff contends that as to the four separate categories set forth at the outset of this memorandum, Defendants’ statements were literally false. This acknowledgment by Plaintiff greatly simplified the Court’s analysis, and at the conclusion of the argument, the Court, having read the briefs and hearing counsel, found that there was no evidence the Advisory Board claims, the origin/source claims, and the international data claims were literally false. The Court’s bases for these conclusions are set forth below and each category will be discussed briefly.

**A. Claims Relating to the Citation Advisory Board**

The Court concludes that the record evidence in this case clearly indicates that even if the allegation that Citation was using its Advisory Board as a reference tool is true, the individual responses gathered from the Goldmine database indicate that there was at least some feedback coming in from the members. The fact that at least some of the listed Advisory Board members provided feedback to Citation as to its product line requires the Court to conclude that the statements that the Advisory Board provides “insight, advice, and direction” is not literally false under the Lanham Act. While Plaintiff could certainly have attempted to show that the statement was true but misleading, see Highmark, 276 F.3d at 171, Plaintiff has made no such attempt. Plaintiff failed to submit any consumer survey or other such evidence necessary to prove actual deception by a preponderance of the evidence by showing “how consumers actually do react.” Castrol, 987 F.2d at 943. Therefore,

**B. Claims Relating to the Origin of Data Used by Citation**

The Court concludes that even if a jury could find that Citation was misappropriating data

from BNA and others, it would still be impossible for the Court to conclude that the statements in question are “literally false.” The basic source of the data is unprotected. Citation’s claim about the software, etc. does not go to the origin of the data, but only to its presentation on Citation’s website. Thus, Plaintiff again runs up against the same problem as for the Advisory Board, since it relies only on the literally false prong of the Lanham Act test. That is to say that even if the statements concerning the origin of the data are deemed literally true but misleading, Plaintiff, by its own admission, has not made the necessary showing of actual customer deception.

**C. Claims Relating to International Data Mentioned on Citation’s Website**

Plaintiff relies upon Novartis in arguing that the lack of full-text searchable versions of these foreign regulations, arguing that because a “literally false statement may be conveyed by necessary implication when, considering the advertisement in its entirety, the audience would recognize the claim as readily as if it had been explicitly stated.” 290 F.3d at 586–87. However, Citation never stated its international data was full-text searchable.

**D. Claims Relating to a Patented Technology Touted by Citation**

As to the patent claim, the Court allowed sixty days for additional discovery because it found from the undisputed evidence that although Defendant Citation did not actually have a patent, it made claims that it did. See Defs’ Reply at 21 (conceding that Defendants were “technically” in violation of the Lanham Act). The Court has determined that a jury could find the statements on the Citation website concerning “patented technology” to be literally false under the Lanham Act (and thus constitute unfair competition under Pennsylvania common law).

The Court also concludes that an issue remains as to whether Plaintiff has been injured as a result

of these claims and expects that this issue will be a focus of the supplemental sixty-day discovery period.

**V. Conclusion**

For the reasons stated above, the Court concludes that there was insufficient evidence in the record to conclude that a rational jury could find for the Plaintiff as to the Lanham Act and Unfair Competition claims related to the Advisory Board, the origin of data, and the international data. However, Defendants acknowledged the literal falsity of the statements concerning the patent, and the Court will therefore allow the claims on that statement to proceed. Additional discovery has been permitted on this issue, in particular on the issue of damages suffered by Plaintiff, and the parties will comply with the due dates set forth in this Court's Order of August 22, 2006.

BY THE COURT:

s/Michael M. Baylson

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Michael M. Baylson, U.S.D.J.