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REGULATION OF ADVERTISING:

CAPITAL MARKET EFFECTS



by

Alan Mathios and Mark Plummer

**Bureau of Economics Staff Report
to the Federal Trade Commission**

April 1988

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This report has been prepared by staff members of the Bureau of Economics of the Federal Trade Commission. It has not been reviewed by, nor does it necessarily reflect the views of, the Commission or any of its members.

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Regulation of Advertising: Capital Market Effects

Executive Summary

There are a multitude of private and public mechanisms that may help ensure truth in advertising. Public institutions can attempt to ensure truth in advertising by penalizing firms that engage in false or misleading advertising, thereby deterring these and other firms from such behavior. This report focuses on the abilities of three institutions that regulate advertising to impose costs on firms accused of false or misleading advertising. The first is the Federal Trade Commission (FTC). The second is an industry self-regulatory group, the National Advertising Division of the Council of Better Business Bureaus (NAD) and its appellate board, the National Advertising Review Board (NARB). The final institution is private litigation under Section 43(a) of the Lanham Act, which allows businesses to sue one another for false advertising.

The abilities of these three institutions to impose costs on firms are in part governed by their relevant statutes. The FTC has the statutory power to put restrictions on current and future advertising by firms believed to be advertising falsely or deceptively, and in some cases to seek monetary penalties. The Lanham Act creates a statutory right for firms to seek injunctive relief and damage awards in advertising cases. In contrast, the NAD/NARB process is voluntary and is not legally binding on the participants. "Penalties" are limited to voluntary compliance with a request to modify or halt an advertising campaign.

Some have argued that FTC cease and desist orders may have provided no deterrence power since, prior to 1975, firms did not pay fines but were only given warnings. Similar criticisms might be raised regarding the NAD/NARB since their decisions are not even legally binding on the parties involved. Furthermore, Lanham Act court decisions often consist solely of a preliminary injunction that enjoins the firm from using the advertising under question.

In fact, these limits on the abilities of the three institutions to impose monetary penalties do not imply a lack of deterrence power because enforcement of advertising regulation even without the imposition of monetary penalties can impose significant costs on firms. First, as a result of an institution's enforcement activity, an advertiser may be forced to stop a current advertising campaign and thereby forego its expected benefits. Second, the FTC can impose restrictions on *future* advertising. Third, a firm's reputation can be damaged by involvement with any of the institutions. Fourth, a firm incurs the litigation costs associated with the case.

The differences among the three institutions in legal authority, ability to impose restrictions on advertising, ability to impose penalties, the speed with which a case is decided, the publicity surrounding its decisions, and the litigation and compliance costs associated with a case suggest that the institutions will differ in their ability to impose costs on firms.

We measure an institution's deterrence power by using stock market data to identify abnormal changes in the firm's market value during the progress of an advertising case. We focus on cases between 1962-1985 involving firms listed on the New York or American stock exchanges. The results of this analysis suggest that of the three institutions, the FTC has the greatest impact on the capital market values of firms.

While the FTC no longer discloses the existence of law enforcement investigations prior to an announcement of a negotiated consent agreement or a complaint, it did make such announcements before the early 1970's. For cases that were settled immediately by a negotiated consent agreement, the announcement of an investigation entailed an average abnormal loss of 2.5% of the value of the firm for the 5 day window around the event.

While the early announcement of the investigation had a significant negative impact, the press announcement of the actual consent agreement had no effect on the capital market

value of the firm, regardless of whether there was an earlier announcement of the investigation. This may indicate that for the more recent cases (cases after the early 1970's for which there was no announcement of the investigation prior to the consent agreement), the firms have experienced no capital market loss from involvement with the FTC. Alternatively, it may be that our empirical methodology fails to capture the capital market loss. This would be the case if, prior to the announcement of the consent, the market learned that the firm was in trouble and discounted the firm's share price.

For cases that are not settled by a negotiated consent, but are contested by the advertiser, the study shows large capital market losses. The firm suffers an abnormal loss around the announcement of a complaint, an unfavorable Administrative Law Judge (ALJ) decision, and a final order.¹ The dismissal of a case produced no significant abnormal gain or loss to the firm, yet these same firms suffered significant losses at the complaint stage, and at the ALJ stage. These losses for the litigated cases suggest that involvement of an advertiser with the FTC can be very costly to the firm, whether or not the firm is eventually found in violation and whether or not it is required to pay a monetary penalty.

¹ For the announcement of a complaint, we have attempted to distinguish announcements of investigations from actual complaint announcements. The capital market losses surrounding the announcements of investigations (cases before the early 1970's) are larger than those for actual complaint announcements. As with immediately negotiated consents, this may indicate that for the more recent cases (those for which we have only an announcement of an investigation) there are smaller capital market losses. Alternatively, it may be that our empirical methodology fails to capture all of the capital market loss. This would be the case if, prior to the announcement of the actual complaint, the market learned that the firm was in trouble and discounted the firm's share price.

Our empirical methodology indicates that involvement with the NAD/NARB does not result in significant abnormal capital market losses to firms. This may be because of the relatively limited publicity accorded its decisions, its inability to impose cease and desist orders applying to future advertising, and the fact that many ads can be slightly modified to meet its standards. Alternatively, the apparent lack of capital market effects may be because of the particular types of cases the NAD/NARB handles. Additionally, it is possible that our empirical methodology fails to capture the capital market loss. This would be the case if, prior to the announcement of the NAD/NARB decision, the market had learned the outcome of the case and had already discounted the firm's share price.

Similarly, Lanham Act suits do not result in significant abnormal capital market losses to defendant firms around suit filings, settlements or unfavorable district court decisions. However, firms do experience losses that are close to being significant around suit filings and settlements. Therefore, the cumulative loss for these two stages combined may indicate some deterrence power.

Whether the ability of any of the three institutions to impose costs on firms results in an increase or decrease in consumer welfare depends crucially on the case selection of the institution. For example, if an institution has deterrence power along with poor case selection, consumer welfare can decrease, since useful advertising may be deterred. On the other hand, if the institution has deterrence power combined with good case selection, consumer welfare may increase. We do not address the issue of proper case selection and the related issue of consumer welfare effects in this paper.

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Regulation of Advertising: Capital Market Effects

I. Introduction and Summary

There are a multitude of private and public mechanisms that may help ensure truth in advertising. Consumers can penalize a false or misleading advertiser by reducing their purchases of the firm's products and by being more skeptical of any future advertising. Public institutions can attempt to ensure truth in advertising by penalizing firms that engage in false or misleading advertising, thereby deterring these and other firms from such behavior. This report focuses on the abilities of three institutions that regulate advertising to impose costs on firms accused of false or misleading advertising.¹ The first is the Federal Trade Commission (FTC). The second is an industry self-regulatory group, the National Advertising Division of the Council of Better Business Bureaus (NAD) and its appellate board, the National Advertising Review Board (NARB). The final institution is private litigation under Section 43(a) of the Lanham Act, which allows businesses to sue one another for false advertising.

The abilities of these three institutions to impose costs on firms are in part governed by their relevant statutes. The FTC has the statutory power to put restrictions on current and future advertising by firms believed to be advertising falsely or deceptively, and in some cases to seek monetary penalties.² The Lanham Act creates a statutory right for

¹ We will assume that the ability to impose costs on firms gives an institution "deterrence power". This term relates to the ability to discourage both false and truthful advertising. This paper does not address the issue of whether the deterrence power by any of these institutions increases or decreases consumer welfare. Which of these is the case depends crucially on the case selection of the institution. See discussion *infra* at 6.

² Until 1975, the principal remedy available to the FTC for an initial advertising violation case was a cease and desist order. The FTC could not impose monetary penalties

firms to seek injunctive relief and damage awards in advertising cases. In contrast, the NAD/NARB process is voluntary and is not legally binding on the participants. "Penalties" are limited to voluntary compliance with a request to modify or halt an advertising campaign.

Some have argued that FTC cease and desist orders have provided no deterrence power since, prior to 1975, firms did not pay fines but were only given warnings.³ Similar criticisms might be raised regarding the NAD/NARB since their decisions are not even legally binding on the parties involved. Furthermore, Lanham Act court decisions often consist solely of a preliminary injunction that enjoins the firm from using the advertising under question. It is rare that any monetary damages are awarded.⁴ Therefore, Lanham Act decisions appear to function simply as cease and desist orders.

In fact, these limits on the abilities of the three institutions to impose monetary penalties do not imply a lack of deterrence power because enforcement of advertising regulation even without the imposition of monetary penalties can impose significant costs on firms. First, as a result of an institution's enforcement activity, an advertiser may be

for an initial violation, although subsequent violations of orders were subject to monetary penalties. In 1975 the FTC received statutory authority to seek monetary civil penalties (if the firm knowingly violates an order from a previously litigated case) and consumer redress for certain initial violations.

³ See S. Peltzman, "The Effects of FTC Advertising Regulation," 24 *Journal of Law and Economics*, 403 (1981), and R. Pitofsky, "Beyond Nader: Consumer Protection and the Regulation of Advertising," 90 *Harvard Law Review*, 661 (1977). Peltzman questions whether cease and desist orders can deter future violations. His empirical evidence for 23 cases suggests that such orders can deter behavior.

⁴ In a recent case (*U-Haul vs. Jartran*), however, large monetary damages were awarded. See 601 F.Supp. 1140 (1984).

forced to stop a current advertising campaign and thereby forego its expected benefits. Second, the FTC can impose restrictions on *future* advertising. These restrictions are often broader than the current advertising being questioned. For example, Sears was investigated because of advertisements for its dishwashers, yet received a cease and desist order concerning the advertisements for a broad category of major appliances.⁵

Third, a firm's reputation can be damaged by involvement with any of the institutions. FTC cases receive regular coverage in the *Wall Street Journal* and other newspapers while NAD/NARB decisions are principally covered in *Advertising Age*. Lanham Act cases receive sporadic coverage in the *Wall Street Journal*. Such publicity may raise consumer doubts concerning the truthfulness of the ads in question and perhaps all of the advertising of that firm. In addition to consumer doubts, there may be investor doubts. That is, potential investors in the firm may bid less for shares because of concern about the management of the firm.

Fourth, a firm incurs the litigation costs associated with the case. These costs may be substantial since an advertising case may last for many years. In addition, if a firm negotiates a settlement with, or is found guilty by, the FTC, the compliance costs associated with the consent or order may be large.

The differences among the three institutions in legal authority, ability to impose restrictions on advertising, ability to impose penalties, the speed with which a case is decided, the publicity surrounding its decisions, and the litigation and compliance costs associated with a case suggest that the institutions will differ in their ability to impose costs on firms. The relative deterrence powers of the three institutions is ultimately an empirical question.

We measure an institution's deterrence power by using stock market data to identify abnormal changes in the firm's

⁵ See 95 FTC 406 (1980).

market value during the progress of an advertising case. We focus on cases between 1962-1985 involving firms listed on the New York or American stock exchanges. The results of this analysis suggest that of the three institutions, the FTC has the greatest impact on the capital market values of firms.

While the FTC no longer discloses the existence of law enforcement investigations prior to an announcement of a negotiated consent agreement or a complaint, it did make such announcements before the early 1970's. For cases that were settled immediately by a negotiated consent agreement,⁶ the earlier announcement of an investigation entailed an average abnormal loss of 2.5% of the value of the firm for the 5 day window around the event.

While the early announcement of the investigation had a significant negative impact, the press announcement of the actual consent agreement had no effect on the capital market value of the firm, regardless of whether there was an earlier announcement of the investigation. This may indicate that for the more recent cases (cases after the early 1970's for which there was no announcement of the investigation prior to the consent agreement), the firms have experienced no capital market loss from involvement with the FTC. Alternatively, it may be that our empirical methodology fails to capture the capital market loss. This would be the case if, prior to the announcement of the consent, the market learned that the firm was in trouble and discounted the firm's share price.

For the sample of cases that are not settled by a negotiated consent, but are contested by the advertiser, the study shows large capital market losses for the firms in our sample. The firm suffered an abnormal loss around the announcement of a complaint, an unfavorable administrative

⁶ For a description of the different types of cases, see *infra* at 7.

law judge (ALJ) decision, and a final order.⁷ Using a 3 day window, complaints impose a 1.2% loss on the firm; unfavorable ALJ decisions impose a 1.8% loss; and final Commission orders⁸ following an unfavorable ALJ decision impose a 1.9% loss. The dismissal of a case produced no significant abnormal gain or loss to the firm, yet these same firms suffered significant losses at the complaint stage, and at the ALJ stage. These losses for the litigated cases suggest that involvement of an advertiser with the FTC was very costly to the firm, whether or not the firm was eventually found in violation and whether or not it was required to pay a monetary penalty.

Our findings concerning the capital market losses associated with involvement of an advertiser with the FTC

⁷ The problem of the market learning that the firm is in trouble prior to the announcement of a complaint is similar to the problem associated with the announcement of a consent agreement. For the announcement of a complaint, we have attempted to distinguish announcements of the investigation from actual complaint announcements. The capital market losses surrounding the announcement of the investigation (cases before the early 1970's) are larger than those for actual complaint announcements. As with immediately negotiated consents, this may indicate that for the more recent cases (those for which we have only a complaint announcement and not an investigation announcement) there are smaller capital market losses. Alternatively, it may be that our empirical methodology fails to capture all of the capital market loss. This would be the case if, prior to the announcement of the actual complaint, the market learned that the firm was in trouble and discounted the firm's share price.

⁸ Only one of these 19 final orders contained monetary redress.

are consistent with the findings of other researchers.⁹ Peltzman (1981) found the magnitude of the loss to be "surprising", but the present study and Sauer and Leffler (1987) confirm Peltzman's initial results.

Our empirical methodology indicates that involvement with the NAD does not result in significant abnormal capital market losses to firms. Additionally, unfavorable NARB decisions do not result in significant capital market losses to firms, except for the one firm in the sample that received an unfavorable NARB decision following a favorable NAD decision. Similarly, Lanham Act suits do not result in significant abnormal capital market losses to defendant firms around suit filings, settlements or unfavorable district court decisions. However, firms do experience losses that are close to being significant around suit filings and settlements. Therefore, the cumulative loss for these two stages combined may indicate some deterrence power.

Whether the ability of any of the three institutions to impose costs on firms results in an increase or decrease in consumer welfare depends crucially on the case selection of the institution. For example, if an institution has deterrence power along with poor case selection, consumer welfare can decrease, since useful advertising may be deterred. On the other hand, if the institution has deterrence power combined with good case selection, consumer welfare may increase. This study focuses only on the ability of institutions to impose costs on firms. We do not address the issue of proper case selection and the related issue of consumer welfare effects in this paper.

Section II of the report describes the regulation of advertising by each of the three institutions. Section III addresses the measurement of the costs that firms incur from the regulation of advertising. Section IV presents the results of a capital market event analysis of over 150 advertising

⁹ See Peltzman (1981) *supra* at note 3, and R. Sauer and K. Leffler (1987), "Advertising Substantiation and Information Credibility," forthcoming, *Economic Inquiry*.

cases. Section V draws some conclusions about the institutions' absolute and relative deterrence powers.

II. Three Institutions that Regulate Advertising

Below, we briefly describe the manner in which each institution "regulates" advertising. Included in this description is an outline of the different stages of an advertising case as it progresses through each institution.

A. The Federal Trade Commission

The FTC derives its regulatory power from its enabling statute, the Federal Trade Commission Act of 1914, and subsequent amendments. For the regulation of advertising, the most important amendment came in 1938, when the Commission was enabled to prevent "unfair or deceptive acts or practices" as well as "unfair methods of competition."¹⁰ The FTC's regulation of advertising has for the most part taken the form of pursuing advertisers who are believed to have made false, misleading, or unsubstantiated claims.

An FTC advertising case¹¹ begins with an investigation and can result in a complaint, which is voted out by the Commission. If a firm chooses to contest a complaint, the case is tried before an ALJ. Either party may appeal the decision of the ALJ, which then brings the case back before the Commission. The Commission reviews the ALJ's decision and either votes out a final order, which may be more lenient or more stringent than the ALJ's, or dismisses the case. A firm may appeal an FTC final order to a federal appellate court. The court may uphold the Commission's

¹⁰ 38 Stat. 717 (1938).

¹¹ The description in this section refers to initial violations, not violations of existing orders.

order, modify it, or overturn the decision. Reversals of FTC orders, however, are exceedingly rare.¹²

At any point in this process the advertiser may opt to forgo further litigation by agreeing to a negotiated consent order, which is voted on by the Commission. If a firm chooses not to contest a proposed complaint, and a mutually acceptable order can be negotiated, the complaint and the consent are simultaneous.

The FTC may seek an injunction to halt an ongoing advertising campaign. Although the Commission has increasingly sought injunctions in cases involving fraudulent or dishonest advertising, this remedy has rarely been invoked in general advertising cases; instead, remedies are imposed upon the final resolution of the case. Before 1975, such remedies were limited to cease and desist orders, which may not only stop a current advertising campaign but also raise the costs of or otherwise restrict future advertising.¹³ With the FTC Improvements Act of 1975, the Commission was enabled to recover monetary civil penalties for knowing violations of the findings in previously litigated cases and to sue for consumer redress.

B. The NAD/NARB

In 1971, the Council of Better Business Bureaus in conjunction with three advertising associations created a formal procedure designed to resolve charges of false and misleading advertising. The procedure consists of an initial review agency, the NAD, and an appellate board, the NARB,

¹² Courts have normally deferred to Commission judgment in matters such as whether an action is "unfair" or "deceptive" and what claims are made in an advertisement. See T. Muris, "Judicial Constraints," in *The Federal Trade Commission Since 1970*, K. Clarkson and T. Muris, eds. (1981), at 37-39.

¹³ Recall that penalties could be imposed for violations of existing cease and desist orders.

the latter used for appeals from the former. The review process is limited to national advertising; complaints concerning local advertising are referred to the local Better Business Bureau.

The NAD may receive complaints about a firm's advertising from consumers or competitors, or the NAD may initiate its own investigation. However, the NAD has a public interest standard which applies to its case selection and firms must agree to participate in the self-regulatory process. If the NAD judges an ad to be questionable, it may request substantiation from the advertiser. After evaluating whatever substantiation (if any) is submitted, the NAD reaches a decision and notifies all parties to the complaint. Any of these parties may appeal the decision to the NARB; if the advertiser does not cooperate with the NAD, the NAD may appeal to the NARB. Within this system, there is no formal way to appeal the NARB's decisions; instead, if the advertiser fails to heed the NARB's decision, the charter of the NAD/NARB mandates a referral of the matter to the "appropriate government authority." The NARB has publicly stated that this authority is the FTC.¹⁴

In virtually all cases, an unfavorable NAD/NARB decision requests that the advertising in question be modified or halted. The NAD/NARB process, however, is not legally binding on the parties. Nevertheless, the NAD has a record of substantial compliance with its initial decisions: in over 95% of the cases where the NAD has found an active advertising campaign unsubstantiated, the advertiser has

¹⁴ This was noted in a report to Congress from the NARB during oversight hearings on the FTC's Bureau of Consumer Protection rulemaking procedures. See *Oversight Hearings Into the Federal Trade Commission -- Bureau of Consumer Protection (Delays in Rulemaking-Regulation of Advertising)*, Appendix 2, Commerce, Consumer, and Monetary Affairs Subcommittee, House Government Operations Committee, February 25, June 22 and 24, 1976, at 236.

discontinued or modified that campaign.¹⁵ No firm has disregarded an unfavorable decision from the NARB.

C. The Lanham Act

The Lanham Act was passed in 1946 as a comprehensive revision of U.S. trademark laws. Section 43(a) of the Act allows one firm to sue another firm for false or misleading advertising.¹⁶ A plaintiff may bring suit only if it is a business enterprise and if it is likely to lose sales as a result

¹⁵ This is derived from NAD/NARB summary statistics reported in G. Armstrong and J. Ozanne, "An Evaluation of NAD/NARB Purpose and Performance," 12 *Journal of Advertising* 15 (1983). They examined 1141 NAD cases that were reported between 1975 and 1981. In 123 cases, the advertising in question had been previously discontinued; in 583 cases, the NAD judged the advertising to be substantiated; and in 435 cases, the advertising was judged to be unsubstantiated. Only 15 of these latter cases, or 3.5%, were appealed to the NARB by the advertiser or the NAD.

¹⁶ Section 43(a) of the Lanham Act reads:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

of the false advertising; the Act does not grant standing to consumers harmed by false advertising nor to firms whose business is unrelated to the defendant's.¹⁷

Early Section 43(a) cases gave standing to a much narrower range of competitors: those where the advertiser "palmed off" his goods as the competitor's goods. Starting in 1954, this requirement was slowly relaxed.¹⁸ A large increase in the use of the Lanham Act, however, did not occur until the mid 1970's. This coincided with the advent of comparative advertising making explicit references to competitors' products.¹⁹

A plaintiff may obtain a preliminary injunction against an advertiser, which can halt an active advertising campaign, and seek monetary damages. The evidence sufficient to obtain an injunction is considerably less than that required to obtain damages. Most plaintiffs seek only an injunction against a particular advertising campaign; few cases are pursued to the point of proving damages. A potential advantage of the Lanham Act is its ability to stop a false advertising campaign at an early stage. It is not unusual to find a preliminary injunction granted within a few weeks of the suit being filed. The defendant may appeal the injunction, and the appeal may take several months to over a year; however, the injunction is binding during this entire period.

¹⁷ See, e.g., *Alfred Dunhill Ltd. v. Interstate Cigar Co.*, 499 F.2d 232, 236 (1974).

¹⁸ The landmark case was *L'Aiglon Apparel v. Lana Lobell*, 214 F.2d. 649 (1954). In this case, the court emphasized that Section 43(a) was not merely a codification of the common law, which greatly restricted the ability of one firm to sue another for false advertising, but rather created a new federal statutory tort.

¹⁹ In the 1970's, the major television networks accepted advertising in which rival firms are specifically named.

D. Summary

The legal powers of the three institutions vary considerably. However, other factors such as the ability to stop an active advertising campaign and the ability to damage a firm's reputation also determine the deterrence power of the institution. On the one hand, the Lanham Act and NAD/NARB are much quicker in resolving cases than is the FTC. Many cease and desist orders issued by the FTC apply to advertising that occurred years earlier.²⁰ On the other hand, FTC decisions appear to receive the greatest amount of publicity of the three institutions, which probably gives the FTC the strongest potential to damage a firm's reputation.

The absolute and relative abilities of the institutions to impose costs on firms vary for a variety of reasons. No clear comparison of the powers of the three institutions can be made without considering the empirical evidence. The remainder of this report considers the evidence available from stock market effects. Again, this report does not address the issue of whether deterrence power enhances or reduces consumer welfare.

III. The Measurement of Deterrence Power

Following the work of Peltzman²¹ we measure an institution's deterrence power by using the changes in the firm's

²⁰ For example, the FTC's actions against American Home Products, Bristol-Myers, and Sterling Drug began in 1973 and ended in 1985. Each appealed the FTC's final order, handed down in 1981 for American Home Products and 1983 for the other two firms. Sterling Drug's appeal to the Supreme Court was turned down in 1985, 105 S. Ct. 1843, *cert. denied* (1985).

²¹ Peltzman (1981), *supra* note 3.

market value during the progress of an advertising case.²² Other things equal, on average, any change in this value reflects the market's evaluation of the expected effect of the institution's actions on the future profits of the firm.²³ A large decrease in the average values of firms believed to have advertised deceptively or falsely indicates that the institution has the potential to deter similar advertising, as firms would be expected to incorporate the possibility of this decrease into the expected costs of such advertising.

The measurement of the market effects stemming from an advertising case is complicated by the fact that a case is rarely decided by a single event.²⁴ Instead, a case goes through several stages and involves a number of decisions. Each decision would be expected to affect the market value of the firm primarily to the extent that the decision changes expectations about the ultimate outcome of the case.²⁵ For

²² In addition to Peltzman, Sauer and Leffler (1987) have used this methodology to measure the deterrence power of the FTC. See *supra* at note 9.

²³ The assumptions of efficient capital markets and rational expectations imply that across a sample of firms the market is unbiased in the way it revalues the assets of a firm. For an excellent discussion of the theory of efficient capital markets and the empirical evidence concerning the theory, see E. Fama, *Foundations of Finance*, New York, 1976.

²⁴ An additional complication is the incremental disclosure of information about the decisions and actions of the institutions. Information about a decision might come out over time, or be anticipated, so that the effect of the decision would be hard to identify. The manner in which we account for incremental disclosure of information is discussed later in this section.

²⁵ Changes in expectations concerning the ultimate outcome may not be the only source of changes in the market value of the firm. Consider a firm that receives a complaint, yet is certain ultimately to be found innocent.

example, if all firms charged with false advertising eventually receive adverse decisions, any intermediate decisions will not change expectations about an accused firm's fate. If there is no uncertainty over the outcome of the case,²⁶ whatever loss the firm suffers will occur as soon as the firm is charged. If there is uncertainty over the outcome of the case, any losses will be distributed over the different stages. In this paper, we treat each stage of an advertising case as a separate event. Our measure of the deterrence power of a particular institution is then the sum across the different stages of the average loss at each stage for the firms named in advertising cases. Below, we discuss first the sample of cases used in the study and then the method for estimating the capital market effects.

A. Data

Advertising cases were identified directly by examining the published decisions of each institution, where available, or indirectly through references to cases in the *Wall Street Journal*²⁷ and *Advertising Age*. Our major criteria for including a case in the sample were: 1) the focus of the case was advertising; 2) the firm involved in the case is listed on

The market may react negatively to this complaint since such a firm may be regarded as more likely to receive future FTC scrutiny.

²⁶ This presumes that decisions have a single dimension: for or against the firm. In fact, decisions usually have at least two dimensions: one that captures this feature and one that indicates the extent of the penalty.

²⁷ To identify cases in the *Wall Street Journal*, we examined the index under the heading of "Advertising" for the years 1963-1985. This task provided us with a sample including Lanham Act cases that never appear in any legal cites because the cases were settled before court trials began.

the AMEX or NYSE;²⁸ and 3) the case was initiated after July 1, 1963.²⁹ In addition, because of the large volume of NAD cases since its inception in 1972,³⁰ we included only NAD cases that met the above criteria and were appealed to the NARB or were decided by the NAD between January and October, 1985. This procedure produced a sample of 136 FTC cases,³¹ 38 NAD/NARB cases, and 32 Lanham Act cases.

The published record or other account of each case was read to obtain information on the decisions at each stage of the case. The decision at each stage was characterized as unfavorable or favorable to the firm charged with false or deceptive advertising based on whether the firm was found guilty or not and whether the prospective penalty was increased or decreased.³² A more detailed description of our case selection for each institution is included in Appendix A, which also includes an annotated list of the cases included in the sample.

We used capital market event analysis to examine the effects of an institution's decisions on firms named in an advertising case. Events included the opening of a case with a complaint or suit, any intermediate and final decisions by

²⁸ For Lanham Act cases we included only the firm charged with false advertising.

²⁹ We used the Center for Research on Security Prices (CRSP) data to conduct the stock market analysis described in this section. Our model uses 200 trading days of data prior to an event; the CRSP data begin July 1, 1962.

³⁰ The NAD has heard well over 1500 cases since 1973.

³¹ All FTC cases are initial violations, not violations of existing orders.

³² Consent orders do not involve a decision since they are negotiated agreements. In the empirical section we examine the effect of consent orders on the capital market value of the firm separately from cases that received a decision.

the institution, and appeals from the institution's final decision.

Because changes in market values will be produced by changes in expectations, we need to identify the timing of the events that are apt to change expectations. For FTC cases, we used the date of the first *Wall Street Journal* announcement as the event date, whether the FTC official date came before or after the *Wall Street Journal* date. For complaints, the *Wall Street Journal* date almost always preceded the FTC date by several months.

NAD/NARB cases are rarely covered in the *Wall Street Journal* but receive regular coverage in *Advertising Age*. For these cases, we used the date of publication of the *Advertising Age* issue covering the case.³³ Finally, many Lanham Act cases do not receive *Wall Street Journal* coverage. The date of any *Wall Street Journal* announcement concerning a case was used whenever available; otherwise, we used the court date of a decision where that date was known.³⁴

B. Capital Market Event Analysis

To examine whether an event had an effect on the market value of a firm involved in an advertising case, we obtained the firm's "abnormal" return around the date of the relevant stage of the case using the following regression estimated by ordinary least squares:

$$(1) R_{it} = a_i + b_i R_{mt} + c_i d + e_{it}$$

where

R_{it} = the percentage return to firm i on day t ,

³³ The date of publication of the *Advertising Age* issue covering the case is almost always the day on which the NAD releases its decisions.

³⁴ Where there were both a *Wall Street Journal* date and a court date for the same event, the former usually followed the latter by only a few days.

R_{mt} = the percentage return to a market portfolio on day t ,

$d = 1$ for days during the event; 0 otherwise.

e_{it} = a normally distributed random disturbance to firm i on day t .

The coefficient on the market return variable, b_i , is an estimate of the "systematic" risk of the firm while the coefficient on the event dummy represents the average one-day abnormal return to the firm during the event.³⁵

Equation (1) is estimated using 200 trading days prior to the event and 50 trading days after the event.³⁶ In cases where we have the *Wall Street Journal* date, we constructed dummy variables for four event periods to estimate abnormal returns during an event: the trading day of the event; 1 trading day prior through one trading day after (a 3 day window); 3 trading days prior through 1 trading day after (a 5 day window); and 25 trading days prior through 5 trading days after (a 31 day window).³⁷ The latter three windows

³⁵ This specification implicitly assumes that the events in question have an equal percentage rather than absolute effect on the market value of a firm. For the effect of an institution's decision on a firm's reputation, the equal percentage assumption may be preferable to the equal absolute specification. For litigation and compliance costs, the equal absolute specification may be preferable. We use the equal percentage specification since it has convenient statistical properties and has been used in many other studies (including Peltzman (1981)).

³⁶ We used some post-event trading days to account for possible changes in systematic risk.

³⁷ We used the same number of trading days to estimate each of these four models. The estimates of systematic risk, b_i , therefore will differ slightly for each model.

are intended to account for information disclosed around our chosen date.

For cases where only a court date is available we form a different set of windows. Because there can be no revelation of the decision if it is not yet known, we form windows with a longer period after the event date. These event windows are the following: 1 trading day prior through 4 trading days after (a 6 day window); 3 trading days prior through 4 trading days after (a 8 day window); 1 trading day prior through 9 trading days after (a 11 day window); 3 trading days prior through 9 trading days after (a 13 day window).

Our measure of the average cumulative abnormal return resulting from an event over the N firms in the sample is given by

$$(2) \quad CAR = \frac{1}{L} \sum_{i=1}^N c_i w_i$$

where

L = the length of event window (number of days),

c_i = the estimated coefficient on the event window dummy,

$$w_i = (1/SE_i) / \sum_{i=1}^N (1/SE_i), \text{ and } \sum_{i=1}^N w_i = 1,$$

SE_i = the standard error of c_i .

We use as our CAR a weighted average of the individual coefficients. This weighted average can be shown to be a transformation of the sum of the individual t-values. We use this transformation so that the CARs are in percentage returns rather than in standard deviation units. All statistical tests, however, are based on the sum of the t-

values rather than on the transformed CARs. The transformation is for expositional purposes.³⁸

IV. Capital Market Effects

Subsections 1, 2 and 3 below discuss the results of the capital market event analysis for each stage of an FTC case, NAD/NARB case and Lanham Act suit, respectively. For the results, we list the average cumulative abnormal return (CAR) for the firms in our sample that experienced an event, with the t-statistic for the CAR in parentheses. The CAR is calculated for the four event windows (1-day, 3-day, 5-day, and 31-day) described above.³⁹ Appendix B contains the CAR to each firm.⁴⁰ These returns are used to compute the CAR's reported in the tables and discussed in the text.

³⁸ To check the sensitivity of the results we also used an unweighted average of the c_i 's. This did not change any of the conclusions of the study. In fact, for the results that are statistically significant the CARs computed under the alternative weighting schemes are extremely similar.

The t-statistic for whether the sum of the t-values across the N firms are different than zero is given by:

$$t_w = (1/\sqrt{N}) \sum_{i=1}^N (c_i/SE_i).$$

³⁹ Recall that these windows are used for *Wall Street Journal* and *Ad Age* announcements. For court dates we use different windows.

⁴⁰ The CAR for each firm is obtained by multiplying the number of days in the respective event window by the estimated per day abnormal return.

1. FTC Cases

The 122 FTC observations consist of several different types of cases, each of which we analyze separately. Seventy-four of the 122 observations are negotiated consents in which the firm immediately negotiates a consent agreement. Forty-eight of the 122 observations are ones where the firm did not immediately consent but rather contested the complaint. Such cases are called docketed matters.⁴¹

Of the 48 docketed matters, we have 39 in which there was a *Wall Street Journal* announcement of the complaint. In 19 of the docketed matters there was a *Wall Street Journal* announcement that the firm eventually negotiated a consent⁴² (negotiated final order), in 24 cases there was a *Wall Street Journal* announcement of the ALJ decision (19 unfavorable to the firm, 5 favorable to the firm), and in 24 there was an

⁴¹ These 122 observations are really based on 136 cases (87 immediate consents, 49 docketed matters). If two firms received a complaint for the same violation at the same time (as Mattel and Topper did for their advertising of the performance of their toys), we combined the returns to these firms into a single portfolio to preserve the statistical properties of independence across cases. This is required for the statistical tests we later implement. This was done 9 times. In addition, for 5 of the cases, though there was a complaint and an immediate consent there was never any *Wall Street Journal* article. These were omitted from the analysis. Therefore, forming portfolios and deleting cases with missing data reduces the 136 cases to 122 observations (74 immediate consents, 48 docketed matters).

⁴² Consents that occur after (not simultaneously with) the filing of the complaint are listed in Appendix A as final orders. For the sample of cases in the appendix, the way to distinguish these negotiated final orders from final orders imposed by an ALJ, Commission, or court is to note that for consented final orders there is no ALJ decision. However, it is possible for a firm to consent after an ALJ decision.

announcement of the final order (20 unfavorable to the firm, 4 dismissals). We have data on 11 docketed matters that were appealed to the federal court.⁴³ The results for all of these stages are reported in Table 1.

A. Immediately Negotiated Consents

The 74 observations in which the firm agrees immediately to a consent can be divided into two groups, based on whether or not the existence of the investigation was reported in advance of the consent agreement in the *Wall Street Journal* as a result of press announcements before the early 1970's by the FTC.⁴⁴ These two groups are distinguished because the capital market event analysis examines changes in market value as a result of *changes* in expectations. The changes in expectations resulting from the announcement of a consent agreement would differ based on whether investors already knew that the firm was "in trouble". If investors learn that the firm is in trouble prior to the announcement of the consent, the latter announcement merely informs investors that the firm has negotiated a settlement ending the already known dispute. We have 62 negotiated consents in which there is a single *Wall Street Journal* announcement of the complaint and consent, and 12

⁴³ For appellate court decisions we have 11 cases for which we know the court date of the decision. For six of these there is also a *Wall Street Journal* announcement of the decision. For these six cases the *Wall Street Journal* dates are within days of the court dates. Due to the small sample of cases and the proximity of the dates from the two sources we did not delete appellate court decisions if only the court date existed. Instead, we formed event windows around the court date.

⁴⁴ Until the early 1970's the FTC would occasionally announce that a firm was under investigation before it issued a complaint. The FTC no longer discloses the existence of law enforcement investigations in advance, but instead, announces commission complaints only at the time they are filed.

cases in which there are separate *Wall Street Journal* announcements of the impending complaint and the actual consent agreement. The results for the two types of immediate consents are listed in the first three lines of Table 1.

i) Separate Press Announcements of the Investigation and Consent (all of these cases are before the early 1970's)

The 12 firms for which there was an announcement of the investigation prior to the announcement of the consent suffered abnormal negative returns from the announcement of the complaint.⁴⁵ The average cumulative abnormal returns to firms around the announcement of the investigation for the 1 day, 3 day and 5 day windows are 0.0% (0.07), -1.1% (-1.31), and -2.5% (-2.33).⁴⁶ The subsequent consent agreement announcement for the 12 firms had no discernible impact on the values of the firms.

⁴⁵ For one of the cases we had an announcement of an investigation and an announcement of the consent yet only had capital market data surrounding the consent announcement. Therefore, in our sample we have 11 investigation announcements and 12 consent announcements.

⁴⁶ t-values for the respective estimates appear in parentheses. t-values that exceed 1.96 indicate significance at the 95% significance level. For some of the results presented in this study the cumulative abnormal returns for the 3-day window are statistically significant while the returns for the 5-day window are not. This is not surprising. The use of a longer window decreases the precision of the estimate of the abnormal return. Consequently, the identical cumulative abnormal return can be significant for the 3-day window and not significant for the 5-day window. Though the results for the 31 day window are presented in the tables, for expositional reasons we do not discuss them in the text. Because of the long 31 day window, the power of the test is low and we obtain no significant t-values.

Table 1
FTC Decisions

| Type of Decision | Event Window | | | | | | | |
|-----------------------------|--------------|----------|--------|-----------|--------|-----------|--------|---------|
| | 1 Day | | 3 Day | | 5 Day | | 31 Day | |
| | CAR | t-val. | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| I. Consents | | | | | | | | |
| A. Simultaneous (62) | 0.000 | (-0.09) | 0.005 | (1.45) | 0.002 | (0.51) | 0.012 | (0.77) |
| B. Separate | | | | | | | | |
| 1. Complaint (11) | 0.000 | (0.07) | -0.011 | (-1.31) | -0.025 | (-2.33)** | -0.056 | (-1.59) |
| 2. Consent (12) | 0.005 | (1.00) | 0.000 | (-0.03) | -0.007 | (-0.57) | -0.019 | (-0.46) |
| II. Docketed Matters | | | | | | | | |
| A. Complaint (39) | -0.004 | (-1.65)* | -0.012 | (-3.23)** | -0.017 | (-3.49)** | -0.017 | (-1.03) |
| B. ALJ Decision | | | | | | | | |
| 1. Favorable (5) | -0.002 | (-0.36) | -0.020 | (-1.66) | -0.013 | (-1.01) | -0.030 | (-0.88) |
| 2. Unfavorable (19) | -0.001 | (-0.38) | -0.018 | (-2.66)** | -0.013 | (-1.53) | -0.033 | (-1.15) |
| C. Final Decision | | | | | | | | |
| 1. Dismissal (4) | -0.005 | (-0.75) | -0.005 | (-0.42) | 0.000 | (0.02) | 0.009 | (0.21) |
| a. ALJ Fav. (3) | -0.005 | (-0.73) | -0.010 | (-0.76) | -0.005 | (-0.24) | 0.018 | (0.43) |
| b. ALJ Unfav. (1) | -0.004 | (-0.24) | 0.013 | (0.47) | 0.017 | (0.47) | -0.029 | (-0.31) |

Table 1 (Continued)

FTC Decisions

| Type of Decision | Event Window | | | | | | | |
|-----------------------|--------------|-----------|--------|-----------|--------|-----------|--------|---------|
| | 1 Day | | 3 Day | | 5 Day | | 31 Day | |
| | CAR | t-val. | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| 2. Consent (18) | -0.001 | (-0.18) | 0.003 | (0.51) | -0.001 | (-0.15) | -0.003 | (-0.16) |
| 3. Final Order (20) | -0.011 | (-3.00)** | -0.016 | (-2.52)** | -0.010 | (-1.26) | 0.000 | (0.01) |
| i. ALJ Fav. (1) | 0.028 | (1.34) | 0.060 | (1.67) | 0.043 | (0.92) | -0.049 | (-0.40) |
| ii. ALJ Unf. (19) | -0.013 | (-3.38)** | -0.019 | (-2.96)** | -0.012 | (-1.50) | 0.003 | (0.10) |
| D. Appeals | | | | | | | | |
| 1. Order Modified | | | | | | | | |
| a. WSJ (3) | 0.007 | (1.11) | -0.008 | (-0.79) | -0.012 | (-0.92) | -0.002 | (-0.05) |
| b. Court Date(7)*** | -0.035 | (-2.45)** | -0.034 | (-2.08)** | -0.033 | (-2.58)** | -0.036 | (2.1)** |
| 2. Order Not Modified | | | | | | | | |
| a. WSJ (3) | -0.003 | (-0.39) | 0.003 | (0.26) | 0.000 | (0.01) | -0.061 | (-1.33) |
| b. Court Date (4)*** | 0.023 | (1.03) | 0.040 | (1.09) | 0.008 | (0.44) | 0.016 | (0.62) |

* Significant at the 10% level.

** Significant at the 5% level.

*** For court dates, the respective windows are 8 day, 13 day, 6 day, and 11 day, instead of the 1,3,5,31 day windows listed at the top of the column. For the exact specifications of how these are centered around the event day, see the text.

Even if the FTC has a large amount of deterrence power, the latter insignificant results are not surprising since the subsequent consent agreement contains information regarding the terms of the negotiation rather than information that the firm is "in trouble". The market already knows that the firm's advertising has been questioned and has expectations regarding the outcome of the investigation. The change in the market value of the firm when the consent agreement is announced depends on the outcome relative to these expectations. This may be positive, zero or negative.

ii) Single Press Announcement of the Consent Agreement

There was no discernible effect on the values of the firms of a single announcement of a consent agreement for the 62 relevant observations.⁴⁷ If a single announcement informs the market that the firm has been under investigation and has decided to consent, we would expect an effect similar to the sum of the two announcements (the investigation and the consent) in the previous type of case.⁴⁸ However, a potential problem in measuring the effect of the single announcement is the disclosure of information about the case prior to the announcement of the consent agreement.

When they were separate, the announcement of an investigation and the announcement of the consent were typically a few months apart. This suggests that where there

⁴⁷ The announcement for this type of event consists only of an announcement that the firm has consented. However, if there is no prior information or press announcement of the investigation, the announcement of a consent agreement also informs the market that the firm has received a complaint.

⁴⁸ This is true unless the *Wall Street Journal* coverage of an impending complaint is endogenous. If articles announcing an impending complaint are published only for cases in which the losses are expected to be large, then we would not expect this. We discuss this possibility later in the text.

is a single press announcement of a complaint and consent, insider traders and perhaps others may actually learn of the matter well before there is any press coverage. If there is such knowledge, the event windows used in this study may not capture the negative effect of the market learning that the firm has been under investigation but only the effect of the revelation that the firm is consenting. If this is the case, then as above we have no *a priori* expectation about the effect of this type of event on the market value of the firm. Alternatively, it may be that consents for which there was an investigation announcement are different from consents where there is no such announcement. In this case it may be inappropriate to assume that the capital market effect is likely to be the same for these two types of cases. It may be that firms involved in cases for which there is no announcement of an investigation do not suffer any unmeasured capital market losses. For example, it may be that there is no announcement of an investigation when the expected losses are small, and that in such cases the firm is likely to consent.

B. Docketed Matters

The second type of FTC case is a "docketed matter," which is a case where the advertiser chooses to contest the complaint (at least initially). This type of case may have as many as four stages: a complaint, an ALJ decision, a dismissal or final order by the Commission, and an appellate court decision.

i) Complaints

For a docketed matter, the announcement of a complaint has a similar negative effect on a firm as a separate complaint announcement for a case settled by a negotiated consent. The average abnormal losses to the firm for the 1

day, 3 day and 5 day windows are -.4% (-1.65), -1.2% (-3.23) and -1.7% (-3.49), respectively.⁴⁹

ii) ALJ Decisions

An ALJ decision unfavorable to the firm (19 of the 24 ALJ decisions) has an additional negative effect. The average abnormal losses for the 3 event windows are -0.1% (-.38), -1.8% (-2.66), and -1.3% (-1.53).

A favorable decision by the ALJ does not result in a gain to the firm. The absence of a positive abnormal return for a favorable ALJ decision is surprising. Given that most decisions at the ALJ level are unfavorable and that favorable ALJ decisions and dismissals are positively correlated (at least in our sample), a favorable ALJ decision should have a positive effect on expectations concerning the ultimate fate

⁴⁹ We have also divided the sample into those cases where the complaint announcement occurred well (4 or more months) before the official complaint date and those that occur closer to the official date. This division is made to distinguish announcements of investigations that occurred before the early 1970's from actual complaint announcements (it is often difficult to distinguish them from the newspaper articles). The capital market losses for the "before 4 month" group are larger than the "closer" group. As with immediately negotiated consents, this raises the possibility that absent a prior announcement of an investigation our methodology may not measure the total effect of the market learning that the firm is in trouble: the information has already been incorporated into the firm's share price prior to the announcement that the complaint has been issued. Alternatively, it may be that the losses surrounding an announcement of an investigation were larger than the losses surrounding an actual announcement of a complaint, perhaps because of uncertainty regarding the scope of the complaint.

of the firm.⁵⁰ Yet these firms suffer losses at the ALJ stage (although insignificant) in addition to their losses at the complaint stage.⁵¹ However, this finding is based on a sample of only 5 firms.⁵²

iii) Final Order Consents

The 18 final order consents⁵³ do not result in significant losses to firms.⁵⁴ This result is consistent with that for the announcement of a consent in the immediate consent type of FTC case. Again, the effect of a consent after the market knows that the firm is being investigated cannot be predicted *a priori*.

iv) Final Decisions Without Consent

When firms do not consent, final orders impose additional losses. The average abnormal losses for the three windows

⁵⁰ Prior information concerning the case may explain the lack of capital market effects. However, because the event is the actual decision of an ALJ the market cannot, for certain, know the outcome prior to the decision.

⁵¹ For the five firms that received favorable ALJ decisions, the average abnormal losses at the complaint stage were -1.1%(-1.98), -1.9% (-1.99), and -1.9% (-1.50).

⁵² At all stages of an FTC case, our sample includes very few outcomes decided in the firm's favor.

⁵³ Recall that these consents occur after the complaints are issued by the Commission. The type of consent considered earlier was simultaneous with the issuance of the complaint.

⁵⁴ We also combined all consents into a single analysis (*i.e.*, we did not differentiate between final order consents and immediate consents). The results confirm the finding that announcements of consents do not affect the capital market values of the firms.

are -1.1% (-3.00), -1.6% (-2.52), -1.0% (-1.26), respectively. Of the 20 such final orders, 19 followed an unfavorable ALJ decision. In the one case that followed (and reversed) a favorable ALJ decision, the firm had an abnormal gain (although not significant). This last result goes against our expectations that an unfavorable final decision following a favorable preliminary decision would have a negative impact on the firm.⁵⁵

The dismissal of a case produced no significant abnormal gain or loss for the four firms in our sample; yet these firms suffered an average loss at the complaint stage of -0.7% (-1.21), -2.1% (-2.22), and -2.2% (-1.52) over the three windows, respectively, and further losses at the ALJ stage.⁵⁶ This implies that the firms that eventually had their cases dismissed suffered a cumulative loss. This cumulative loss is not unexpected: an FTC advertising case may last one or more years, during which a firm bears legal expenses and, perhaps more importantly, may lose some of its credibility in advertising.

⁵⁵ Recall, however, that this result is based on only one case.

⁵⁶ The losses at the ALJ and complaint stage for the four firms that received dismissals are not reported in Table 1. Of the 4 firms that had their cases dismissed, 3 had favorable ALJ decisions and 1 had an unfavorable ALJ decision. For the ALJ stage, Table 1 reports the average abnormal return for the five firms that received favorable ALJ decisions and for the 19 firms that received unfavorable ALJ decisions. Therefore, from Table 1 we cannot compute the average abnormal return at the ALJ stage to the 4 firms that eventually had their cases dismissed. The same applies for the losses at the complaint stage for these firms. Appendix B gives the abnormal returns at each stage for every firm. From this appendix we can compute the abnormal returns reported in the text.

v) Appeals

Appellate court decisions are difficult to classify. The courts rarely dismiss a case but often modify the Commission's order. A modification of an order can represent a favorable decision (a less restrictive order), an unfavorable decision (a more restrictive order), and the end of the chance for the firm to be absolved from guilt (no further stage). Our results show that firms that received an order modification suffered significant abnormal losses around the court decision date while firms that did not have an order modified suffered no such losses. This is surprising given that all of the order modifications made the Commission final order less restrictive.⁵⁷

C. Summary of FTC Cases

The above results imply that involvement of an advertiser with the FTC can be costly to the firm, whether or not the firm is eventually found in violation, and regardless of whether there is a monetary penalty.

For cases that are settled immediately by a negotiated consent agreement, the announcement of an investigation (this announcement only occurred for cases before the early 1970's) entailed an average abnormal loss of 2.5% of the value of the firm for the 5 day window.⁵⁸ Press announcements of the negotiated consents themselves did not impose losses on firms, regardless of whether they were preceded by press announcements of investigations. Consequently, for the many cases without an announcement of an investigation, we did not identify capital market losses. However, it may be that our empirical methodology fails to capture the capital market loss because, prior to the announcement of the

⁵⁷ See Appendix A for details of the order modifications.

⁵⁸ Recall that of the 74 immediately negotiated consents, only 12 involve an announcement of an impending complaint, and the reported estimates used data on only 11 of these.

consent, the market may have learned that the firm is in trouble and has already discounted the firm's share price.

For docketed matters, using a 3 day window, complaints impose a 1.2% average abnormal loss on firms;⁵⁹ unfavorable ALJ decisions impose a 1.8% loss; and final Commission orders following an unfavorable ALJ decision impose a 1.9% loss. Moreover, firms that eventually receive dismissals do not receive a gain to offset their losses at the complaint and ALJ stages.

The results suggest that even without imposing monetary penalties the FTC has significant power to impose losses on firms.⁶⁰ These capital market losses presumably reflect the combination of the expected effects of restrictions on current and future advertising on the future profits of the firm, the direct costs associated with the case, the expected direct cost of compliance with the order, and the costs associated with a loss in reputation.

Some of the results in this subsection are not easily explained. In particular, decisions favorable to firms do not result in abnormal capital gains to those firms. This is surprising since a majority of cases are decided against the firm. Favorable decisions to firms should, to some extent, "surprise" the market and result in abnormal capital market gains.

The substantial losses associated with an FTC involvement raises concern that such penalties are likely to deter useful advertising if there is uncertainty about legal standards or if there are errors in case selection. This seems especially important since, even if a firm is found innocent, it still suffers significant capital market losses.

⁵⁹ This result combines the effect of announcements of investigations and actual announcements of complaints.

⁶⁰ Recall that only one final order involved a monetary penalty and only seven negotiated consents involved a monetary settlement. None of these involved civil penalties.

2. NAD/NARB Cases

The 38 NAD/NARB cases are of two types. Twenty-four were not appealed to the NARB. The remaining 14 cases were appealed to the NARB and therefore have both NAD decisions and NARB decisions associated with them. The results of the capital market event analysis for both types of cases are given in Table 2.

A. NAD Cases

i) NAD Cases Without Appeal to the NARB

The results in Table 2 show that NAD decisions unfavorable to the firm result in negative but insignificant abnormal returns to the firms. Favorable NAD decisions also have virtually no impact on the capital market value of the firm.

ii) NAD Cases Appealed to the NARB

The results for the 10 unfavorable NAD decisions that were appealed to the NARB are similar to those for the unfavorable NAD cases that were not appealed: the firms had insignificant abnormal losses for the three windows. Favorable NAD decisions had a perverse, though insignificant, effect on the value of the firm.

B. NARB Cases

There is a significant effect from a NARB decision only if the decision reverses the NAD decision. A favorable NARB decision following an unfavorable NAD decision has a positive effect for the three windows: 0.9% (1.40), 2.4% (2.24), and 1.7% (1.21), respectively. An unfavorable NARB decision following a favorable NAD decision has a significant negative effect on the market value of the firm: -4.8% (-3.02), -6.1% (-2.21), and -6.8% (-1.86), respectively.⁶¹

⁶¹ The sample size for these results, however, is small: three in the first case and one in the second case.

Table 2
NAD/NARB Decisions

| Type of Decision | Event Window | | | | | | | |
|---------------------------------------|--------------|-----------|--------|-----------|--------|----------|--------|---------|
| | 1 Day | | 3 Day | | 5 Day | | 31 Day | |
| | CAR | t-val. | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| I. NAD Decision (Not Appealed) | | | | | | | | |
| A. Favorable (11) | 0.001 | (0.19) | 0.001 | (0.09) | -0.003 | (-0.25) | -0.012 | (-0.36) |
| B. Unfavorable (13) | -0.001 | (-0.24) | -0.007 | (-1.17) | -0.006 | (-0.78) | 0.017 | (0.80) |
| II. NAD Decision (Appealed) | | | | | | | | |
| A. Favorable (4) | -0.001 | (-0.09) | -0.015 | (-1.32) | -0.013 | (-0.96) | -0.058 | (-1.33) |
| B. Unfavorable (10) | -0.006 | (-0.80) | -0.007 | (-0.62) | -0.008 | (-0.88) | -0.011 | (-0.23) |
| III. NARB Decision | | | | | | | | |
| A. Favorable (6) | 0.005 | (1.02) | 0.010 | (1.19) | 0.008 | (0.70) | -0.037 | (-1.06) |
| a. NAD Fav. (3) | 0.000 | (0.05) | -0.008 | (-0.56) | -0.004 | (-0.22) | -0.037 | (-0.70) |
| b. NAD Unfav. (3) | 0.009 | (1.40) | 0.024 | (2.24)** | 0.017 | (1.21) | -0.036 | (-0.79) |
| B. Unfavorable (8) | -0.003 | (-0.32) | 0.007 | (0.61) | 0.004 | (0.31) | 0.047 | (0.83) |
| a. NAD Fav. (1) | -0.048 | (-3.02)** | -0.061 | (-2.21)** | -0.068 | (-1.86)* | -0.071 | (-0.75) |
| b. NAD Unfav. (7) | 0.006 | (0.80) | 0.018 | (1.49) | 0.016 | (1.04) | 0.075 | (1.17) |

* Significant at the 10% level.

** Significant at the 5% level.

C. Summary

The above results suggest that, for our sample of firms, involvement with the NAD does not result in significant abnormal capital market losses. As with the FTC, if there is incremental disclosure of information prior to the event dates used in the analysis, there may be capital market losses that our methodology does not measure.

The lack of significant results for the NAD and NARB may also arise because of the composition of cases that are decided. The NAD does not have total control over the types of cases that come before the group. For example, between 1979 and 1981, 48% of the NAD cases were initiated by consumers, consumer groups, or competitors. This case selection process may result in many cases where we would not expect large capital market effects. If we limit the sample to cases that were initiated by the NAD, however, we still find no significant effects.

Though the above results are based on a small sample of NAD cases, the results do suggest that the NAD/NARB may not impose significant capital market losses on firms.⁶² This may be because of the relatively limited publicity accorded its decisions, its inability to impose cease and desist orders applying to future advertising, and the fact that many ads can be slightly modified to meet its standards. Alternatively, the apparent lack of capital market effects may be because of the particular types of cases the NAD/NARB handle. Additionally, it is possible that our empirical methodology fails to capture the capital market loss. This would be the case if, prior to the announcement of the NAD/NARB decision, the market learned that the firm was in trouble.

⁶² There is always the possibility that the NAD/NARB is so effective at deterring false or misleading advertising that all large cases are deterred and only insignificant cases remain. This seems extremely unlikely given the large effects identified for the FTC.

For the NARB, there is a significant effect from an unfavorable decision only if the decision reverses the NAD decision.⁶³ Unfavorable NARB decisions overall, however, do not have a significant negative effect on the capital market value of firms. Therefore, as may be true for the NAD, the NARB may not have the ability to impose significant capital market losses on firms.

3. Lanham Act Cases

Our sample includes 32 Lanham Act cases involving 15 suit filings, 5 settlements, and 16 district court decisions (6 favorable to the defendant, 10 unfavorable). We have the *Wall Street Journal* announcement dates for the suit filings and settlements, but for only five of the court decisions. We estimated the capital market effects of the court decisions in two ways: using the *Wall Street Journal* announcement date as the event date for the five cases where there was such an announcement, and using the court decision date as the event date for all 16 cases.

A. Filing of a Suit

For Lanham Act cases, the filing of a suit has an insignificant albeit negative effect on a firm for the three windows: -0.5% (-1.18), -1.1% (-1.58), -1.2% (-1.44), respectively.⁶⁴

B. Settlements

Settlements have an additional negative but insignificant effect for the three windows: -0.8% (-1.18), -0.9% (-.80), and -2.1% (-1.44). Since the filing of a suit discloses information to the market that the firm's ads have been questioned, the capital market effect around the announcement of the

⁶³ Recall that this result is based on only one case.

⁶⁴ These results are close to being significant for a one-tailed test.

Table 3
Lanham Act Decisions

| Type of Decision | Event Window | | | | | | | |
|-----------------------|--------------|----------|--------|---------|--------|---------|--------|---------|
| | 1 Day | | 3 Day | | 5 Day | | 31 Day | |
| | CAR | t-val. | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| I. Suit (15) | -0.005 | (-1.18) | -0.011 | (-1.58) | -0.012 | (-1.44) | -0.037 | (-1.53) |
| II. Settlement (5) | -0.008 | (-1.18) | -0.009 | (-0.80) | -0.021 | (-1.44) | -0.032 | (-0.80) |
| III. District Court | | | | | | | | |
| A. Favorable | | | | | | | | |
| 1. WSJ (2) | 0.029 | (2.64)** | 0.035 | (1.8)* | 0.034 | (1.37) | -0.058 | (-0.89) |
| 2. Court Date (6)*** | -0.009 | (-0.54) | 0.009 | (0.49) | -0.010 | (-0.69) | 0.01 | (0.48) |
| B. Unfavorable | | | | | | | | |
| 1. WSJ (3) | 0.003 | (0.44) | 0.003 | (0.25) | 0.01 | (0.66) | 0.052 | (1.25) |
| 2. Court Date (10)*** | -0.013 | (-0.81) | -0.013 | (-1.00) | -0.007 | (-0.63) | -0.013 | (-0.86) |

* Significant at the 10% level.

** Significant at the 5% level.

*** For court dates, the respective windows are 8 day, 13 day, 6 day, and 11 day, instead of the 1,3,5,31 day windows listed at the top of the column. For the exact specifications of how these are centered around the event day, see the text.

settlement reflects only the difference between the outcome and the previous expectations concerning the outcome. Though neither the filing of a suit nor a settlement has a significant impact on the capital market value of the firm, both of these effects are negative and somewhat close to being significant.⁶⁵ Therefore, the combined effect of the two (most Lanham Act cases involve a suit filing and a settlement) may indicate some deterrence power.

C. District Court Decisions

A favorable district court decision that receives coverage in the *Wall Street Journal* (2 cases) has a large positive and significant effect: 2.9% (2.64), 3.4% (1.8), and 3.2% (1.37), respectively. This result does not hold for the regressions that use court dates. Unfavorable district court decisions have an insignificant effect whether we use *Wall Street Journal* or court dates.

D. Summary

Overall, it appears that the Lanham Act may have limited ability to impose costs on firms. The filing of a suit and a settlement each has an insignificant negative effect on firms, but the two together may indicate some ability to impose costs on firms. District court decisions favorable to defendant firms for which we have *Wall Street Journal* dates have a positive and significant effect, though this is based on a sample of only two cases.

V. Conclusions

This study examined the capital market effects of three institutions that deal with allegedly false and deceptive advertising. The results of this analysis suggest that of the

⁶⁵ The t-values for the 5 day window CAR are -1.44 for both the settlement and the filing of a suit.

three institutions, the FTC has the greatest impact on the capital market values of firms.

While the FTC no longer discloses the existence of law enforcement investigations prior to a negotiated consent agreement or the filing of a complaint it did make such announcements before the early 1970's. For cases that were settled immediately by a negotiated consent agreement,⁶⁶ the earlier announcement of an investigation entailed an average abnormal loss of 2.5% of the value of the firm for the 5 day window around the event.

While the early announcement of the investigation had a significant negative impact, the press announcement of the actual consent agreement had no effect on the capital market value of the firm, regardless of whether there was an earlier announcement of the investigation. This may indicate that for the more recent cases (cases after the early 1970's for which there was no announcement of the investigation prior to the consent agreement), the firms have experienced no capital market loss from involvement with the FTC. Alternatively, it may be that our empirical methodology fails to capture the capital market loss. This would be the case if, prior to the announcement of the consent, the market learned that the firm was in trouble and discounted the firm's share price.

For cases that are not settled by a negotiated consent, but are contested by the advertiser, the study shows large capital market losses. The firm suffers an abnormal loss around the announcement of a complaint, an unfavorable Administrative Law Judge (ALJ) decision, and a final order.⁶⁷ The dismissal

⁶⁶ For a description of the different types of cases, see *infra* at 7.

⁶⁷ For the announcement of a complaint, we have attempted to distinguish advance complaint announcements from actual complaint announcements. The capital market losses for the advance complaints are larger than those for actual complaint announcements. As with immediately

of a case produced no significant abnormal gain or loss to the firm, yet these same firms suffered significant losses at the complaint stage, and at the ALJ stage. These losses for the litigated cases suggest that involvement of an advertiser with the FTC can be very costly to the firm, whether or not the firm is eventually found in violation.

The results also indicate that monetary penalties may be unnecessary to significantly punish firms. Only seven of the negotiated consents in our sample involved a monetary settlement and only one final order involved a monetary penalty (all in the form of consumer redress). Even if the sample is limited to those firms that were not required to pay monetary penalties, significant capital market losses are still obtained. The capital market losses to firms probably arise from reputational effects, restrictions on future advertising, litigation costs, and compliance costs. The mere fact that the FTC is questioning the validity of a firm's advertising appears to impose large and significant losses on firms.

The capital market results for the FTC emphasize the importance of case selection in evaluating the costs and benefits of FTC advertising regulation. The inadvertent punishment of firms that are eventually found innocent will tend to deter useful advertising. In addition, the large losses associated with being found guilty will deter the types of advertising that the FTC chooses to challenge. Therefore, poor case selection or vague legal standards would lead to overdeterrence, reducing the amount of advertising that provides useful information to consumers.

negotiated consents, this may indicate that for the more recent cases (those for which we only have an actual rather than advance complaint announcement) there are smaller capital market losses. Alternatively, it may be that our empirical methodology fails to capture all of the capital market loss. This would be the case if, prior to the announcement of the actual complaint, the market learned that the firm was in trouble and discounted the firm's share price.

The NAD/NARB appears to have a smaller effect on the capital market value of firms than does the FTC. On the one hand, an unfavorable NARB decision that reverses an NAD decision appears to have a significant negative effect on an advertiser.⁶⁸ On the other hand, unfavorable NARB decisions overall do not have a significant negative effect, and an unfavorable NAD decision has no discernible effect on a firm. The vast majority of NAD cases are not appealed to the NARB.⁶⁹ Therefore, it is the effect of the NAD alone that is relevant in almost all NAD/NARB cases.

Use of the Lanham Act appears to have a limited ability to impose penalties on firms. The filing of suits, settlements, and unfavorable district court decisions each have an insignificant effect on firms. Though the filing of suits and settlements each has an insignificant negative effect on firms, the two effects together may indicate that there is some ability to impose costs on firms, though considerably less so than in the case of the FTC.

⁶⁸ Recall, however, that this result is based on a single case.

⁶⁹ Of over 1500 NAD cases, only 41 have been appealed to the NARB.

Appendix A

This appendix is an annotated list of our sample of advertising cases handled by the three institutions under study.

I. Case Selection

The sample of FTC cases is the result of the following elimination process. From the universe of all advertising cases reported in *FTC Decisions* after 1963, we eliminated cases involving firms not in the Center For Research on Security Prices (CRSP) data set. The list of cases in Section II of this appendix contains all of these cases; however, the sample of cases analyzed in the text is limited to those which were covered (at some stage) by the *Wall Street Journal*.¹ This additional selection criterion was used because the official FTC decision date, as recorded in *FTC Decisions*, usually diverges widely from the date of public knowledge of the decision, measured by the date of the *WSJ* announcement.

There are over one thousand NAD cases for the period 1971 to 1986. The NAD/NARB sample was chosen from two subsets of cases: 1) those that were appealed to the NARB; and 2) those that were decided during an arbitrary ten month period (January through October, 1985). We again eliminated cases involving firms not in the CRSP data set. The list of cases in Section II for the NAD/NARB includes firms that initiate the NAD or NARB complaint if available. These firms are included in the appendix but not in the sample of cases analyzed in the text, where we examine the effects of decisions on advertisers only. All NAD/NARB cases are

¹ If a case has more than one event (e.g. a complaint, an ALJ decision, and a Final Order) of which only one is reported in the *Wall Street Journal*, we examine the change in the market value of the firm only around the date of the *Wall Street Journal* article.

covered in *Advertising Age*; the cover date of the appropriate issue was used as the event date.

The first step in the collection of the Lanham Act sample was to select all cases since 1963 in the LEXIS data system that were classified under the intersection of the keywords "U.S.C. 1125(A)" (the Lanham Act) and "false or misleading advertising." The sample was further restricted to those cases involving firms (plaintiffs or defendants) in the CRSP data set. We augmented this sample by examining the *Wall Street Journal Index* under the heading "Advertising," which enabled us to add cases that lacked official citations.² The sample used in the capital market event analysis uses only defendant firms.

II. An Annotated List of Advertising Cases

Below, we list the sample of FTC, NAD/NARB, and Lanham Act cases gathered in the manner described above. For each case, we have listed

Column 1

- a) the firm(s) involved in the case,
- b) the CUSIP number(s) taken from the CRSP tape for the firm(s),
- c) the citation (if any) for the case, listed in chronological order beginning with the oldest citation,

Column 2

- a) the product involved in the case, including the brand name if known,
- b) a brief description of the case,
- c) the decision(s) made by the institution (except for FTC consents and Lanham Act settlements in which case no decision is made,

² In particular, all of our settlement events were gathered in this way.

Column 3

- a) the various stages of the case,

Column 4

- a) the official dates of the decision at each stage, if known,

Column 5

- a) the date of the announcement of the decision at each stage in the *Wall Street Journal* (for FTC and Lanham Act cases) or *Advertising Age* (for NAD/NARB cases), if any.

In most instances, the case decision has been officially published in one of the following sources:

FTC Decisions: FTC consents, complaints, ALJ decisions, and final orders

Federal Supplement: FTC appellate court decisions, Lanham Act district court decisions

Federal Reporter, 2nd Series: FTC appellate court decisions, Lanham Act appellate court decisions

U.S. Reports: FTC Supreme Court decisions

NARB/NAD Decisions: NAD and NARB decisions

In a few instances, we have used published reports in the *Wall Street Journal* or *Advertising Age* in constructing the case description.

Where two or more cases were formed into a portfolio for at least some of their common events, a "(P)" follows the firms' names. Where an event that was announced in either the *Wall Street Journal* or *Advertising Age* had missing data for the firm's stock market return or where the date listed is a repeat announcement, that event date was not included

in the analysis. We have placed an asterisk (*) after such dates. If an FTC immediate consent has two dates listed, neither of which is followed by an asterisk, those two dates correspond to the separate announcements of the complaint and the consent.

For NAD/NARB cases, a competitor firm is indicated by a "(C)" following the firm's name; these firms were not included in the capital market analysis. For Lanham Act suits, we have listed both the plaintiff and defendant (in that order), although we have analyzed only defendants. For both NAD/NARB and Lanham Act cases, if a firm was not in the CRSP data set, we listed the firm without a case number, instead using the symbol "NC" (No CRSP).

FTC IMMEDIATELY NEGOTIATED CONSENTS

FTC Immediately Negotiated Consents

| Company/ CUSIP #/ Citation | a) Product b) Description of Case | Date of Event | |
|---|--|-------------------|----------|
| | | FTC | WSJ |
| 01) Chesebrough Ponds 16533910 63 FTC 927 | a) Vaseline b) Misrepresented therapeutic and protective characteristics of product | Consent: 9/25/63 | 10/4/63 |
| 02) Allied Stores 01951910 64 FTC 481 | a) Shoes b) Misrepresented source of manufacture of shoes, quality control | Consent: 1/28/64 | 2/12/64 |
| 03) Lafayette Radio Electronics Corp. 50675010 66 FTC 142 | a) TV, radios, electronic equipment b) Misleading price advertising | Consent: 7/14/64 | none |
| 04) Magnavox 55938010 66 FTC 1307 | a) Television sets b) Misleading price advertising | Consent: 12/23/64 | 12/29/64 |
| 05) Corvette 84721810 68 FTC 1153 | a) Retail merchandise b) Misleading price advertising | Consent: 12/29/65 | 1/5/66 |
| 06) Best Products 08655110 69 FTC 12 | a) Catalog sales b) Misleading use of word "wholesaler," misleading pricing | Consent: 1/12/66 | none |

| | | |
|--|---|--|
| 07) General Motors (Frigidaire) 37044210 66 FTC 267 | a) Washing machines b) Misrepresented superiority of machines, amount of lint removed, cost of operation | Consent: 7/27/64 8/10/64 |
| 08) Sterling Drug 85926410 75 FTC 979 | a) Ironised Yeast drug preparation b) Misrepresented therapeutic value of products | Consent: 5/28/68 4/19/68 |
| 09) Vornado 92904110 76 FTC 861 | a) Retail sales b) Misrepresented usual prices, savings, guarantees | Consent: 12/8/69 10/31/69 |
| 10) Colgate Palmolive 19416210 77 FTC 160 | a) Baggies plastic bags b) Misrepresented characteristics of product through misleading tests and demonstrations | Consent: 2/24/70 8/15/69, 1/19/70 |
| 11) Bishop Industries 09145510 77 FTC 380 | a) Beauty aids b) Misleading use of photographic demonstrations to prove effectiveness of product | Consent: 4/10/70 9/15/69, 3/5/70 |
| 12) Campbell Soup 13442910 77 FTC 664 | a) Soup b) Misrepresented solid ingredient content by falsely portraying product in TV ads, placing marbles in soup bowl | Consent: 5/25/70 3/25/69, 9/29/69, 11/18/69*, 2/5/70*, 6/4/70* |
| 13) Zale 9886710 77 FTC 1098 | a) Jewelry prices b) Misleading pricing, saving claims, false guarantees | Consent: 7/30/70 6/2/70 |

FTC Immediately Negotiated Consents, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case | Stage | Date of Event | |
|--|--|----------|---------------|----------------------|
| | | | FTC | WSJ |
| 14) Eversharp 30040710 77 FTC 686 | a) Schick razor blades b) Misrepresented shaving performance of blades, disparaged competitors | Consent: | 5/27/70 | 4/22/70 |
| 15) Carnation 14348310 77 FTC 1547 | a) Carnation Instant Breakfast b) Misrepresented nutritional value of product | Consent: | 12/8/70 | 4/21/70, 10/30/70 |
| 16) Colgate Palmolive (P) 19416210 78 FTC 626 | a) Laundry pre-wash preparations b) Misrepresented cleaning power of product | Consent: | 4/12/71 | 9/24/70, 3/4/71 |
| 17) Proctor & Gamble (P) 74271810 78 FTC 631 | a) Laundry pre-wash preparations b) Misrepresented cleaning power of product | Consent: | 4/12/71 | 9/24/70, 3/4/71 |
| 18) Borden 09969910 78 FTC 686 | a) Instant Coffee b) Misrepresented difference in quality between its product and other firms' products | Consent: | 4/21/71 | 12/4/70 3/15/71 |
| 19) Faberge 30280810 78 FTC 1099 | a) Tone-O-Matic weight belt b) Misrepresented effectiveness of product as a sub- stitute for physical exercise | Consent: | 5/18/71 | 4/9/71 |

| | | | |
|---|---|------------------|-------------------|
| 20) N.A. Phillips 65704510 78 FTC 1169 | a) Radios b) Misrepresented number of transistors in radio | Consent: 6/8/71 | none |
| 21) Chemway Corp. 16403310 78 FTC 1250 | a) Toothbrushes b) Misrepresented ability of product to prevent infectious diseases | Consent: 6/14/71 | 12/7/70 5/4/71 |
| 22) R.H. Macy 55613910 79 FTC 33 | a) Flame retardancy of products b) Misrepresented flame retardancy of products | Consent: 6/12/71 | 5/26/71 |
| 23) Telex Corp. 87957310 79 FTC 61 | a) Hearing aid b) Misrepresented product as a new invention, invisibility when worn, benefits to all persons with hearing difficulty | Consent: 7/20/71 | 1/8/71, 6/8/71 |
| 24) Drug Fair 26218810 79 FTC 117 | a) Retail merchandise b) Misleading pricing of retail merchandise | Consent: 7/23/71 | 4/16/71 |
| 25) ITT-Continental Baking 45067910 79 FTC 248 | a) Profile bread b) Misrepresented caloric content of product, effectiveness in dieting | Consent: 8/17/71 | 7/6/71 |
| 26) Matsushita 57687920 78 FTC 353 | a) Television sets b) Misrepresented safety features of product | Consent: 2/19/71 | none |

FTC Immediately Negotiated Consents, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case | Stage | Date of Event | |
|--|---|----------|---------------|------------------------|
| | | | FTC | WSJ |
| 27) General Foods 86985610 79 FTC 422 | a) Pop Ups breakfast food b) Misrepresented nutritional value of product | Consent: | 9/13/71 | 6/8/71 |
| 28) Mattel (P) 57798110 79 FTC 667 | a) Toys b) Misrepresented performance of product | Consent: | 11/1/71 | 11/27/70*, 7/27/71* |
| 29) Topper (P) 89077910 79 FTC 681 | a) Toys b) Misrepresented performance of product | Consent: | 11/1/71 | 11/27/70*, 7/27/71 |
| 30) PPG 69350610 80 FTC 53 | a) Aviation fuel additive b) Misrepresented approval of product by FAA, ability to eliminate carburetor freezing | Consent: | 1/13/72 | 12/8/71 |
| 31) Proctor & Gamble 74271810 80 FTC 181 | a) Crisco oil b) Misrepresented absorption of oil by foods fried in its and other firms' oils, caloric content, uniqueness | Consent: | 2/14/72 | 1/10/72 |
| 32) H&R Block 09367110 80 FTC 304 | a) Tax returns b) Misrepresented terms and conditions of guarantees, reimbursement policies, liability of firm, and other features of services | Consent: | 3/1/72 | 12/30/71 |

| | | | |
|--|--|-------------------|-------------------|
| 33) Gimbel Bros. 37610010 80 FTC 660 | a) Flame retardancy of products b) Misrepresented flame retardancy of products and ability of flame retardancy to stand up to repeated washing | Consent: 4/14/72 | 3/10/72 |
| 34) GAC Finance Inc. 36136410 81 FTC 308 | a) Income tax preparation b) Misrepresented terms and conditions of guarantee, training of personnel; failure to disclose responsibility for errors | Consent: 9/5/72 | 7/28/72 |
| 35) AHP 02660910 81 FTC 579 | a) Window cleaner, floor wax, bug spray b) Misrepresented characteristics of products through misleading demonstrations, tests, or experiments | Consent: 10/6/72 | 6/30/71 8/9/72 |
| 36) Beatrice 07407710 81 FTC 830 | a) Milk Duds candy b) Misrepresented contribution of product consumption to athletic ability | Consent: 11/28/72 | 9/27/72 |
| 37) Ex-Cello 30058710 82 FTC 36 | a) Milk containers b) Misrepresented biodegradability of product container | Consent: 1/9/73 | 12/4/72 |
| 38) J.C. Penny 70816010 82 FTC 287 | a) Mattress b) Misrepresented flame retardancy of mattress and other products | Consent: 2/2/73 | 12/29/72 |
| 39) Standard Brands 85313910 82 FTC 1176 | a) Margarine b) Misrepresented relation between childrens' diets and health, other health facts, therapeutic value of product | Consent: 4/9/73 | 1/4/73 |

FTC Immediately Negotiated Consents, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case | Stage | Date of Event | |
|---|--|----------|---------------|---------------------|
| | | | FTC | WSJ |
| 40) Crowell, Collier, & MacMillan 55479010 82 FTC 1292 | a) Book club b) Misrepresented purchase requirements | Consent: | 5/1/73 | 2/29/72, 3/26/73 |
| 41) PayLess 70430110 82 FTC 1473 | a) Safety helmets b) Misrepresented safety features of helmets | Consent: | 5/25/73 | 4/17/73 |
| 42) Argus 04024910 83 FTC 338 | a) Photographic equipment b) Failure to disclose that certain equipment was used rather than new | Consent: | 8/17/73 | 7/11/73 |
| 43) Lear Siegler (P) 52189410 83 FTC 503 | a) Safety/Motorcycle helmets b) Unsubstantiated claims concerning safety and superiority of helmets | Consent: | 9/24/73 | 8/17/73 |
| 44) Royal Ind., Inc. (P) 78029110 83 FTC 507 | a) Safety helmets b) Misrepresented safety and uniqueness features of product | Consent: | 9/24/73 | 8/17/73 |
| 45) City Investing Co. 17784610 83 FTC 1078 | a) Rheem Central air conditioners b) False and unsubstantiated energy efficiency claims, claim that product was "revolutionary" | Consent: | 12/3/73 | 10/26/73 |
| 46) Whirlpool Corp. 9632010 83 FTC 1830 | a) Air conditioners b) Misrepresented uniqueness features, cooling and dehumidifier capacity, amount of energy consumption | Consent: | 6/25/74 | 4/22/74 |

| | | | |
|---|---|---|--|
| 47) Carnation 14348310 84 FTC 88 | a) Instant drink mix b) Misrepresented nutritional value of product | Consent: 7/15/74 | 4/16/74 |
| 48) GAC Corp. 36136410 84 FTC 163 | a) Land sales b) Misrepresented investment value of land for sale | Consent: 7/23/74 | 3/27/74, 9/4/74* |
| 49) E.J. Korvette 84679010 84 FTC 282 | a) Home improvement products b) Misrepresented quality of products, price savings | Consent: 8/20/74 | 8/18/72*, 6/5/74* |
| 50) Union Carbide (P) 90668110 84 FTC 591 | a) Insecticide b) Misrepresented safety of product | Consent: 10/4/74 | 5/7/74 |
| 51) Hercules (P) 42706610 84 FTC 606 | a) Insecticide b) Misrepresented safety of product | Consent: 10/4/74 | 5/7/74 |
| 52) General Motors 37044210 84 FTC 653 | a) Automobiles b) Misrepresented superiority in fuel economy | Consent: 10/7/74 | 8/1/74 |
| 53) Ford (P) 34537010 84 FTC 729 547 F.2d 954 cert. denied, 431 U.S. 915 | a) Automobiles b) Misrepresented strength, quietness, and performance of autos Note: Ford appealed consent order; appellate court upheld order; Supreme Court denied appeal | Consent: 10/8/74 Appeal: 3/1/76* Appeal denied: 5/16/77 | 2/9/73, 6/18/74 none 5/17/77* |

FTC Immediately Negotiated Consents, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case | Stage | Date of Event | |
|--|--|---------------------------------------|-------------------------------|--|
| | | | FTC | WSJ |
| 54) J.W. Thompson (P) 46627210 84 FTC 736 547 F.2d 964 cert. denied, 431 U.S. 916 | a) Advertising agency (Ford) b) Misrepresented strength, quietness, and performance of autos Note: J.W. Thompson appealed consent order; appellate court upheld order; Supreme Court denied appeal | Consent: Appeal: Appeal denied: | 10/8/74 3/1/76* 5/16/77 | 2/9/73. 6/18/74 none 5/17/77* |
| 55) General Foods 36985610 84 FTC 1572 | a) Dog food b) Misrepresented nutritional value of product and nutritional needs of pets | Consent: | 12/3/74 | 9/30/74 |
| 56) Shaklee 81914810 84 FTC 1593 | a) Food nutrition/protein supplements b) Misrepresented nutritional value; failure to disclose potential danger for consumption by infants | Consent: | 12/5/74 | 8/23/74* |
| 57) Fuqua 36102810 86 FTC 93 | a) Vocational school training b) Misrepresented quality of training, salaries of graduates | Consent: | 1/21/75 | 11/14/74 |
| 58) Albertson 01310410 86 FTC 500 | a) Availability of advertised specials b) Advertised specials were not available as offered | Consent: | 3/4/75 | 12/4/74 |
| 59) Morton-Norwich 61942610 86 FTC 299 | a) Morton Lite Salt b) Advertised product as low in sodium, failing to warn people on sodium-restricted diet. | Consent: | 7/21/75 | 5/19/75 |

| | | | |
|--|--|---|---|
| 60) Del Labs 24509110 86 FTC 399 | a) Vitamins, mineral products b) Misrepresented vitamin requirements, quality of product | Consent: 7/29/75 | 5/22/75 |
| 61) General Foods 36985610 86 FTC 831 | a) Cereal b) Misrepresented edibility of plants | Consent: 10/1/75 | 7/7/75 |
| 62) Allied Stores 01961910 86 FTC 1074 | a) Cosmetic skin care b) Unsubstantiated effectiveness claims for product | Consent: 11/3/75 | 8/28/75 |
| 63) STP 78478310 87 FTC 56 | a) STP Oil and Gas Treatment b) Unsubstantiated claims concerning performance characteristics of products | Consent: 1/6/76 | 9/4/75 |
| 64) Johnson 47916910 87 FTC 206 549 F.2d 35 91 FTC 506 | a) Ultra Sheen Permanent Creme Relaxer b) Misrepresented potential damage to skin and hair Note: Johnson appealed consent order; Appellate court narrowed scope of order; Commissions modified order accordingly | Consent: 2/10/76 Appeal: 2/26/77 Mod. 3/20/78 | 6/11/75, 11/20/75*, 1/21/76*, none none |
| 65) Pay Less 70430110 87 FTC 1271 | a) Availability of advertised specials b) Advertised specials were not available as offered | Consent: | Consent: 5/17/76 |
| 66) Hertz 4289090 88 FTC 238 | a) Hertz Used Cars b) Misrepresented quality of used cars offered for sale | Consent: 8/11/76 | 3/10/76 5/11/76 |

FTC Immediately Negotiated Consents, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case | Stage | Date of Event | |
|--|---|----------|---------------|---------|
| | | | FTC | WSJ |
| 67) Levits 52748020 88 FTC 263 | a) Levits furniture b) Misrepresented pricing and sales policies | Consent: | 8/30/76 | 6/22/76 |
| 68) Owen-Corning 69073410 88 FTC 465 | a) Fiberglass Insulation b) Misrepresented the amount of energy savings | Consent: | 9/30/76 | 5/26/76 |
| 69) ITT 45067910 88 FTC 933 | a) Land sales b) Misrepresented the value and risk of land investments | Consent: | 12/10/76 | 8/25/76 |
| 70) Revlon 76152510 89 FTC 1 | a) Hair straightening product b) Misrepresented safety and protein content | Consent: | 1/3/77 | 8/25/76 |
| 71) Walgreen 93142210 90 FTC 132 | a) Availability of advertised specials b) Advertised specials were not available as offered | Consent: | 8/3/77 | 5/24/77 |
| 72) Zayre 98919510 90 FTC 328 | a) Availability of advertised specials b) Advertised specials were not available as offered | Consent: | 10/27/77 | 8/16/77 |
| 73) Dayco 23957710 90 FTC 312 | a) Occupational safety products b) Used trademark consisting of OSHA-SPEC, mistaken with real OSHA | Consent: | 10/27/77 | 8/17/77 |

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| 74) Rydar Systems 78354910 90 FTC 921 | a) Vocational training school b) Misrepresented demand for tractor-trailer trainees, placement record, and other features | Consent: 12/28/77 2/22/77 |
| 75) Shop-Rite 82510110 90 FTC 500 | a) Availability of advertised specials b) Advertised specials were not available as offered | Consent: 11/11/77 5/10/77 |
| 76) Kaufman & Broad 48617010 93 FTC 235 | a) Housing b) Misrepresented construction qualities and other features | Consent: 2/12/79 7/7/78 |
| 77) General Mills 37033410 93 FTC 749 | a) Miscellaneous toys b) Misrepresented performance characteristics | Consent: 5/15/79 12/5/78, 5/24/79* |
| 78) Clorox 18905410 94 FTC 1 | a) Soft Scrub household cleanser b) Misrepresented safety of product with respect to its use on certain surfaces | Consent: 7/2/79 2/20/79 |
| 79) ITT-Continental Baking 45067910 94 FTC 347 | a) New Horizon Bread b) Misrepresented fiber content of bread | Consent: 8/24/79 3/26/79 |
| 80) AHP (P) 02860910 95 FTC 884 | a) Contraceptive suppository b) Misrepresented effectiveness and uniqueness of product | Consent: 6/19/80 2/29/80 |
| 81) Morton-Norwich (P) 61942610 95 FTC 899 | a) Contraceptive suppository b) Misrepresented effectiveness and uniqueness of product | Consent: 6/19/80 2/29/80 |

FTC Immediately Negotiated Consents, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case | Stage | Date of Event | |
|---|---|----------|---------------|----------|
| | | | FTC | WSJ |
| 82) Standard Brands 85313910 97 FTC 233 | a) Fleischmann's margarine b) Misrepresented claims concerning doctors' recommendations | Consent: | 4/17/81 | 1/7/81 |
| 83) Sperry-Rand 84835510 98 FTC 4 | a) Black Man shaver b) Misrepresented qualities concerning "razor bumps" | Consent: | 7/17/81 | 5/4/81 |
| 84) N.A. Phillips 65704510 101 FTC 359 | a) Black Pro shaver b) Misrepresented qualities concerning "razor bumps" | Consent: | 3/7/83 | none |
| 85) Meredith Corp. 58943310 101 FTC 390 | a) Better Homes and Gardens real estate service b) Misrepresented availability of services | Consent: | 3/15/83 | 12/22/82 |
| 86) Foote, Cone, & Belding 34487210 102 FTC 1274 | a) Advertising agency (Amana/Raytheon) b) Misrepresented results of independent laboratory tests | Consent: | 9/30/83 | 7/12/83 |
| 87) Commodore 20266010 105 FTC 230 | a) Commodore computers b) Misrepresented availability, compatability, and other features | Consent: | 3/22/85 | 8/6/84 |

FTC DOCKETED MATTERS

FTC Docketed Matters

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|---|--|--|--|--|
| | | | FTC | WSJ |
| 01) Plough 72917810 66 FTC 613 | a) St. Joseph Aspirin b) Claimed falsely that medical journal article con- cluded that product was "best buy" c) Commission dismissed case, citing similar Sterling case (also dismissal) | Complaint: ALJ: Final Order: | 3/19/63 none 4/30/64 | 3/25/63* 5/27/63* none none |
| 02) Revco 76133810 67 FTC 1158 | a) Drugs, foods, cosmetics b) Misrepresented price savings on products, endorse- ments by independent testing organization c) ALJ upheld complaint; Commission upheld ALJ | Complaint: ALJ: Final Order: | 6/13/63 6/29/64 6/28/65 | none none none |
| 03) Merck & Co. 58933110 69 FTC 526 70 FTC 45 392 F.2d 921 | a) Screts throat lozenges b) Misrepresented therapeutic value of product c) ALJ upheld complaint; Commission upheld ALJ; Appellate court upheld Commission | Complaint: ALJ: Final Order: Modified Order: Appeal: | 8/7/64 unknown 4/8/66 7/20/66 4/4/68 | 8/21/64 5/20/66 4/20/66 none none |
| 04) AHP 02660910 70 FTC 1524 402 F.2d 232 76 FTC 81 421 F.2d 845 77 FTC 726 | a) Preparation H hemorrhoid creme b) Misrepresented therapeutic value of product c) ALJ upheld complaint; Commission upheld ALJ. Appellate court narrowed restrictions and scope of order (twice); FTC modified order accordingly (twice). | Complaint: ALJ: Final Order: Appeal: Appeal: Modified Order: | 8/28/64 10/22/65 12/16/66 10/18/68 7/15/69 2/10/70* 6/9/70 | none none 1/5/67 none none none none |

FTC Docketed Matters, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|---|---|---|--|--|
| | | | FTC | WSJ |
| 10) Pfizer 71708110 81 FTC 23 | a) Unburn sunburn medication b) Failure to substantiate sunburn relief claims c) ALJ dismissed complaint; Commission also dismissed complaint | Complaint: ALJ: Final Order: | 7/6/70 4/16/71 7/11/72 | 4/17/70 5/10/71 7/19/72 |
| 11) E.I. DuPont 26353410 81 FTC 169 | a) Antifreeze b) Failure to disclose product defects c) Final order is consent | Complaint: ALJ: Final Order: | 11/12/71 none 7/24/72 | 11/27/70, 11/18/71* none 6/19/72 |
| 12) Firestone 31831510 81 FTC 398 481 F.2d 246 cert. denied, 414 U.S. 1112 | a) Automobile tires b) Misrepresented effectiveness of quality control, tire safety c) ALJ upheld complaint; Commission upheld ALJ (mostly); Appellate court upheld Commission; Supreme Court declined to hear appeal | Complaint: ALJ: Final Order: Appeal: Appeal Denied: | 6/29/70 8/17/71 9/22/72 6/27/73 12/17/73 | 12/2/69 8/31/71 10/9/72 6/28/73 12/18/73 |
| 13) Amstar 03217210 83 FTC 659 | a) Domino sugar b) Misrepresented nutritional value and false endorsements c) Final order is consent | Complaint: ALJ: Final Order: | 5/8/72 none 10/2/73 | 7/13/71 none 6/19/73 |
| 14) Coca Cola 19121610 83 FTC 746 | a) Hi-C fruit drink b) Misrepresented uniqueness of product, nutritional value, fruit juice content c) ALJ dismissed case; Commission also dismissed case | Complaint: ALJ: Final Order: | 4/14/71 9/15/72 10/5/73 | 9/29/70, 4/28/71* 9/29/72 11/8/73 |

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| 15) ITT-Continental Baking 45067910 83 FTC 865 83 FTC 1106 532 F.2d 207 90 FTC 181 | a) Wonder bread b) Misrepresented nutritional value, efficacy, functional value c) ALJ dismissed complaint; Commission overruled ALJ and issued order; Appellate court deleted most of order; Commission modified order accordingly | Complaint: 8/24/71 ALJ: 12/18/72 Final Order: 10/19/73 Modified Order: 12/14/73 Appeal: 3/1/76 Modified Order: 9/16/77 | 3/17/71 12/29/72 11/6/73 none none none |
| 16) Sun Oil 86676210 84 FTC 247 | a) Gasoline b) Misrepresented performance characteristics of product c) ALJ upheld complaint; Commission upheld ALJ | Complaint: 6/2/72 ALJ: 6/28/74 Final Order: 8/19/74 | 12/3/71 7/23/74 8/23/74 |
| 17) Sterling Drug 85926410 84 FTC 547 | a) Lysol disinfectant b) Misrepresented ability of product to prevent disease c) Final order is consent | Complaint: 9/21/72 ALJ: none Final Order: 10/1/74 | 3/3/72 none 7/22/74 |
| 18) Standard Oil of California (P) 16675110 84 FTC 1401 577 F.2d 653 95 FTC 866 | a) F-310 gasoline additive b) Misrepresented ability of product to reduce pollution and visible emissions c) ALJ dismissed complaint; Commission overruled ALJ and issued order; Appellate court narrowed scope of order; Commission modified order accordingly | Complaint: 12/29/70 ALJ: 4/25/73 Final Order: 11/26/74 Appeal: 7/3/78 Modified Order: 6/16/80 | 9/30/70 5/10/73 12/19/74 none none |
| 19) Crown Central Petroleum (P) 22821910 84 FTC 1493 | a) Gasoline additive b) Misrepresented ability of additive to produce pollution-free exhaust c) ALJ upheld complaint; Commission upheld ALJ | Complaint: 7/14/71 ALJ: 5/25/73 Final Order: 11/26/74 | 5/4/71, 5/6/71* 6/13/73 12/19/74 |

FTC Docketed Matters, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|---|---|--|---|--|
| | | | FTC | WSJ |
| 20) General Motors 37044210 85 FTC 27 | a) Automobiles b) Misrepresented handling characteristics of autos c) Final order is consent | Complaint: ALJ: Final Order: | 12/11/72 none 1/10/75 | 10/13/72 none 11/5/74 |
| 21) Fedders 31313510 85 FTC 38 529 F.2d 1398 cert. denied, 429 U.S. 63 | a) Air conditioners b) Misrepresented uniqueness of certain performance characteristics c) ALJ upheld complaint; Commission upheld ALJ (mostly); Appellate court upheld Commission; Supreme Court declined to hear appeal | Complaint: ALJ: Final Order: Appeal: Appeal Denied: | 6/11/73, 1/10/74 (amended) 7/15/74 1/14/75 1/21/76 10/4/76* | 10/13/72, none 8/2/74 2/10/75 none none |
| 22) A & P 39006410 85 FTC 601 | a) Availability of advertised specials b) Advertised specials were not available as offered c) ALJ upheld complaint; Commission upheld ALJ | Complaint: ALJ: Final Order: | 2/16/73 1/24/75 5/25/75 | 7/28/72 2/11/75 4/24/75 |
| 23) Bristol-Myers 11009710 85 FTC 681 | a) Aerosol anti-perspirant b) Misrepresented dryness of anti-perspirant c) ALJ upheld complaint; Commission overruled ALJ and dismissed complaint | Complaint: ALJ: Final Order: | 9/12/72 11/28/73 4/22/75 | 8/23/71 12/10/73 5/27/75 |
| 24) Beneficial Corp. 08172110 86 FTC 119 542 F.2d 611 94 FTC 425 | a) Income tax preparation b) Misrepresented tax preparation services, payments for errors c) ALJ upheld complaint; Commission upheld ALJ; Appellate court narrowed scope of order; Commission modified order accordingly | Complaint: ALJ: Final Order: Appeal: Modified Order: | 4/10/73 10/21/74 7/15/75 9/8/76 9/12/79 | none 11/13/74 8/7/75 none none |

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| 25) Lear Siegler 52189410 86 FTC 860 | a) Computer career training b) Misrepresented need for jobs, usefulness of training, cost of placement assistance c) Final order is consent | Complaint: 1/24/74 ALJ: none Final Order: 10/6/75 | 5/3/72 none 7/23/75 |
| 26) FMC 30249110 86 FTC 897 | a) Pesticide b) Misrepresented safety and toxicity of product c) Final order is consent | Complaint: 4/8/74 ALJ: none Final Order: 10/8/75 | 11/2/72 none 7/31/75 |
| 27) Warner-Lambert 93448810 86 FTC 1398 562 F.2d 749 cert. denied, 435 U.S. 1575 92 FTC 191 | a) Listerine mouth wash b) Unsubstantiated claims concerning ability of product to prevent colds c) ALJ upheld complaint; Commission upheld ALJ; Appellate court narrowed order slightly; Supreme Court declined to hear appeal; Commission modified order accordingly | Complaint: 6/27/72 ALJ: 11/25/74 Final Order: 12/9/75 Appeal: 8/2/77 Appeal Denied: 4/3/78 Modified Order: 7/20/78 | 11/4/71 12/10/74 12/19/75 8/3/77 4/4/78 none |
| 28) Chrysler (P) 17119610 87 FTC 719 561 F.2d 357 90 FTC 606 | a) Chrysler automobiles b) Misrepresented performance characteristics c) ALJ upheld complaint; Commission upheld ALJ; Appellate court narrowed scope of order; Commission modified order accordingly | Complaint: 10/9/74 ALJ: 9/4/75 Final Order: 4/13/76 Appeal: 7/6/77 Modified Order: 12/5/77 | 8/1/74 9/26/75 5/7/76 none none |
| 29) Ford (P) 34537010 87 FTC 756 | a) Ford automobiles b) Misrepresented gas mileage c) ALJ upheld complaint; Commission upheld ALJ | Complaint: 12/10/74 ALJ: 8/1/75 Final Order: 4/13/76 | 8/1/74 8/15/75 5/12/76 |
| 30) Matsushita 57687920 89 FTC 157 | a) Panasonic color TV sets b) Misrepresented test results concerning repair costs c) Final order is consent | Complaint: 7/22/75 ALJ: None Final Order: 3/4/77 | 8/13/75, 8/18/75* None 5/27/76, 12/29/76* |

FTC Docketed Matters, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|--|---|------------------------------------|------------------------------|-----------------------------|
| | | | FTC | WSJ |
| 31) General Electric 36960410 89 FTC 209 | a) Television sets b) Misrepresented survey results pertaining to repair record c) Final order is consent | Complaint: ALJ: Final Order: | 7/29/75 none 4/7/77 | 8/18/75 none 6/25/76 |
| 32) Sears 81238710 89 FTC 229 | a) Home appliances b) Bait and switch tactics c) ALJ upheld complaint; Commission upheld ALJ | Complaint: ALJ: Final Order: | 9/17/74 None 4/11/77 | 7/11/74 None 3/8/76 |
| 33) Kroger 50104410 90 FTC 459 | a) Availability of advertised specials b) Advertised specials were not available as offered c) Final order is consent | Complaint: ALJ: Final Order: | 6/24/75 None 11/11/77 | 7/17/75 None 5/10/77 |
| 34) Fisher Foods 33781910 90 FTC 473 | a) Availability of advertised specials b) Advertised specials were not available as offered c) Final order is consent | Complaint: ALJ: Final Order: | 10/28/75 None 11/11/77 | 12/5/75 None 5/10/77 |
| 35) Ford 34637010 93 FTC 873 | a) Ford automobiles b) Lacked reasonable basis to make fuel economy claims c) Final order is consent | Complaint: ALJ: Final Order: | 12/10/74 None 5/24/79 | 8/1/74 None 3/9/79 |
| 36) J. W. Thompson 46627210 94 FTC 331 | a) Advertising agency (Sears) b) Lacked reasonable basis to make fuel economy claims c) Final order is consent | Complaint: ALJ: Final Order: | 11/4/77 None 8/23/79 | 11/23/77 None 4/16/79 |

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| 37) Sears 81238710 96 FTC 406 676 F.2d 364 | a) Lady Kenmore dishwashers b) Misrepresented cleaning and rinsing characteristics c) ALJ upheld complaint; Commission upheld ALJ; Appellate court upheld Commission | Complaint: 11/4/77 ALJ: 9/28/79 Final Order: 4/28/80 Appeal: 6/22/82 | 11/23/77 10/17/79 5/19/80 none |
| 38) Litton 53802110 97 FTC 1 676 F.2d 364 100 FTC 457 | a) Microwave ovens b) Misrepresented the results of a survey of micro- wave technicians and their recommendations c) ALJ upheld complaint; Commission upheld ALJ; Appellate court narrowed scope of order; Commission modified order accordingly | Complaint: 1/31/79 ALJ: 6/6/80 Final Order: 1/5/81 Appeal: 5/3/82 Modified Order: 9/10/82 | 2/2/79 6/17/80 1/14/81 none none |
| 39) CDC 21236310 97 FTC 84 | a) Computer programming training b) Misrepresented demand for programmers, placement record of graduates c) Final order is consent | Complaint: 10/3/73 ALJ: None Final Order: 1/9/81 | 5/3/72 None 10/9/80 |
| 40) Teledyne (P) 87933510 97 FTC 320 | a) Water Pik b) Misrepresented cleaning characteristics, endorse- ments by dentists c) Final order is consent | Complaint: 11/27/79 ALJ: None Final Order: 4/13/81 | 12/4/79 None 1/7/81 |
| 41) J. W. Thompson (P) 46627210 97 FTC 333 | a) Advertising agency (Teledyne) b) Misrepresented cleaning characteristics and en- dorsements by dentists c) Final order is consent | Complaint: 11/27/79 ALJ: None Final Order: 4/13/81 | 12/4/79 None 1/7/81 |
| 42) Horizon 44041610 97 FTC 464 | a) Land sales b) Misrepresented investment opportunities and risk c) ALJ upheld complaint; Commission upheld ALJ | Complaint: 9/11/75 ALJ: 9/21/79 Final Order: 6/16/81 | 3/18/75 10/4/79 3/25/81 |

FTC Docketed Matters, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|--|---|---|--|--|
| | | | FTC | WSJ |
| 43) AHP (P) 02660910 98 FTC 136 695 F.2d 681 101 FTC 698 103 FTC 528 | a) Anacin and Anacin Arthritis Pain Formula b) Misrepresented therapeutic value c) ALJ upheld complaint; Commission upheld ALJ; Appellate court deleted one section of order; Commission modified order accordingly, modified order to conform with Bristol-Meyers and Sterling orders | Complaint: ALJ: Final Order: Appeal: Modified Order: Modified Order: | 2/23/73 9/1/78 9/9/81 12/3/82 4/8/83 6/7/84 | 4/10/72, 4/20/72*, 3/13/73*, 9/18/78 9/25/81 12/16/82 none none |
| 44) Kroger 50104410 98 FTC 639 | a) Price survey b) Misrepresented quality and reliability of price survey c) ALJ upheld complaint; Commission upheld ALJ | Complaint: ALJ: Final Order: | 7/1/77 6/11/79 9/25/81 | 7/22/77 6/25/79 10/1/81 |
| 45) Bristol-Meyers (P) 11009710 102 FTC 21 738 F.2d 554 | a) Bufferin, Excedrin, Excedrin PM b) Misrepresented therapeutic value c) ALJ upheld complaint; Commission upheld ALJ; Appellate court upheld Commission | Complaint: ALJ: Final Order: Appeal: | 2/23/73 9/28/79 7/5/83 6/25/84 | 4/10/72, 4/20/72*, 3/13/73*, 10/15/78 7/14/83 none |
| 46) Sterling Drug (P) 85926410 102 FTC 395 741 F.2d 1146 cert. denied, 105 S.Ct. 1843 | a) Bayer, Vanquish, and others b) Misrepresented therapeutic value c) ALJ upheld complaint; Commission upheld ALJ; Appellate court upheld Commission; Supreme Court declined to hear appeal | Complaint: ALJ: Final Order: Appeal: Appeal Denied: | 2/23/73 1/30/81 7/5/83 8/28/84 3/25/85* | 4/10/72, 4/20/72*, 3/13/73*, 2/11/78 7/14/83 8/29/84 none |

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| 47) Raytheon 75511110 102 FTC 1262 | a) Amana microwave ovens b) Misrepresented results of independent laboratory tests c) Final order is consent | Complaint: 10/7/82 10/11/82 ALJ: None None Final Order: 9/30/83 7/12/83 |
| 48) Thompson Medical 88484210 104 FTC 648 | a) Aspercreme b) Misrepresented aspirin content of product c) ALJ upheld complaint; Commission upheld ALJ | Complaint: 2/5/81 10/15/82 ALJ: 6/24/83 7/11/83 Final Order: 11/23/84 12/4/84 |
| 49) Champion Homes 15850110 101 FTC 316 | a) Solar Energy Equipment b) Misrepresented performance, durability, maintenance requirements of product | Complaint: 2/5/81 2/20/81 ALJ: None None Final Order: 2/17/83 None |

NAD CASES (NO APPEAL)

NAD Cases (No Appeal)

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|--|---|-------|---------------|---------|
| | | | NAD | Ad Age |
| 01) Warner-Lambert 93448810 | a) e.p.t. pregnancy test b) Competitor objected to claim that product was "most advanced" c) NAD found ads to be unsubstantiated; W-L agreed to revise ads | NAD: | 1/85 | 1/21/85 |
| 02) Coca Cola 19121610 | a) Sprite b) 7-Up objected to claim that Sprite was preferred to 7-Up based on taste tests c) NAD found ads to be substantiated | NAD: | 2/85 | 2/18/85 |
| 03) Phillip Morris/7-Up (C) 71815410 | a) Sprite b) 7-Up objected to claim that Sprite was preferred to 7-Up based on taste tests c) NAD found ads to be substantiated | NAD: | 2/85 | 2/18/85 |
| 04) Proctor & Gamble 74271810 | a) Bounce fabric softener b) Competitor objected to claim that "Bounce gets clothes softer than any other sheet" c) NAD found ads to be substantiated | NAD: | 2/85 | 2/18/85 |
| NC) Noxzema (No CRSP) | a) Noxzema skin creme/acne medication b) Revlon objected to Noxzema claims of superiority based on clinical study c) NAD found ads to be unsubstantiated; ads had already been discontinued | NAD: | 2/85 | 2/18/85 |
| 05) Revlon (C) 76152510 | a) Noxzema skin creme/acne medication b) Revlon objected to Noxzema claims of superiority based on clinical study c) NAD found ads to be unsubstantiated; ads had already been discontinued | NAD: | 2/85 | 2/18/85 |
| 06) Carnation 14348310 | a) Weight loss program b) Local BBB objected to effectiveness and cost claims c) NAD found ads to be unsubstantiated; ads had already been discontinued | NAD: | 3/85 | 3/18/85 |

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| 07) Amoco 03190510 | a) Amoco lead-free gasoline b) NAD objected to comparative ads concerning quality and contribution to acceleration c) NAD found ads to be unsubstantiated; ads had already been discontinued | NAD: 3/85 | 3/18/85 |
| 08) Transamerica/ Budget Rent-A-Car 89348510 | a) Car rental b) Competitor objected to comparative price claims c) NAD found ads to be unsubstantiated; ads had already been discontinued | NAD: 3/85 | 3/18/85 |
| 09) CPC Int'l/ Best Foods 12614910 | a) Masola corn oil b) NAD objected to health claims for polyunsaturates c) NAD found ads to be unsubstantiated; ads had already been discontinued | NAD: 3/85 | 3/18/85 |
| 10) Del Labs 24509110 | a) Nail polish b) NAD objected to claims concerning uniqueness and novelty of product in protecting against breakage c) NAD found ads to be unsubstantiated; Del Labs agreed to modify ads | NAD: 3/85 | 3/18/85 |
| 11) RJ Reynolds/ Del Monte 76175310 | a) Canned vegetables b) Non-profit institute complained of ads comparing nutrition of canned and fresh vegetables c) NAD found ads to be unsubstantiated for some types of vegetables; advertising had already been discontinued | NAD: 4/85 | 4/15/85 |

NAD Cases (No Appeal), continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|--|--|-------|---------------|---------|
| | | | NAD | Ad Age |
| 12) RCA 74928510 | a) Videocams b) Consumer complained of misleading advertising on ease of use, particularly overseas c) NAD found ads to be misleading and instructions to be inadequate; RCA declined to change ads but agreed to clarify instructions | NAD: | 4/85 | 4/15/85 |
| 13) General Cigar & Tobacco 22989010 | a) Garcia y Vega cigars b) Competitor complained of misleading comparison of cigar wrappers and disparagement of its cigars c) NAD found ads to be substantiated | NAD: | 4/85 | 4/15/85 |
| 14) Beatrice/ Hunt Wesson Foods 07407710 | a) Barbecue sauce b) NAD requested substantiation for claims that sauce was "America's favorite" and "all natural" c) NAD found ads to be substantiated | NAD: | 4/85 | 4/15/85 |
| 15) Polaroid 73109510 | a) Polaroid cameras b) Kodak initiated complaint over implied uniqueness claims in ads c) NAD found ads to be substantiated | NAD: | 5/85 | 5/20/85 |
| 16) Kodak (C) 27746110 | | | | |
| 17) Commodore Business Machines 20266010 | a) Commodore 64 computer b) Unknown complainant objected to claims of "best-selling in the world" and that computer had features found in more expensive computers c) NAD found ads to be substantiated | NAD: | 5/85 | 5/20/85 |

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| 18) American Cyanamid 02532110 | a) Centrum vitamins b) Competitor objected to comparative ads over nutrient contents of vitamins c) NAD found ads to be unsubstantiated; some ads had been discontinued but AC agreed to revise other ads | NAD: 5/85 | 5/20/85 |
| 19) Bestrice 07407710 | a) Peter Pan peanut butter b) Competitor objected to advertised link between grade of peanut and taste c) NAD found ad to be substantiated | NAD: 6/85 | 6/17/85 |
| 20) United Airlines 90255010 | a) Airline services b) Competitor questioned ads comparing services to another competitor's and objected to the use of the word "free" c) NAD found ads to be misleading; advertising had already been discontinued | NAD: 7/85 | 7/15/85 |
| 21) Heins/ Star Kist Foods 42307410 | a) Meaty Bone dog biscuits b) Nabisco challenged ads claiming taste preference for Meaty Bone biscuits over Nabisco brand Milk Bones | NAD: 7/85 | 7/15/85 |
| 22) Nabisco (C) 62952510 | c) NAD found ads to be substantiated | | |
| 23) Western Union 96980610 | a) Telegraph service b) NAD requested substantiation for claims of service speed c) NAD found ads to be substantiated | NAD: 7/85 | 7/15/85 |

NAD Cases (No Appeal), continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|------------------------------------|--|-------|---------------|---------|
| | | | NAD | Ad Age |
| 24) ATT 03017710 | a) Long distance services b) NAD requested substantiation for quality claims, universal availability of services, and others c) NAD found ads to be substantiated | NAD: | 8/85 | 8/19/85 |
| 25) Richardson-Vicks 76328210 | a) Pantene shampoo b) Competitor challenged claims concerning shampoo nourishment for hair c) NAD found ads to be unsubstantiated; R-V agreed to modify ads | NAD: | 8/85 | 8/19/85 |
| NC) Allen Products (No CRSP) | a) Alpo puppy food b) Competitors (Gaines, Ralston-Purina, Quaker) objected to ads claiming preference by veterinarians for Alpo over other brands c) NAD found ads to be unsubstantiated; Alpo agreed to modify ads | NAD: | 9/85 | 9/16/85 |
| 26) Gaines (C) 03360910 | | | | |
| 27) Ralston-Purina (C) 76127710 | | | | |
| 28) Quaker Oats (C) 74740210 | | | | |

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| 29) Revlon 76152510 | a) Mascara b) Competitor challenged claims that product was "free of irritants" and easily removed with soap and water c) NAD found some claims to be unsubstantiated; Revlon had not yet run ads and agreed not to run them | NAD: 9/85 | 9/16/85 |
| 30) Sara Lee Corp. 80311110 | a) Bacon, bologna, hot dogs b) Competitor objected to best-selling claim for products c) NAD found ads to be unsubstantiated; Sara Lee agreed to modify ads | NAD: 9/85 | 9/16/85 |
| 31) American Motors/ Renault 02762710 | a) Renault warranty b) Consumer complained that ads for new warranty were misleading c) NAD found ads to be substantiated | NAD: 9/85 | 9/16/85 |

NAD/NARB CASES

NAD/NARB Cases

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
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| | | | NAD | Ad Age |
| 01) Ralston Purina 76127710 NARB #13 | a) Chuck Wagon dog food b) NAD initiated complaint over claims concerning meat content of dog food c) NAD found claims to be misleading; NARB upheld NAD; ads had already been discontinued | NAD: 6/73 NARB: 8/73 | 6/18/73 8/3/73 | |
| 02) Hardee's Food 41170210 NARB #15 | a) Charco-broiled hamburgers b) Consumer initiated complaint over use of term "charco-broiled"; hamburgers actually cooked over gas c) NAD found ad to be deceptive; NARB upheld NAD; Hardee's revised ads; NARB found one of revised ads to be misleading; Hardee's had already discontinued ad | NAD: 6/73 NARB (1st): 6/74 NARB (2nd): 1/75 | 6/18/73 7/1/74 1/20/75* | |
| 03) Schick 80687010 NARB #16 | a) Flexomatic electric shaver b) NAD initiated complaint along with 3 competitors concerning comparative performance claims (closeness) c) NAD found ads to be unsubstantiated; NARB upheld NAD; ad had already been discontinued | NAD: 8/73 NARB: 12/73 | 1/5/73, 8/13/73* 12/31/73 | |
| 04) Sperry Rand (C) 84835510 NARB #16 | | | | |
| 05) N. A. Phillips (C) 66704510 NARB #16 | | | | |
| 06) Ronson (C) 77633810 NARB #16 | | | | |

| | | |
|--|--|--|
| <p>07) Bethlehem Steel 08760910 NARB #20</p> | <p>a) Coal advertising b) Non-profit institute brought complaint over ad for coal which claimed coal was only proven energy source for the next 400 yrs c) NAD found ads to be substantiated; NARB overruled NAD; BS agreed to discontinue ads</p> | <p>NAD: 3/74 3/18/74 NARB: 10/74 10/14/74</p> |
| <p>08) Beneficial Corp. 08172110 NARB #21</p> | <p>a) Personal loans b) Consumer initiated complaint over claim "You're good for more" c) NAD found ad to be substantiated; NARB upheld NAD</p> | <p>NAD: 3/74 3/18/74 NARB: 5/75 5/19/75</p> |
| <p>09) Drackett Co. 26199080 NARB #25</p> | <p>a) Behold furniture polish b) NAD and S.C. Johnson initiated complaint over comparative claims between Behold and Johnson's Lemon Pledge for cleaning ability, and other qualities c) NAD found ads to be misleading; NARB upheld NAD; Drackett agreed to discontinue ads</p> | <p>NAD: 12/74 12/23/74 NARB: 12/75 12/1/75</p> |
| <p>10) American Brands/ Acushnet 02470310 NARB #29</p> | <p>a) Titleist golf balls b) Consumer initiated complaint over claim of "maximum distance" in ads c) NAD found ads not to be misleading; NARB upheld NAD but urged greater clarity in future ads</p> | <p>NAD: 1/76 1/19/76 NARB: 8/76 8/23/76</p> |
| <p>NC) Allen Products (No CRSP) NARB #30</p> | <p>a) Alpo Beef Chunk Dinner dog food b) Quaker initiated complaint over implied claims concerning meat content and nutrition of Alpo c) NAD found ads not to be misleading; Quaker appealed; NARB overruled and found ads to be misleading; Alpo agreed to discontinue ads</p> | <p>NAD: 8/76 8/16/76 NARB: 12/76 12/20/76</p> |
| <p>11) Quaker (C) 74740210 NARB #30</p> | | |

NAD/NARB Cases, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Date of Event | |
|---|--|--------------------------|---------------------|
| | | Stage | NAD Ad Age |
| 12) Household Int'l/ National Car Rental 44181510 NARB #32 | a) Automobile rentals b) Herts initiated complaint over size, endorsement, and affiliation claims c) NAD found some ads to be misleading; Nat'l Car agreed to modify ads; Herts appealed; NARB upheld NAD with an additional modification | NAD: 5/78 NARB: 4/79 | 5/15/78 4/30/79 |
| 13) Herts (C) 90256010 NARB #32 | | | |
| 14) Coca-Cola 19121610 NARB #33 | a) Coca Cola b) Pepsi initiated complaint over alleged dietary claims implicit in "lighter" ads c) NAD found TV ads to be substantiated but ads in trade magazine were found to be unsubstantiated; Coca-Cola withdrew trade ads; Pepsi appealed; NARB upheld NAD | NAD: 11/78 NARB: 6/79 | 11/20/78 6/11/79 |
| 15) Pepsi (C) 71344810 NARB #33 | | | |
| 16) Bristol-Meyers 11009710 NARB #34 | a) Ban roll-on anti-perspirant b) Unknown complainant (appears to be competitor) initiated complaint over comparative performance ads involving deoderants of different types (roll-on v. spray) c) NAD found ads to be substantiated but misleading; NARB overruled NAD and found ads substantiated and not misleading | NAD: 7/79 NARB: 10/79 | 7/16/79 10/29/79 |

| | | | |
|--|---|----------------------------|---------------------|
| 17) Ralston Purina 75127710 NARB #35 | a) Chicken of the Sea tuna b) Heins/Star Kist initiated complaint over misleading use of US Government Inspection Seal c) NAD found ads to be misleading, requested modification; Ralston Purina modified ads; Heins appealed; NARB found modified ads also to be misleading; Ralston Purina further modified ads | NAD: 9/78 NARB: 1/80 | 9/18/78 2/4/80 |
| 18) Heins/Star Kist (C) 42307410 NARB #36 | a) Amana microwave ovens b) Matsushita/Panasonic initiated complaint over performance claims in nationally distributed pamphlet c) NAD found all but two claims to be substantiated; Amana modified claims; Matsushita appealed; NARB upheld NAD | NAD: 4/80 NARB: 1/81 | 4/21/80 2/2/81 |
| 20) Matsushita/Panasonic (C) 57687920 NARB #36 | a) Formula 2 eyecolor b) Schering-Plough initiated complaint over use of term "creaseproof" c) NAD found ads to be unsubstantiated; NARB upheld NAD; Revlon revised ads | NAD: 5/81 NARB: 8/81 | 5/18/81* 8/17/81 |
| 21) Revlon 76152510 NARB #37 | a) Top Job Liquid Cleaner b) American Cyanamide initiated complaint over disparagement of pine oil cleaners c) NAD found ads to be substantiated and no disparagement; NARB upheld NAD | NAD: unknown NARB: 5/83 | 6/21/82 5/9/83 |
| 22) Schering-Plough (C) 80660510 NARB #37 | | | |
| 23) Procter & Gamble 74271810 NARB #38 | | | |
| 24) American Cyanamid (C) 02532110 NARB #38 | | | |

NAD/NARB Cases, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|---|---|--------------------------|---------------|-----------|
| | | | NAD | Ad Age |
| 25) National Liberty Corporation 63669010 NARB #39 | a) National Home Life Assurance (life insurance) b) Consumer complaints about company mailings, referred to NAD c) NAD found several features of mailing to be mis- leading; NARB upheld NAD; Nat'l Liberty Corp. agreed to alter mailing format | NAD: 5/85 NARB: 10/85 | 5/20/85* | 10/14/85* |

LANHAM ACT CASES

| Lanham Act Cases | | Stage | Date of Event |
|--|--|---------------------|---------------|
| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Court | WSJ |
| 01) Skil Corp. 83064310 v. 02) Rockwell Int'l 77434710 375 F. Supp. 777 | a) Portable power tools b) Rockwell misrepresented the performance of its products and Skil products c) District court decision was denied of motion to dismiss; disposition of case unknown | Suit Filed: unknown | 1/9/74 |
| NC) Block Drug (No CRSP) v. 03) Warner-Lambert 93448810 No Citation | a) Denture cleanser (Block Drug: Polident; Warner-Lambert: Efferdent) b) Warner-Lambert made comparative effectiveness claims, disparaged BD product c) Disposition of case unknown | Suit Filed: unknown | 6/25/74 |
| NC) Consumers Union (No CRSP) v. 04) Miller Brewing (Philip Morris) 71815410 No Citation | a) Beer b) Miller Brewing used CU results to claim consumer preference for its beer c) Disposition of case unknown | Suit Filed: unknown | 7/6/83 |

| | | |
|---|--|--|
| 05) AHP 02660910 v. McNeilab (J & J) 47816010 No Citation | a) Pain relievers (AHP: Anacin; J & J: Tylenol) b) J&J claimed Anacin upsets stomach, Tylenol doesn't c) Disposition of case unknown | Suit Filed: unknown Dist. Court: 6/25/85 |
| 07) American Brands 02470310 v. RJ Reynolds 76176310 413 F.Supp. 1352 | a) Cigarettes b) RJR claimed its brand lowest in tar, while AB had a brand with lower tar but with very limited distribution c) RJR modified ads to limit claim when AB brand became more widely available; District court enjoined use of old advertising and required RJR to recall old advertising material | Suit Filed: 2/17/76 Dist. Court: 6/2/76 |
| 09) Shop-Rite (No CRSP) v. Kroger 50104410 416 F.Supp. 1210 | a) Price Patrol Report b) Kroger advertised relative price levels for its own and other grocery stores (Note: this litigation occurred during the middle of the FTC case involving the same advertising) c) District court denied relief | Suit Filed: unknown Dist. Court: 8/2/76 |
| 10) Johnson & Johnson 47816010 v. Quality Pure Mfg., Inc. (No CRSP) 484 F.Supp. 975 | a) Skin oil, shampoo, baby powder b) QPM used similar trade dress, made comparative effectiveness claims for its products against J&J products c) District court ordered QPM to change trade dress and enjoined it from making claims | Suit Filed: 6/14/79 Dist. Court: 12/11/79 |

Lanham Act Cases, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|---|---|-----------------------------|---------------------|-------------------|
| | | | Court | WSJ |
| 11) McNeilab (Johnson & Johnson) 47816010 v. 12) AHP 02660910 501 F.Supp. 517 | a) Pain relievers (AHP: Maximum Strength Anacin; McNeilab: Tylenol) b) AHP claimed 1) MSA is "stronger" than Extra Strength Tylenol; 2) MSA contains maximum strength allowed w/o prescription; 3) MSA is pain reliever doctors recommend most often c) AHP deleted claim 3 after suit was filed; District court enjoined AHP from making claims 1 and 2 | Suit Filed: Dist. Court: | unknown 7/18/80 | none none |
| 13) Quaker State Oil 74741910 v. NC) Burmah Castrol (No CRSP) 504 F.Supp. 178 | a) Castrol motor oil b) BC claimed Castrol did not lose viscosity under typical motor conditions c) District court enjoined BC from making claims | Suit Filed: Dist. Court: | 9/26/80 10/14/80 | none none |
| 14) Philip Morris 71815410 v. 15) Loews Theatres 54042410 511 F.Supp. 855 | a) Cigarettes b) L.T. used phrase "National Taste Test Winner" in comparing its brand to two of P.M. brands; stated that more smokers chose L.T. over P.M. brands c) District court enjoined L.T. from using phrase and from making most of the challenged claims | Suit Filed: Dist. Court: | unknown 7/26/80 | 7/21/80 8/1/80 |

| | | | |
|---|--|--|---------------------------------|
| 16) RJ Reynolds 76175310 v. 17) Loews Theatres 54042410 511 F.Supp. 867 | a) Cigarettes b) L.T. had revised ads in light of P.M. v. L.T. (511 F.Supp. 865), used phrase "National Smoker Study Winner," stated that, "overall," more smokers preferred L.T. to RJR brands c) District court enjoined L.T. from using phrase "overall preference," explicit percentages derived from Smoker Study | Suit Filed: unknown Dist. Court: 10/24/80 | 7/24/80 none |
| 18) AHP 02660910 v. 19) Abbott Labs 00282410 522 F.Supp. 1035 | a) Hemerhoid pain remedy (AHP: Preparation H; Abbott: Tronolane) b) Abbott claimed 1) Tronolane stops pain immediately; 2) it is "new" medication; 3) it was preferred 2 to 1 in consumer test c) District court enjoined Abbott from making claims 1 and 2 | Suit Filed: unknown Inj. Granted: 8/14/81 Dist. Court: 8/18/81 | unknown none none none |
| 20) Richardson-Vicks 76328210 v. NC) Beecham, Ltd. (No CRSP) No Citation | a) Jovan hand Creme b) Unknown c) District court enjoined advertising | Suit Filed: unknown Dist. Court: unknown | 2/1/83 3/17/83 |
| 21) Eastern Air Lines 27619110 v. 22) New York Airlines (Texas Int'l) 88213810 559 F.Supp. 1270 | a) Airline service b) NY Airlines made comparative claims about services, used the term "shuttle," which EAL claimed as a service mark c) District court ruled that "shuttle" was generic but enjoined NYA from making service claims | Suit Filed: unknown Dist. Court: 3/21/83 | unknown none none |

Lanham Act Cases, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|--|---|-----------------------------|--------------------|--------------------|
| | | | Court | WSJ |
| 23) Remington 8485510 v. 24) N.A. Philips 66704610 | a) Norelco shavers b) Unknown c) Case was dismissed | Suit Filed: Dist. Court: | unknown unknown | 7/6/83 7/27/83 |
| No Citation | | | | |
| 25) Borden 09959910 v. 26) Kraft 23741010 | a) Cheese slices b) Kraft compared its cheese slices with "6 oz. of milk" to imitation cheese slices c) District court denied injunctive relief | Suit Filed: Dist. Court: | 6/22/84 9/28/84 | none none |
| 224 USPQ 811 | | | | |
| 27) UpJohn 91630210 v. 28) AHP 02660910 598 F Supp. 550 | a) Pain relievers with ibuprofen (UpJohn: Nuprin and Motrin; AHP: Advil) b) AHP ads failed to distinguish fully between its product and Motrin, (among other things) using same color for Advil pills as that of Motrin c) AHP revised ads after suit was filed; District court enjoined use of original advertising, did not enjoin use of revised advertising | Suit Filed: Dist. Court: | 7/3/84 11/7/84 | 7/6/84 11/14/84 |

| | | | |
|--|--|---|---------------------------------|
| 29) Electronic Corp. of America 28606510 v. Honeywell 43850610 303 F.Supp. 1220 428 F.2d 191 358 F.Supp. 1230 | a) Fire alarm control system component b) Honeywell produced a replacement component for ECA fire alarm system; Honeywell made claims about ease of replacing ECA component with its own component c) District court denied relief; Appellate court overruled District court, enjoined Honeywell from making claims, and remanded for determination of damages; District court denied damage award for lack of evidence | Suit Filed: Dist. Court: 9/23/89 App. Court: 6/2/70 Dist. Court: 5/30/73 | none none none none |
| 31) AHP -02680910 v. McNeilab (Johnson & Johnson) 47816010 436 F.Supp. 785 577 F.2d 160 | a) Pain relievers (AHP: Anacin; McNeilab: Tylenol) b) AHP made claims concerning relative properties of Anacin and Tylenol (AHP brought initial suit seeking declaratory judgement that its ads were not false; J&J countersued that AHP misrepresented relative properties) c) District court enjoined AHP from making claims; Both parties appealed; Appellate court upheld District court injunction and denied further relief to J&J | Suit Filed: Dist. Court: 8/18/77 App. Court: 5/1/78 | none 8/19/77 5/3/78 |
| 33) Johnson & Johnson 47816010 v. Carter-Wallace 14628510 487 F.Supp. 740 631 F.2d 186 | a) Nair depilatory lotion b) Carter-Wallace used "baby oil" to describe ingredient in Nair, claimed baby oil left skin smooth and soft c) District court denied relief; Appellate court overruled, remanded case for further consideration of falsity of ads; District court made unknown subsequent decision | Suit Filed: Dist. Court: 4/7/80 App. Court: 9/25/80 Dist. Court: 12/22/81* | 8/29/78 none none none |

Lanham Act Cases, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|---|--|--|-------------------------------|----------------------|
| | | | Court | WSJ |
| NC) Vidal Sassoon (No CRSP) v. 35) Bristol-Meyers 11009710 661 F.2d 372 | a) Body on Tap hair shampoo b) Bristol-Meyers misrepresented results of consumer preference tests comparing its and others shampoos c) District court enjoined Bristol-Meyers from using results in previous manner; Appellate court upheld District court | Suit Filed: Dist. Court: App. Court: | unknown unknown 10/7/81 | none none none |
| 36) Frisch's Restaurants 58874810 v. NC) Elby's Big Boy (No CRSP) 514 F. Supp. 704 670 F.2d 642 | a) Restaurant b) Elby's used "Big Boy" figure in ads without legal right to do so c) District court enjoined Elby's from using figure in TV ads, denied relief for radio/print ads; Appellate court upheld injunction for TV ads, reversed District court on other ads, enjoining Elby's from using such ads | Suit Filed: Dist. Court: App. Court: | 11/27/78 1/20/81 2/3/82 | none none none |
| 37) Pennwalt 70931710 v. 38) Plough (Schering- Plough) 80660510 516 F. Supp. 751 676 F.2d 77 | a) Athlete's foot product b) Plough made comparative effectiveness claims for its product, Aftate, against Pennwalt's product, Desenex c) Parties had previously settled a suit by agreeing to submit comparative efficacy claims to expert panel; suit was over Plough's failure to do so for new ads; District court denied injunctive relief; Appellate court overruled District court and enjoined ad until submission to expert panel | Suit Filed: Dist. Court: App. Court: | 6/1/81 6/23/81 4/8/82 | none none none |

| | | | |
|---|---|--|------------------------------|
| 39) Coca Cola 19121610 v. 40) Tropicana 89709010 538 F.Supp. 1091 680 F.2d 312 | a) Orange juice b) Coca Cola charged Tropicana with misrepresenting the fresh juice content of its product. c) District court denied injunctive relief due to lack of evidence concerning consumer misperception; Appellate court reversed District court and enjoined Tropicana from making claims | Suit Filed: unknown Dist. Court: 5/13/82 App. Court: 9/29/82 | none none none |
| NC) Consumers Union (No CRSP) v. 41) General Signal 37083610 724 F.2d 1044 | a) Regina vacuum cleaner b) General Signal used CU rating in advertising c) District court enjoined GS from using CU rating on copyright infringement grounds; Appellate court overturned District court injunction | Suit Filed: 9/30/83 Dist. Court: 10/14/83 Inj. Lifted: 11/25/83 App. Court: 12/6/83 | none none none none |
| 42) Procter & Gamble 74271810 v. 43) Chesebrough Ponds 16633910 588 F.Supp. 1082 747 F.2d 114 | a) Hand lotion b) Firms sued one another over ads claiming relative effectiveness of product c) District court denied injunctive relief to both parties; Appellate court upheld District court | Suit Filed: 1/5/84 Dist. Court: 6/11/84 App. Court: 10/30/84 | none 6/14/84 none |
| 44) Burndy 12220610 v. 45) Teledyne 87935510 584 F.Supp. 666 748 F.2d 767 | a) Electrical connectors b) Teledyne advertised UL approval of certain electrical connectors c) District court found advertising to be false but denied injunctive relief and damages because advertising had been discontinued; Appellate court upheld District court | Suit Filed: 11/8/82 Dist. Court: 4/10/84 App. Court: 11/15/84 | none none none |

Lanham Act Cases, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event | |
|---|--|---|---|---|
| | | | Court | WSJ |
| 46) Bandag 06981610 v. NC) AJ Bolser's Tire Stores (No CRSP) 750 F.2d 903 | a) Tires b) AJ Bolser ads claimed to carry Bandag products (recapped tires) c) District court enjoined advertising and awarded damages; Appellate court upheld injunction but remanded case for new damage award | Suit Filed: Dist. Court: App. Court: | 2/3/82 7/6/83 11/8/84 | none none none |
| 47) Avis (Beatrice) 07407710 v. 48) Herts (UAL) 90255010 782 F.2d 381 | a) Car rentals b) Herts claimed to have "more new cars than Avis has cars" c) District court enjoined Herts from using claim and ordered corrective ads, Appellate court overturned D.C. | Suit Filed: Finding of Facts: Dist. Court: Corrective Ad Order: App. Court: | 3/16/84 8/6/84 1/24/86 unknown 2/3/86 | none 8/9/84 none 7/31/85 2/5/86 |
| 49) Hanes 41034210 v. 50) Kayser-Roth 48663810 No Citation | a) Panty Hose b) Unknown c) Settlement, details unknown | Suit Filed: Settlement: | unknown unknown | 10/25/74 none (7/28/75 in Advertising Age |

| | | |
|---|---|--|
| <p>NC) United Egg Products (No CRSP) v. Standard Brands 85313910 No Citation</p> | <p>a) Egg substitute b) Standard Brands ads linked egg consumption with cholesterol/heart disease link c) Settlement called for both parties to avoid mention of cholesterol/heart disease question; Standard Brands to pay \$307,500 to United Egg Products for legal expenses</p> | <p>Suit Filed: 10/28/75 10/30/75 Settlement: unknown 10/4/78</p> |
| <p>52) Alberto Culver 01306810 v. Gillette 37576610 408 F. Supp.</p> | <p>a) Tame creme rinse b) Ads compared Tame with Alberto Balsam, exact claims unknown c) Litigation never reached full trial (citation is for decision regarding motion to amend complaint); settlement included \$4.3 million payment from Gillette to A.C.</p> | <p>Suit Filed: 7/19/74 7/22/74 Settlement: unknown 3/23/79</p> |
| <p>NC) Twinoak (No CRSP) v. Drackett 11009710 No Citation</p> | <p>a) Toilet bowl cleaner b) Drackett made comparative claims concerning potential for products to damage toilet bowl c) Settlement called for Drackett to withdraw ads</p> | <p>Suit Filed: unknown 3/2/81 Settlement: unknown 3/9/81</p> |
| <p>55) Pennwalt 70931710 v. Plough 80660510 85 FRD 264 616 F. Supp. 761 676 F.2d 77</p> | <p>a) Athlete's foot product b) Plough made comparative effectiveness claims for its product, Aftate, against Pennwalt's product, Desonex c) Suit ended in settlement that required either party to submit comparative efficacy claims to expert panel</p> | <p>Suit Filed: 5/11/79 none Settlement: 4/24/81 none</p> |

Lanham Act Cases, continued

| Company/ CUSIP #/ Citation | a) Product b) Description of Case c) Decisions | Stage | Date of Event Court |
|--|---|--|--|
| 57) McDonald's 58013510 v. Burger King (Pill- sbury) 72151010 No Citation | a) Hamburgers b) Burger King compared the taste of charco-broiled hamburgers against that of fried hamburgers; made claim that more people preferred the former c) District court denied temporary restraining order; settlement called for Burger King to gradually withdraw ads | Suit Filed: Dist. Court: Settlement: | unknown 9/24/82 unknown 10/11/82 unknown 11/1/82 |
| 59) Wendy's Int'l 96059010 v. Burger King (Pilla- bury) 72151010 No Citation | a) Hamburgers b) Burger King compared the taste of charco-broiled hamburgers against that of fried hamburgers; made claim that more people preferred the former c) District court action unknown; settlement called for Burger King to gradually withdraw ads | Suit Filed: Dist. Court: Settlement: | unknown 9/30/82 unknown none unknown 11/1/82 |
| 61) Richardson-Vicks 76328210 v. Carter-Wallace 14628610 No Citation | a) Denture retainer b) Unknown comparative ads c) Settlement called for Carter-Wallace to stop ads | Suit Filed: Settlement: | unknown none unknown 6/8/84 |

Appendix B

The tables in this appendix contain the results of the the three window regressions for each of the cases listed in Appendix A for which there was complete data. A "P" following the case number indicates a portfolio regression. In some tables, we have divided the results by the type of decision.

Table B1

**FTC Immediately Negotiated Consents
Simultaneous Announcement**

| Case Number | Company CUSIP Number | 1-Day | | Event Window 3-Day | | 5-Day | |
|-------------|----------------------|--------|---------|--------------------|---------|--------|---------|
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| 1 | 16533910 | 0.006 | (0.65) | 0.026 | (1.54) | 0.025 | (1.12) |
| 2 | 01951910 | 0.012 | (1.29) | 0.015 | (0.91) | 0.023 | (1.08) |
| 4 | 55938010 | -0.014 | (-0.89) | 0.006 | (0.23) | 0.023 | (0.65) |
| 5 | 84721810 | -0.009 | (-0.42) | 0.000 | (0.00) | -0.031 | (-0.67) |
| 7 | 37044210 | -0.006 | (-0.67) | -0.012 | (-0.75) | 0.001 | (0.03) |
| 8 | 85926410 | 0.013 | (0.89) | -0.009 | (-0.34) | 0.013 | (0.41) |
| 9 | 92904110 | 0.064 | (2.79) | 0.060 | (1.49) | 0.069 | (1.33) |
| 13 | 98885710 | -0.011 | (-0.48) | 0.024 | (0.61) | 0.132 | (2.53) |
| 14 | 30040710 | 0.008 | (0.28) | 0.032 | (0.64) | 0.044 | (0.69) |
| 19 | 30280810 | -0.016 | (-0.50) | -0.026 | (-0.46) | 0.011 | (0.15) |
| 22 | 55613910 | -0.009 | (-0.50) | -0.009 | (-0.31) | -0.063 | (-1.64) |
| 24 | 26218810 | -0.010 | (-0.42) | 0.049 | (1.24) | 0.014 | (0.26) |
| 25 | 45067910 | -0.003 | (-0.24) | -0.003 | (-0.12) | -0.014 | (-0.49) |
| 27 | 36985610 | -0.005 | (-0.52) | 0.017 | (0.97) | 0.029 | (1.31) |
| 30 | 69350610 | -0.009 | (-0.60) | -0.015 | (-0.59) | 0.020 | (0.62) |
| 31 | 74271810 | 0.007 | (0.67) | 0.004 | (0.23) | -0.012 | (-0.48) |
| 32 | 09367110 | -0.006 | (-0.29) | 0.020 | (0.55) | 0.020 | (0.43) |
| 33 | 37610010 | -0.009 | (-0.48) | 0.010 | (0.30) | -0.022 | (-0.50) |
| 34 | 36136410 | -0.010 | (-0.32) | 0.041 | (0.73) | -0.049 | (-0.68) |
| 36 | 07407710 | 0.030 | (2.91) | 0.029 | (1.61) | 0.003 | (0.12) |
| 37 | 30058710 | -0.025 | (-1.13) | -0.036 | (-0.95) | 0.003 | (0.06) |
| 38 | 70818010 | -0.010 | (-1.01) | -0.007 | (-0.36) | -0.015 | (-0.63) |
| 39 | 85313910 | -0.002 | (-0.15) | 0.016 | (0.82) | -0.012 | (-0.46) |
| 41 | 70430110 | 0.005 | (0.19) | 0.020 | (0.40) | 0.063 | (0.98) |
| 42 | 04024910 | -0.127 | (-1.78) | 0.128 | (1.03) | 0.141 | (0.88) |
| 44P | 78029110 | -0.009 | (-0.47) | -0.019 | (-0.56) | -0.009 | (-0.20) |
| 45 | 17784610 | -0.018 | (-0.74) | -0.037 | (-0.89) | -0.037 | (-0.68) |
| 46 | 96332010 | -0.002 | (-0.09) | 0.034 | (0.96) | 0.060 | (1.29) |
| 47 | 14348310 | -0.003 | (-0.17) | -0.064 | (-2.08) | -0.068 | (-1.69) |
| 48 | 36136410 | -0.039 | (-0.70) | -0.165 | (-1.70) | -0.255 | (-2.05) |
| 51P | 42706610 | 0.017 | (1.39) | 0.035 | (1.64) | 0.042 | (1.50) |
| 52 | 37044210 | 0.022 | (1.61) | 0.073 | (3.07) | 0.022 | (0.69) |
| 55 | 36985610 | 0.012 | (0.68) | 0.047 | (1.52) | 0.043 | (1.07) |
| 57 | 36102810 | 0.004 | (0.10) | 0.029 | (0.46) | -0.004 | (-0.05) |
| 58 | 01310410 | -0.014 | (-0.61) | -0.016 | (-0.41) | -0.025 | (-0.48) |
| 59 | 61942610 | -0.021 | (-0.75) | 0.004 | (0.08) | 0.024 | (0.39) |
| 60 | 24509110 | 0.013 | (0.39) | 0.048 | (0.84) | -0.003 | (-0.04) |
| 61 | 36985610 | -0.003 | (-0.13) | 0.029 | (0.81) | -0.005 | (-0.10) |
| 62 | 01951910 | -0.011 | (-0.68) | 0.003 | (0.10) | -0.014 | (-0.37) |
| 63 | 78478310 | -0.003 | (-0.11) | -0.028 | (-0.54) | -0.027 | (-0.40) |
| 64 | 47916910 | 0.005 | (0.20) | 0.007 | (0.17) | -0.024 | (-0.44) |
| 65 | 70430110 | -0.006 | (-0.27) | -0.069 | (-1.93) | -0.068 | (-1.46) |
| 66 | 90255010 | 0.006 | (0.33) | 0.034 | (1.01) | 0.041 | (0.95) |
| 67 | 52748020 | 0.036 | (0.99) | -0.011 | (-0.17) | 0.025 | (0.30) |
| 68 | 69073410 | -0.005 | (-0.28) | -0.027 | (-0.94) | -0.046 | (-1.24) |
| 69 | 45067910 | 0.025 | (2.37) | 0.009 | (0.49) | -0.019 | (-0.76) |

Table B1, continued

| Case Number | Company CUSIP Number | 1-Day | | Event Window 3-Day | | 5-Day | |
|----------------|----------------------------|--------|---------|-----------------------|---------|--------|---------|
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| 70 | 76152510 | -0.003 | (-0.37) | 0.017 | (1.11) | 0.021 | (1.03) |
| 71 | 93142210 | -0.006 | (-0.45) | 0.005 | (0.23) | 0.017 | (0.57) |
| 72 | 98919510 | 0.039 | (1.78) | 0.001 | (0.03) | -0.003 | (-0.06) |
| 73 | 23957710 | -0.023 | (-1.53) | -0.022 | (-0.84) | -0.031 | (-0.90) |
| 74 | 78354910 | -0.001 | (-0.05) | 0.013 | (0.42) | 0.015 | (0.37) |
| 75 | 82510110 | 0.002 | (0.07) | 0.050 | (0.94) | 0.024 | (0.35) |
| 76 | 48617010 | 0.039 | (1.28) | 0.157 | (3.01) | 0.111 | (1.62) |
| 77 | 37033410 | -0.017 | (-1.55) | -0.004 | (-0.23) | -0.013 | (-0.53) |
| 78 | 18905410 | 0.015 | (0.76) | -0.015 | (-0.45) | 0.000 | (0.01) |
| 79 | 45067910 | -0.003 | (-0.39) | 0.001 | (0.07) | -0.001 | (-0.04) |
| 81P | 61942610 | 0.003 | (0.30) | -0.001 | (-0.07) | 0.013 | (0.56) |
| 82 | 85313910 | 0.005 | (0.30) | 0.006 | (0.22) | 0.023 | (0.62) |
| 83 | 84835510 | -0.011 | (-0.82) | -0.056 | (-2.52) | -0.059 | (-2.04) |
| 85 | 58943310 | -0.012 | (-1.08) | -0.023 | (-1.18) | -0.020 | (-0.79) |
| 86 | 34487210 | 0.000 | (-0.02) | -0.009 | (-0.49) | -0.004 | (-0.18) |
| 87 | 20266010 | -0.046 | (-1.28) | -0.014 | (-0.23) | 0.010 | (0.12) |

Table B2

FTC Immediately Negotiated Consents: Separate Announcements

| Case Number | Company CUSIP Number | 1-Day | | Event Window 3-Day | | 5-Day | |
|------------------|----------------------|--------|---------|--------------------|---------|--------|---------|
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| Complaint | | | | | | | |
| 10 | 19416210 | -0.002 | (-0.11) | -0.010 | (-0.38) | -0.016 | (-0.49) |
| 11 | 09145510 | 0.105 | (2.70) | 0.065 | (0.95) | 0.078 | (0.88) |
| 12 | 13442910 | -0.001 | (-0.10) | 0.007 | (0.31) | -0.001 | (-0.04) |
| 15 | 14348310 | -0.018 | (-1.36) | -0.074 | (-3.25) | -0.072 | (-2.42) |
| 17P | 74271810 | -0.005 | (-0.46) | -0.022 | (-1.19) | -0.032 | (-1.34) |
| 18 | 09959910 | 0.001 | (0.06) | 0.004 | (0.13) | 0.000 | (0.01) |
| 21 | 16403310 | -0.026 | (-0.84) | -0.026 | (-0.49) | -0.038 | (-0.55) |
| 23 | 87957310 | 0.013 | (0.29) | -0.046 | (-0.61) | -0.046 | (-0.47) |
| 35 | 02660910 | -0.001 | (-0.10) | 0.002 | (0.11) | -0.024 | (-1.15) |
| 40 | 55479010 | 0.023 | (0.84) | 0.028 | (0.60) | -0.024 | (-0.39) |
| 54P | 46627210 | -0.007 | (-0.69) | -0.010 | (-0.54) | -0.041 | (-1.76) |
| Consent | | | | | | | |
| 10 | 19416210 | 0.009 | (0.57) | 0.027 | (0.98) | 0.013 | (0.36) |
| 11 | 09145510 | 0.176 | (4.63) | 0.150 | (2.20) | 0.127 | (1.43) |
| 12 | 13442910 | -0.006 | (-0.56) | 0.004 | (0.21) | 0.013 | (0.52) |
| 15 | 14348310 | 0.001 | (0.04) | -0.002 | (-0.09) | -0.010 | (-0.33) |
| 17 | 74271810 | -0.016 | (-1.57) | -0.017 | (-0.95) | -0.006 | (-0.25) |
| 18 | 09959910 | -0.012 | (-0.73) | -0.037 | (-1.27) | -0.029 | (-0.78) |
| 21 | 16403310 | 0.000 | (0.00) | 0.000 | (0.00) | 0.006 | (0.07) |
| 23 | 87957310 | -0.013 | (-0.38) | -0.005 | (-0.08) | -0.041 | (-0.53) |
| 24A | 89077910 | 0.000 | (0.00) | -0.151 | (-1.75) | -0.251 | (-1.75) |
| 35 | 02660910 | 0.017 | (1.78) | 0.008 | (0.49) | -0.027 | (-1.24) |
| 40 | 55479010 | 0.012 | (0.49) | 0.012 | (0.28) | 0.033 | (0.59) |
| 54 | 46627210 | -0.015 | (-0.84) | -0.004 | (-0.12) | -0.003 | (-0.06) |

Table B3
FTC Docketed Complaints

| Case Number | Company CUSIP Number | 1-Day | | Event Window 3-Day | | 5-Day | |
|-------------|----------------------|--------|---------|--------------------|---------|--------|---------|
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| 3 | 58933110 | -0.008 | (-0.67) | -0.030 | (-1.38) | -0.049 | (-1.75) |
| 7 | 11009710 | -0.006 | (-0.42) | -0.016 | (-0.64) | -0.022 | (-0.68) |
| 8 | 90558110 | 0.013 | (1.19) | -0.021 | (-1.08) | -0.017 | (-0.68) |
| 9 | 02470310 | -0.011 | (-0.75) | 0.048 | (1.88) | 0.030 | (0.90) |
| 10 | 71708110 | -0.006 | (-0.47) | -0.014 | (-0.57) | -0.038 | (-1.26) |
| 11 | 26353410 | -0.007 | (-0.62) | -0.031 | (-1.57) | -0.012 | (-0.47) |
| 12 | 31831510 | -0.002 | (-0.19) | -0.027 | (-1.30) | -0.053 | (-2.02) |
| 13 | 03217210 | -0.010 | (-0.62) | -0.036 | (-1.33) | -0.066 | (-1.89) |
| 14 | 19121610 | -0.009 | (-0.79) | -0.012 | (-0.60) | 0.005 | (0.17) |
| 15 | 45067910 | -0.015 | (-1.28) | -0.031 | (-1.57) | -0.020 | (-0.79) |
| 16 | 86676210 | -0.001 | (-0.12) | 0.013 | (0.86) | -0.021 | (-1.07) |
| 17 | 85926410 | 0.031 | (2.76) | 0.029 | (1.49) | 0.049 | (1.92) |
| 18 | 16675110 | -0.016 | (-1.46) | -0.021 | (-1.06) | -0.020 | (-0.80) |
| 19 | 22821910 | 0.006 | (0.21) | -0.008 | (-0.17) | -0.069 | (-1.10) |
| 20 | 37044210 | -0.021 | (-2.31) | -0.018 | (-1.15) | -0.019 | (-0.93) |
| 21 | 31313510 | 0.021 | (0.93) | 0.012 | (0.29) | -0.023 | (-0.44) |
| 22 | 39006410 | -0.014 | (-0.83) | -0.010 | (-0.34) | -0.001 | (-0.03) |
| 23 | 11009710 | -0.008 | (-0.74) | -0.037 | (-2.06) | -0.030 | (-1.28) |
| 25 | 52189410 | -0.036 | (-1.45) | -0.044 | (-1.01) | -0.046 | (-0.81) |
| 26 | 30249110 | -0.009 | (-0.59) | -0.033 | (-1.18) | -0.003 | (-0.09) |
| 27 | 93448810 | -0.013 | (-1.33) | -0.047 | (-2.82) | -0.050 | (-2.34) |
| 29P | 34537010 | 0.012 | (0.80) | 0.036 | (1.37) | 0.037 | (1.08) |
| 30 | 57687920 | -0.004 | (-0.21) | -0.019 | (-0.54) | -0.026 | (-0.57) |
| 31 | 36960410 | 0.006 | (0.46) | 0.016 | (0.71) | 0.018 | (0.59) |
| 32 | 81238710 | 0.003 | (0.23) | -0.041 | (-1.98) | -0.043 | (-1.62) |
| 33 | 50104410 | -0.005 | (-0.29) | -0.035 | (-1.21) | -0.059 | (-1.60) |
| 34 | 33781910 | 0.023 | (0.91) | 0.008 | (0.19) | -0.006 | (-0.11) |
| 35 | 34537010 | 0.024 | (1.78) | 0.024 | (1.00) | 0.018 | (0.57) |
| 36 | 46627210 | 0.005 | (0.30) | 0.015 | (0.53) | 0.010 | (0.28) |
| 37 | 81238710 | -0.001 | (-0.10) | 0.005 | (0.27) | 0.007 | (0.30) |
| 38 | 53802110 | -0.007 | (-0.35) | -0.024 | (-0.72) | -0.054 | (-1.23) |
| 39 | 21236310 | 0.017 | (0.75) | 0.015 | (0.36) | 0.015 | (0.28) |
| 41P | 46627210 | 0.014 | (1.40) | 0.021 | (1.22) | 0.010 | (0.45) |
| 42 | 44041610 | -0.189 | (-3.10) | -0.357 | (-3.39) | -0.224 | (-1.61) |
| 44 | 50104410 | -0.001 | (-0.11) | -0.014 | (-0.67) | -0.007 | (-0.26) |
| 46P | 85926410 | -0.005 | (-1.21) | -0.003 | (-0.41) | -0.011 | (-1.24) |
| 47 | 75511110 | -0.062 | (-3.34) | -0.107 | (-3.30) | -0.119 | (-2.77) |
| 48 | 88484210 | 0.014 | (0.51) | 0.127 | (2.70) | 0.096 | (1.56) |
| 49 | 15850110 | 0.059 | (0.87) | -0.114 | (-0.96) | -0.073 | (-0.47) |

Table B4
FTC ALJ Decisions

| Case Number | Company CUSIP Number | 1-Day | | Event Window 3-Day | | 5-Day | |
|----------------------------------|----------------------|--------|---------|--------------------|---------|--------|---------|
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| ALJ Decision: Favorable | | | | | | | |
| 7 | 11009710 | 0.004 | (0.27) | -0.032 | (-1.18) | -0.026 | (-0.72) |
| 10 | 71708110 | 0.007 | (0.50) | 0.014 | (0.55) | 0.012 | (0.38) |
| 14 | 19121610 | 0.002 | (0.22) | 0.000 | (-0.01) | 0.016 | (0.72) |
| 15 | 45067910 | -0.002 | (-0.17) | -0.008 | (-0.36) | 0.008 | (0.28) |
| 18 | 16675110 | -0.020 | (-1.62) | -0.057 | (-2.71) | -0.079 | (-2.91) |
| ALJ Decision: Unfavorable | | | | | | | |
| 3 | 58933110 | 0.004 | (0.24) | -0.008 | (-0.31) | -0.032 | (-0.97) |
| 12 | 31831510 | 0.003 | (0.33) | -0.014 | (-0.76) | -0.037 | (-1.60) |
| 16 | 86676210 | -0.001 | (-0.05) | -0.011 | (-0.34) | 0.027 | (0.66) |
| 19 | 22821910 | 0.013 | (0.51) | 0.012 | (0.28) | 0.069 | (1.21) |
| 21 | 31313510 | -0.017 | (-0.42) | 0.029 | (0.41) | 0.023 | (0.26) |
| 22 | 39006410 | 0.029 | (1.04) | -0.018 | (-0.37) | -0.044 | (-0.69) |
| 23 | 11009710 | -0.028 | (-1.92) | -0.088 | (-3.60) | -0.110 | (-3.44) |
| 24 | 08172110 | 0.013 | (0.55) | -0.034 | (-0.79) | 0.033 | (0.59) |
| 27 | 93443810 | 0.006 | (0.27) | 0.038 | (0.96) | 0.085 | (1.69) |
| 28 | 17119610 | 0.015 | (0.56) | 0.040 | (0.84) | 0.016 | (0.26) |
| 29 | 34537010 | -0.012 | (-0.86) | -0.003 | (-0.12) | -0.005 | (-0.15) |
| 37 | 81238710 | 0.005 | (0.49) | -0.007 | (-0.40) | -0.006 | (-0.25) |
| 38 | 53802110 | -0.016 | (-0.99) | -0.048 | (-1.71) | -0.039 | (-1.07) |
| 42 | 44041610 | -0.032 | (-0.66) | -0.260 | (-3.16) | -0.326 | (-3.06) |
| 43 | 02660910 | -0.013 | (-1.29) | -0.002 | (-0.09) | -0.011 | (-0.48) |
| 44 | 50104410 | -0.028 | (-2.03) | -0.006 | (-0.26) | 0.004 | (0.13) |
| 45 | 11009710 | 0.018 | (1.75) | -0.010 | (-0.54) | 0.032 | (1.38) |
| 46 | 85926410 | 0.003 | (0.15) | -0.025 | (-0.75) | -0.026 | (-0.61) |
| 48 | 88484210 | 0.019 | (0.66) | -0.044 | (-0.89) | -0.034 | (-0.53) |

Table B5
FTC Final Decisions

| Case Number | Company CUSIP Number | 1-Day | | Event Window 3-Day | | 5-Day | |
|---|----------------------|--------|---------|--------------------|---------|--------|---------|
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| Commission Decision: Dismissal - ALJ Dismissal | | | | | | | |
| 7 | 11009710 | -0.003 | (-0.23) | -0.019 | (-0.71) | -0.03 | (-0.86) |
| 10 | 71708110 | 0.003 | (0.24) | -0.019 | (-0.91) | 0.00 | (0.01) |
| 14 | 19121610 | -0.013 | (-1.27) | 0.006 | (0.31) | 0.01 | (0.43) |
| Commission Decision: Dismissal - ALJ Unfavorable | | | | | | | |
| 23 | 11009710 | -0.004 | (-0.24) | 0.013 | (0.47) | 0.017 | (0.47) |
| Commission Decision: Final Order (Consented - No ALJ Decision) | | | | | | | |
| 8 | 90558110 | -0.007 | (-0.63) | 0.015 | (0.73) | -0.024 | (-0.91) |
| 9 | 02470310 | -0.004 | (-0.41) | -0.008 | (-0.43) | -0.016 | (-0.64) |
| 11 | 26353410 | 0.002 | (0.24) | 0.006 | (0.44) | 0.014 | (0.74) |
| 13 | 03217210 | 0.015 | (1.13) | -0.001 | (-0.02) | -0.026 | (-0.85) |
| 17 | 85926410 | -0.003 | (-0.17) | -0.046 | (-1.44) | -0.052 | (-1.27) |
| 20 | 37044210 | 0.017 | (1.05) | 0.057 | (2.09) | 0.038 | (1.07) |
| 25 | 52189410 | -0.039 | (-1.23) | -0.044 | (-0.78) | -0.070 | (-0.96) |
| 26 | 30249110 | 0.001 | (0.02) | -0.027 | (-0.66) | -0.053 | (-1.02) |
| 30 | 57687920 | -0.001 | (-0.06) | -0.024 | (-0.86) | 0.005 | (0.13) |
| 31 | 36960410 | 0.002 | (0.26) | 0.003 | (0.20) | 0.004 | (0.17) |
| 32 | 81238710 | -0.011 | (-1.08) | -0.001 | (-0.07) | 0.000 | (-0.01) |
| 33 | 50104410 | 0.007 | (0.55) | 0.019 | (0.90) | 0.018 | (0.65) |
| 34 | 33781910 | -0.002 | (-0.09) | -0.008 | (-0.25) | -0.018 | (-0.44) |
| 35 | 34537010 | 0.009 | (0.99) | 0.029 | (1.86) | 0.035 | (1.73) |
| 36 | 46627210 | 0.003 | (0.18) | 0.031 | (1.09) | 0.051 | (1.38) |
| 39 | 21236310 | -0.018 | (-1.06) | 0.026 | (0.86) | 0.071 | (1.84) |
| 41P | 46627210 | 0.003 | (0.20) | -0.019 | (-0.78) | -0.056 | (-1.80) |
| 47 | 75511110 | -0.011 | (-0.65) | -0.020 | (-0.71) | -0.016 | (-0.43) |
| Commission Decision: Final Order (Not Consented) - ALJ Dismissal | | | | | | | |
| 15 | 45067910 | 0.028 | (1.34) | 0.060 | (1.67) | 0.043 | (0.92) |

Table B5, continued

| Case Number | Company CUSIP Number | 1-Day | | Event Window 3-Day | | 5-Day | |
|---|----------------------|--------|---------|--------------------|---------|--------|---------|
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| Commission Decision: Final Order (Not Consented) - ALJ Unfavorable | | | | | | | |
| 3 | 58933110 | -0.017 | (-1.31) | -0.028 | (-1.23) | -0.051 | (-1.74) |
| 4 | 02660910 | -0.005 | (-0.43) | -0.035 | (-1.71) | -0.013 | (-0.48) |
| 5 | 11009710 | 0.007 | (0.45) | -0.010 | (-0.38) | -0.012 | (-0.36) |
| 12 | 31831510 | -0.008 | (-0.51) | 0.010 | (0.37) | -0.006 | (-0.19) |
| 16 | 86676210 | 0.021 | (1.16) | -0.008 | (-0.26) | 0.008 | (0.20) |
| 19 | 22821910 | -0.016 | (-1.14) | -0.010 | (-0.40) | -0.010 | (-0.32) |
| 21 | 31313510 | -0.024 | (-0.54) | -0.107 | (-1.39) | -0.045 | (-0.45) |
| 22 | 39006410 | -0.023 | (-0.79) | 0.039 | (0.78) | 0.134 | (2.10) |
| 24 | 08172110 | 0.022 | (1.00) | 0.011 | (0.28) | -0.002 | (-0.04) |
| 27 | 93448810 | -0.008 | (-0.49) | -0.008 | (-0.29) | -0.014 | (-0.41) |
| 28 | 17119610 | -0.014 | (-0.59) | -0.026 | (-0.60) | -0.023 | (-0.42) |
| 29 | 34537010 | -0.008 | (-0.73) | -0.007 | (-0.41) | -0.001 | (-0.06) |
| 37 | 81238710 | -0.037 | (-3.02) | -0.076 | (-3.62) | -0.053 | (-1.91) |
| 38 | 53802110 | -0.018 | (-1.23) | -0.039 | (-1.52) | -0.022 | (-0.65) |
| 42 | 44041610 | -0.013 | (-0.32) | -0.035 | (-0.52) | -0.098 | (-1.12) |
| 43 | 02660910 | -0.023 | (-1.86) | -0.011 | (-0.52) | -0.001 | (-0.05) |
| 44 | 50104410 | -0.018 | (-1.00) | 0.006 | (0.21) | 0.015 | (0.37) |
| 46 | 85926410 | -0.025 | (-2.39) | -0.017 | (-0.90) | 0.002 | (0.07) |
| 48 | 88484210 | -0.028 | (-1.01) | -0.039 | (-0.81) | -0.067 | (-1.08) |

Table B6
Appellate Court Decisions: FTC Cases

| Wall Street Journal Dates | | | | | | | |
|--|----------------------|--------|---------|--------------------|---------|--------|---------|
| Case Number | Company CUSIP Number | 1-Day | | Event Window 3-Day | | 5-Day | |
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| <u>Appellate Court Decision: Favorable</u> | | | | | | | |
| 22A* | 93448810 | 0.001 | (0.12) | -0.012 | (-0.84) | -0.028 | (-1.56) |
| 22B* | 93448810 | 0.012 | (1.03) | -0.006 | (-0.29) | -0.022 | (-0.80) |
| 43 | 02660910 | 0.009 | (0.77) | -0.005 | (-0.23) | 0.020 | (0.77) |
| <u>Appellate Court Decision: Unfavorable</u> | | | | | | | |
| 12A* | 31831510 | -0.006 | (-0.49) | -0.007 | (-0.33) | 0.014 | (0.50) |
| 12B* | 31831510 | 0.008 | (0.53) | 0.007 | (0.27) | -0.009 | (-0.27) |
| 46 | 85926410 | -0.008 | (-0.71) | 0.011 | (0.51) | -0.006 | (-0.22) |

| Court Dates | | | | | | | |
|--|----------------------|--------|---------|--------------------|---------|--------|---------|
| Case Number | Company CUSIP Number | 6-Day | | Event Window 8-Day | | 11-Day | |
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| <u>Appellate Court Decision: Favorable</u> | | | | | | | |
| 4 | 02660910 | 0.000 | (-0.01) | -0.006 | (-0.18) | -0.007 | (-0.19) |
| 5 | 11009710 | 0.008 | (0.25) | -0.009 | (-0.25) | 0.013 | (0.30) |
| 15 | 45067910 | -0.038 | (-1.36) | -0.010 | (-0.29) | -0.047 | (-1.23) |
| 18 | 16675110 | -0.015 | (-0.68) | -0.029 | (-1.09) | -0.016 | (-0.51) |
| 24 | 08172110 | -0.024 | (-0.52) | -0.020 | (-0.36) | 0.007 | (0.11) |
| 28 | 17119610 | -0.019 | (-0.50) | -0.036 | (-0.80) | -0.058 | (-1.11) |
| 38 | 53802110 | -0.154 | (-4.01) | -0.156 | (-3.50) | -0.152 | (-2.87) |
| <u>Appellate Court Decision: Unfavorable</u> | | | | | | | |
| 3 | 58933110 | 0.002 | (0.08) | 0.008 | (0.23) | 0.054 | (1.41) |
| 21 | 31313510 | 0.293 | (2.84) | 0.298 | (2.48) | 0.275 | (1.93) |
| 37 | 81238710 | -0.033 | (-0.92) | -0.004 | (-0.09) | -0.019 | (-0.39) |
| 45 | 11009710 | -0.033 | (-1.12) | -0.020 | (-0.57) | -0.069 | (-1.71) |

* The "A" case number is for the first appellate court decision; the "B" case number is for the second appellate court decision.

Table B7
NAD Cases: No Appeal

| Case Number | Company CUSIP Number | 1-Day | | Event Window 3-Day | | 5-Day | |
|---|----------------------|--------|---------|--------------------|---------|--------|---------|
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| <u>NAD Decision: Favorable</u> | | | | | | | |
| 2 | 19121610 | 0.007 | (0.88) | 0.007 | (0.53) | 0.007 | (0.36) |
| 4 | 74271810 | 0.008 | (0.77) | -0.007 | (-0.35) | 0.001 | (0.04) |
| 13 | 22989010 | 0.016 | (1.12) | 0.005 | (0.21) | 0.010 | (0.30) |
| 14 | 07407710 | -0.002 | (-0.20) | -0.005 | (-0.23) | -0.027 | (-1.00) |
| 15 | 73109510 | -0.013 | (-0.86) | -0.025 | (-0.92) | -0.053 | (-1.50) |
| 17 | 20266010 | -0.014 | (-0.40) | -0.024 | (-0.41) | -0.035 | (-0.45) |
| 19 | 07407710 | -0.011 | (-0.87) | -0.021 | (-0.93) | -0.027 | (-0.96) |
| 21 | 42307410 | -0.005 | (-0.42) | -0.011 | (-0.56) | 0.004 | (0.14) |
| 23 | 95980510 | 0.013 | (0.31) | 0.088 | (1.21) | 0.147 | (1.56) |
| 24 | 03017710 | 0.003 | (0.28) | 0.032 | (1.64) | 0.013 | (0.50) |
| 31 | 02762710 | 0.001 | (0.02) | 0.007 | (0.11) | 0.015 | (0.17) |
| <u>NAD Decision: Unfavorable</u> | | | | | | | |
| 1 | 93448810 | -0.023 | (-1.83) | 0.005 | (0.23) | 0.010 | (0.35) |
| 6 | 14348310 | 0.000 | (0.00) | 0.000 | (0.00) | 0.000 | (0.00) |
| 7 | 03190510 | 0.012 | (1.07) | -0.004 | (-0.19) | 0.004 | (0.16) |
| 8 | 89348510 | 0.004 | (0.31) | -0.020 | (-0.85) | -0.016 | (-0.51) |
| 9 | 12614910 | 0.000 | (-0.03) | -0.004 | (-0.21) | -0.006 | (-0.26) |
| 10 | 24509110 | 0.001 | (0.08) | -0.017 | (-0.83) | -0.015 | (-0.54) |
| 11 | 76175310 | 0.000 | (0.00) | -0.014 | (-0.84) | -0.029 | (-1.35) |
| 12 | 74928510 | -0.001 | (-0.09) | -0.009 | (-0.40) | -0.028 | (-1.00) |
| 18 | 02532110 | 0.035 | (2.72) | 0.053 | (2.38) | 0.052 | (1.81) |
| 20 | 90255010 | -0.001 | (-0.06) | 0.003 | (0.08) | -0.005 | (-0.13) |
| 25 | 76328210 | -0.008 | (-0.36) | -0.027 | (-0.66) | 0.013 | (0.25) |
| 29 | 76152510 | -0.036 | (-2.59) | -0.055 | (-2.22) | -0.029 | (-0.89) |
| 30 | 80311110 | -0.001 | (-0.06) | -0.013 | (-0.54) | -0.018 | (-0.60) |

Table B8
NAD/NARB Cases: NAD Decision

| Case Number | Company CUSIP Number | 1-Day | | Event Window 3-Day | | 5-Day | |
|---|----------------------|--------|---------|--------------------|---------|--------|---------|
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| <u>NAD Decision: Favorable</u> | | | | | | | |
| 7 | 08750910 | 0.000 | (-0.03) | -0.006 | (-0.22) | -0.045 | (-1.24) |
| 8 | 08172110 | 0.011 | (0.50) | -0.018 | (-0.48) | 0.020 | (0.40) |
| 10 | 02470310 | -0.002 | (-0.18) | -0.015 | (-0.71) | -0.026 | (-0.96) |
| 23 | 74271810 | -0.004 | (-0.47) | -0.020 | (-1.23) | -0.002 | (-0.12) |
| <u>NAD Decision: Unfavorable</u> | | | | | | | |
| 1 | 75127710 | 0.000 | (-0.02) | -0.031 | (-1.24) | -0.018 | (-0.57) |
| 2 | 41170210 | 0.005 | (0.14) | 0.026 | (0.46) | -0.029 | (-0.39) |
| 3 | 80667010 | 0.025 | (0.23) | -0.034 | (-0.18) | 0.073 | (0.29) |
| 9 | 11009710 | 0.031 | (1.90) | 0.034 | (1.20) | 0.034 | (0.94) |
| 12 | 44181510 | -0.023 | (-2.18) | -0.039 | (-2.13) | -0.048 | (-2.00) |
| 14 | 19121610 | -0.005 | (-0.49) | -0.023 | (-1.41) | -0.023 | (-1.09) |
| 16 | 11009710 | -0.006 | (-0.53) | -0.018 | (-0.93) | -0.012 | (-0.48) |
| 17 | 75127710 | -0.025 | (-1.84) | 0.007 | (0.30) | 0.023 | (0.73) |
| 19 | 75511110 | -0.004 | (-0.31) | 0.036 | (1.52) | 0.015 | (0.49) |

Table B9
NAD/NARB Cases: NARB Decision

| Case Number | Company CUSIP Number | 1-Day | | Event Window 3-Day | | 5-Day | |
|---|----------------------|--------|---------|--------------------|----------|--------|---------|
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| <u>NARB Decision: Favorable - NAD Favorable</u> | | | | | | | |
| 8 | 08172110 | -0.009 | (-0.37) | -0.027 | (-0.64) | 0.021 | (0.39) |
| 10 | 02470310 | 0.008 | (0.77) | 0.002 | (0.11) | 0.014 | (0.56) |
| 23 | 74271810 | -0.004 | (-0.31) | -0.010 | (-0.44) | -0.037 | (-1.33) |
| <u>NARB Decision: Favorable - NAD Unfavorable</u> | | | | | | | |
| 14 | 19121610 | 0.030 | (3.06) | 0.043 | (2.53)** | 0.019 | (0.85) |
| 16 | 11009710 | -0.002 | (-0.22) | 0.010 | (0.58) | 0.017 | (0.72) |
| 19 | 75511110 | -0.006 | (-0.42) | 0.018 | (0.77) | 0.016 | (0.53) |
| <u>NARB Decision: Unfavorable - NAD Favorable</u> | | | | | | | |
| 7 | 08750910 | -0.048 | (-3.02) | -0.061 | (-2.21) | -0.068 | (-1.86) |
| <u>NARB Decision: Unfavorable - NAD Unfavorable</u> | | | | | | | |
| 1 | 75127710 | -0.015 | (-1.05) | -0.013 | (-0.52) | -0.004 | (-0.12) |
| 2 | 41170210 | 0.029 | (0.70) | 0.095 | (1.31) | 0.020 | (0.21) |
| 3 | 80667010 | -0.004 | (-0.06) | 0.124 | (0.89) | 0.130 | (0.71) |
| 9 | 11009710 | 0.002 | (0.18) | -0.019 | (-0.83) | -0.040 | (-1.36) |
| 12 | 44181510 | -0.001 | (-0.04) | -0.014 | (-0.66) | -0.014 | (-0.51) |
| 17 | 75127710 | 0.035 | (2.12) | 0.098 | (3.43) | 0.118 | (3.16) |
| 21 | 76152510 | 0.005 | (0.26) | 0.010 | (0.31) | 0.026 | (0.65) |

Table B10

Lanham Act Cases: Filings of Suit and Settlements

| Case Number | Company CUSIP Number | 1-Day | | Event Window 3-Day | | 5-Day | |
|-----------------------|----------------------|--------|---------|--------------------|---------|--------|---------|
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| Filing of Suit | | | | | | | |
| 2 | 77434710 | -0.005 | (-0.35) | -0.006 | (-0.22) | -0.021 | (-0.64) |
| 3 | 93448810 | 0.000 | (0.01) | -0.038 | (-1.03) | -0.056 | (-1.18) |
| 4 | 71815410 | 0.011 | (0.71) | 0.009 | (0.35) | 0.022 | (0.67) |
| 6 | 47816010 | -0.026 | (-2.06) | -0.036 | (-1.65) | -0.052 | (-1.82) |
| 15 | 54042410 | -0.003 | (-0.17) | -0.005 | (-0.17) | -0.006 | (-0.16) |
| 17 | 54042410 | -0.002 | (-0.09) | -0.016 | (-0.55) | 0.010 | (0.26) |
| 24 | 65704510 | -0.016 | (-1.05) | 0.002 | (0.08) | -0.009 | (-0.26) |
| 28 | 02660910 | -0.010 | (-1.19) | -0.018 | (-1.18) | -0.029 | (-1.48) |
| 34 | 14628510 | 0.019 | (0.90) | 0.012 | (0.34) | 0.025 | (0.54) |
| 50 | 48663810 | 0.011 | (0.54) | 0.017 | (0.49) | -0.001 | (-0.03) |
| 51 | 85313910 | 0.007 | (0.60) | 0.016 | (0.72) | 0.046 | (1.65) |
| 53 | 37576610 | -0.006 | (-0.29) | -0.019 | (-0.55) | -0.018 | (-0.41) |
| 54 | 11009710 | -0.006 | (-0.46) | -0.007 | (-0.32) | -0.010 | (-0.34) |
| 58 | 72151010 | -0.019 | (-1.19) | -0.033 | (-1.20) | -0.014 | (-0.40) |
| 60 | 72151010 | -0.008 | (-0.48) | -0.033 | (-1.21) | -0.071 | (-1.99) |
| Settlement | | | | | | | |
| 51 | 85313910 | -0.008 | (-0.57) | -0.036 | (-1.50) | -0.053 | (-1.68) |
| 53 | 37576610 | 0.000 | (0.03) | 0.002 | (0.09) | -0.023 | (-0.83) |
| 54 | 11009710 | -0.008 | (-0.64) | -0.019 | (-0.82) | -0.015 | (-0.50) |
| 58 | 72151010 | -0.009 | (-0.58) | 0.031 | (1.10) | 0.015 | (0.43) |
| 62 | 14628510 | -0.018 | (-0.87) | -0.023 | (-0.65) | -0.030 | (-0.65) |

Table B11
Lanham Act Cases: District Court Decisions

| Wall Street Journal Dates | | | | | | | |
|---|---------------|--------|---------|--------------------|---------|--------|---------|
| Case Number | Company CUSIP | 1-Day | | Event Window 3-Day | | 5-Day | |
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| District Court Decision: Favorable | | | | | | | |
| 24 | 65704510 | 0.015 | (0.98) | 0.007 | (0.26) | -0.013 | (-0.38) |
| 58 | 72151010 | 0.044 | (2.76) | 0.063 | (2.29) | 0.085 | (2.32) |
| District Court Decision: Unfavorable | | | | | | | |
| 17 | 54042410 | -0.004 | (-0.26) | -0.014 | (-0.46) | -0.005 | (-0.14) |
| 28 | 02660910 | -0.002 | (-0.23) | -0.011 | (-0.67) | -0.008 | (-0.39) |
| 31 | 02660910 | 0.013 | (1.25) | 0.028 | (1.56) | 0.039 | (1.68) |

| Court Dates | | | | | | | |
|---|---------------|--------|---------|--------------------|---------|--------|---------|
| Case Number | Company CUSIP | 6-Day | | Event Window 8-Day | | 11-Day | |
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| District Court Decision: Favorable | | | | | | | |
| 9 | 50104410 | 0.064 | (1.72) | 0.085 | (1.99) | 0.075 | (1.48) |
| 26 | 23741010 | 0.001 | (0.04) | -0.007 | (-0.28) | 0.003 | (0.11) |
| 30 | 43850610 | -0.029 | (-1.00) | -0.021 | (-0.62) | 0.001 | (0.03) |
| 34 | 14628510 | 0.027 | (0.42) | 0.040 | (0.53) | 0.087 | (0.97) |
| 38 | 80660510 | -0.055 | (-1.54) | -0.052 | (-1.25) | -0.019 | (-0.37) |
| 45 | 87933510 | -0.061 | (-1.33) | -0.089 | (-1.70) | -0.065 | (-1.04) |
| District Court Decision: Unfavorable | | | | | | | |
| 8 | 76175310 | 0.004 | (0.20) | 0.014 | (0.56) | -0.023 | (-0.77) |
| 12 | 02660910 | -0.007 | (-0.24) | -0.014 | (-0.40) | 0.003 | (0.07) |
| 15 | 54042410 | 0.022 | (0.51) | 0.015 | (0.29) | -0.022 | (-0.36) |
| 17 | 54042410 | -0.115 | (-1.21) | -0.153 | (-1.21) | -0.155 | (-1.34) |
| 19 | 00282410 | -0.033 | (-0.92) | -0.046 | (-1.11) | -0.005 | (-0.10) |
| 22 | 88213810 | -0.079 | (-0.98) | -0.086 | (-0.91) | 0.006 | (0.05) |
| 28 | 02660910 | 0.017 | (0.75) | 0.020 | (0.77) | -0.008 | (-0.25) |
| 31 | 02660910 | 0.033 | (1.30) | 0.027 | (0.90) | 0.059 | (1.69) |
| 41 | 37083810 | -0.034 | (-1.01) | -0.036 | (-0.91) | -0.025 | (-0.53) |
| 48 | 90255010 | -0.017 | (-0.38) | -0.028 | (-0.53) | -0.073 | (-1.18) |

Table B12
Lanham Act Cases: Appellate Court Decisions

| Wall Street Journal Dates | | | | | | | |
|---|----------------------|--------|---------|--------------------|---------|--------|---------|
| No Entries | | | | | | | |
| Court Dates | | | | | | | |
| Case Number | Company CUSIP Number | 6-Day | | Event Window 8-Day | | 11-Day | |
| | | CAR | t-val. | CAR | t-val. | CAR | t-val. |
| <u>Appellate Court Decision: Favorable - D.C. Favorable</u> | | | | | | | |
| 45 | 87933510 | 0.001 | (0.03) | -0.003 | (-0.05) | 0.008 | (0.11) |
| <u>Appellate Court Decision: Favorable - D.C. Unfavorable</u> | | | | | | | |
| 41 | 37083810 | -0.001 | (-0.03) | 0.007 | (0.18) | 0.013 | (0.28) |
| <u>Appellate Court Decision: Unfavorable - D.C. Favorable</u> | | | | | | | |
| 30 | 43850610 | -0.015 | (-0.32) | -0.098 | (-1.82) | -0.072 | (-1.13) |
| 34 | 14628510 | -0.084 | (-1.24) | -0.110 | (-1.41) | -0.077 | (-0.84) |
| 38 | 80660510 | -0.001 | (-0.03) | -0.017 | (-0.40) | 0.024 | (0.48) |
| <u>Appellate Court Decision: Unfavorable - D.C. Unfavorable</u> | | | | | | | |
| 31 | 02660910 | 0.046 | (1.94) | 0.045 | (1.66) | 0.024 | (0.73) |