

FEDERAL TRADE COMMISSION DECISIONS

Findings, Opinions, and Orders

IN THE MATTER OF

NOVARTIS CORPORATION, ET AL.

MODIFYING ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SECS. 5 AND 12 OF THE FEDERAL TRADE COMMISSION ACT

Docket 9279. Final Order, May 13, 1999—Modifying Order, July 2, 1999

This order modifies the final order, issued in 1999, by revising Part IV of the order concerning the corrective advertising notice for Doan's. Part IV of the order, as modified, will remain in effect for five additional years.

ORDER MODIFYING ORDER,
DENYING PETITION FOR RECONSIDERATION,
AND DENYING AS MOOT APPLICATION FOR STAY

Respondent Novartis Corporation and Novartis Consumer Health, Inc. (collectively "Novartis") have petitioned the Commission, pursuant to Rule 3.55 of the Commission's Rules of Practice, 16 CFR 3.55, to reconsider and to stay Part IV of our final order in this matter.

Rule 3.55 requires that such a petition "must be confined to new questions raised by the decision or final order and upon which the petitioner had no opportunity to argue before the Commission." 16 CFR 3.55. Novartis argues that reconsideration is appropriate because factual developments since the record has been closed undermine certain factual predicates of our corrective advertising order, and because the contours of the corrective advertising requirements imposed in the order raises issues not addressed by the parties. We are not entirely satisfied that relief pursuant to Rule 3.55 is warranted here. Novartis could have introduced the recent factual developments upon which it now relies before this late stage. Moreover, while the parties in their briefs primarily addressed the propriety of the performance-based standard for the duration of corrective advertising urged by complaint counsel, the durational requirements of prior corrective advertising orders might have alerted Novartis that the information it only now adduces would be relevant here. *See FTC v. Warner-Lambert Co.*, 562 F.2d 749, 753, 764 (D.C. Cir. 1977)

(imposing durational requirement based upon extent of prior expenditures), *cert. denied*, 435 U.S. 950 (1978).

Despite these reservations, we have, in any event, the power to modify our order on our own initiative pursuant to Rule 3.72(a) of our Rules of Practice. 16 CFR 3.72(a). In light of the issues raised in Novartis' petition, we have determined to exercise our discretion to modify the order.

The corrective advertising requirements imposed in our order of May 13, 1999 were to continue until Novartis expended on Doan's advertising a sum equal to the average spent annually during the eight years of the deceptive advertising campaign, and in any event for no less than one year. Novartis now contends that, in light of its current business plans, the existing order may have the practical effect of imposing requirements lasting many years. Relying upon the declaration of Barry Cohen, Director of Analgesics, Novartis asserts that it has substantially reduced its advertising and other promotional expenditures for Doan's products and plans greatly to reduce, or to stop altogether, such expenditures in the future. Cohen Decl. ¶¶ 5-8. The result of these changed circumstances, claims Novartis, is that our corrective advertising requirement, including the requirement of placing corrective messages on the product label, may remain in effect for a long and indefinite period.

Some of Novartis' other arguments appear to be premised upon a simple misreading of our final order. Novartis seems to believe that only expenditures on advertising containing the corrective message will count toward the minimum expenditure requirement imposed by that order. Pet. at 4 (asserting that the order requires Novartis to "include the corrective notice on all advertising until it has spent \$8 million on advertising *containing the notice*" (emphasis added)). Thus, Novartis concludes that fifteen-second television advertisements, which it has used exclusively in the past and which are exempted from the corrective requirements of the order, would not count toward that minimum. Novartis argues that the use of such commercials would thereby be deterred. Pet. at 5 (arguing that the order "for all practical purposes forces Novartis to use" thirty-second television advertisements). In fact, the terms of the order plainly count all expenditures for the purpose of "Doan's advertising" toward the minimum, regardless of whether such advertising is or is not required to contain the corrective message. Thus, the order will not penalize Novartis for using fifteen-second television advertisements

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if it chooses to do so. To the contrary, the exception of such advertisements from the corrective advertising requirement was designed precisely to permit the use of the fifteen-second advertisement form at that Novartis has historically favored. Op. at 35, 37.

We also reject Novartis' claim that the mere facts that they have reduced advertising expenditures for Doan's and that sales of Doan's products have decreased undermine the need for corrective advertising as a general matter. Pet. at 9-10. The likelihood of lingering consumer misbeliefs based upon Novartis' *past* conduct is what is relevant in order to determine whether corrective advertising is required. Doan's current sales and advertising budget are not directly relevant to that issue.

We turn now to the question of the duration of the order. A corrective advertising order should not outlast the lingering misconceptions that it is designed to correct. See *Warner-Lambert Co.*, 562 F.2d at 764. In order to ensure that the corrective advertising requirements we impose in this case will not remain in effect beyond the period during which the misbeliefs caused or substantially reinforced by Novartis' deceptive advertising campaign are likely to linger, we will modify the durational provision of the order. Specifically, because Novartis' deceptive advertising campaign lasted for eight years, the corrective advertising order should last no longer than an equivalent number of years after that campaign ended. Three years have already elapsed since June 1996, when Novartis stopped airing the challenged advertisements. Thus, Part IV of the order, as modified, will remain in effect for five additional years. If, as it claims, Novartis will cease its media advertising and consumer promotion expenditures, the order will nonetheless require the corrective message to appear on the product packaging for five years.

Accordingly, *It is ordered*, That the final order in this matter dated May 13, 1999 be, and it hereby is, modified to revise Part IV to read as follows:

It is further ordered, That respondents Novartis Corporation and Novartis Consumer Health, Inc., corporations, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division or any device, do forthwith cease and desist from

disseminating or causing the dissemination of any advertisement for Doan's in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, unless the advertising includes the following corrective notice, clearly and prominently, in the exact language that follows:

"Although Doan's is an effective pain reliever, there is no evidence that Doan's is more effective than other pain relievers for back pain."

Provided, that respondents' obligation to include the corrective notice shall not be required for any television or radio advertisement of 15 seconds or less in duration;

Provided further, that respondents' obligation to include the corrective notice in all advertising shall continue until respondents have expended on Doan's advertising a sum equal to the average spent annually during the eight years of the challenged campaign, except the obligation shall continue for at least one year and for no longer than five years after this order becomes effective.

It is further ordered, That Part IV of the final order shall not be effective until the sixtieth day after service of this Order Modifying Order.

It is further ordered, That respondents' petition for reconsideration is denied.

It is further ordered, That Novartis' petition for a stay pending appeal is denied as moot.¹

Commissioner Swindle dissenting.

STATEMENT OF COMMISSIONER ORSON SWINDLE
CONCURRING IN PART AND DISSENTING IN PART

The Commission recently issued a decision in this case in which it concluded that the respondents made the unsubstantiated claim that Doan's is superior to other over-the-counter analgesics in treating back pain. To remedy this deception, the Commission ordered the respondents to make a specified corrective statement in Doan's

¹ Novartis' stay motion was directed solely to Part IV of the original final order, which the Commission has now replaced with the revised Part IV. Novartis may, if it chooses, timely file a motion to stay the effect of this revised Part IV of the final order pending appeal.

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advertising (except radio and television ads of 15 seconds or less in duration), including on product packages. The Order requires that the corrective statement be made "for one year and until respondent has expended on Doan's advertising a sum equal to the average amount spent annually during the eight years of the challenged campaign." I dissented from the imposition of this corrective advertising remedy because, among other things, the evidence did not prove that any false belief created by the deceptive advertising had lingered and was likely to continue to linger until July 2000, that is, until the end of the one-year period during which corrective advertising was required. *Novartis Corporation, et al.*, Dkt. No. 9279 (May 13, 1999) (Statement of Commissioner Orson Swindle, concurring in part and dissenting in part).

The respondents have petitioned the Commission to reconsider the corrective advertising requirement, arguing that basing the duration of the requirement on both a fixed one-year period and the amount of Doan's advertising expenditures will have unintended, adverse consequences. The respondents have submitted a declaration stating that they spent only \$30,000 in 1998 on Doan's advertising and plan to spend nothing in 1999 on such advertising. Given these minimal advertising expenditures, the respondents argue that it will be a very long time until they have spent on Doan's advertising an amount equal to the average amount spent annually during the campaign (\$8 million), especially since the annual sales of the product have declined to only about \$11 million. The respondents claim that they are likely to be required to place the corrective statement on packaging for many years to come -- a corrective requirement that will last far longer than the one year that the Commission originally intended. The Commission has denied the petition for reconsideration, and I concur in the denial because the petition does not raise any new questions about the decision and final order that the respondents did not have an opportunity to address in their appeal to the Commission.

The majority, however, has also decided *sua sponte* to reopen the Order and place a five year limitation on the duration of the corrective advertising requirement. The majority concludes that a modification is needed to ensure that the corrective advertising requirement will not outlast whatever lingering false belief the deceptive advertising campaign created. The majority specifically reasons that because the

"deceptive advertising campaign lasted for eight years, the corrective advertising order should last no longer than an equivalent number of years after that campaign ended." *Novartis Corporation, et al.*, Dkt. No. 9279, Order Modifying Order, Denying Petition for Reconsideration, and Denying as Moot Application for Stay at 2 (July 2, 1999). Because the respondents have not run their deceptive advertisements since May 1996, that is, three years ago, the corrective advertising provision "will remain in effect for five additional years." *Id.* The practical effect of the modification is that the respondents very likely will have to make the corrective statement on Doan's packages until five years after the modified Order becomes effective, that is, until September 2004.¹

In support of the conclusion that the false superior efficacy belief is likely to linger until September 2004, the majority has relied exclusively on the general proposition that a false belief is likely to linger for the same period of time after the deceptive advertising has stopped as the period during which the advertising ran. The majority cites nothing in support of this general proposition, nor am I aware of any extrinsic evidence, expert testimony, case law, or other authority that supports it.

The Commission's adoption of this general proposition raises a serious policy question as to how frequently the Commission will order corrective advertising in the future. If false beliefs are to be assumed likely to linger for the same period of time after the deceptive advertising has stopped as the period during which the advertising ran, corrective advertising could be ordered in most deceptive advertising cases. It does not serve the public interest to adopt a new principle for determining lingering effect that could be used to transform corrective advertising from an extraordinary remedy into a commonplace remedy.

The majority deserves credit for its willingness to recognize that the original Order imposed broader relief than intended and to modify the original Order to limit the relief. But the modified Order still imposes what is likely to be a five-year corrective advertising requirement. The evidence in the record does not prove that any false belief is likely to linger in the minds of consumers through the

¹ Absent a stay, the modified Order will take effect in September 1999, sixty days after it is served on the respondents.

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duration of the requirement,² which extends *more than eight years* after the respondents discontinued making their implied deceptive claim. Without proof that any false belief is likely to last this long period of time, the corrective advertising requirement contained in the modified Order serves no remedial purpose and cannot be justified.

I therefore dissent as to the corrective advertising provision included in the modified Order.³

² My separate statement in this case, accompanying the majority's principal opinion, contains a comprehensive discussion of the reasons why the evidence in the record does not prove that a false belief is likely to linger until July 2000, much less September 2004. *Novartis Corporation, et al.*, Dkt. No. 9279 (May 13, 1999) (Statement of Commissioner Orson Swindle, concurring in part and dissenting in part).

³ Because the Commission has modified the original Order, I support the Commission's decision to deny the respondents' motion to stay the original Order since the motion is moot.

IN THE MATTER OF

ROHM AND HAAS COMPANY, ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 7 OF THE CLAYTON ACT AND SEC. 5 OF THE
FEDERAL TRADE COMMISSION ACT

Docket C-3883. Complaint, July 13, 1999--Decision, July 13, 1999

This consent order, among other things, requires the respondents to divest certain assets, they acquired in the purchase of Morton International, Inc., to GenCorp, Inc.

Participants

For the Commission: *Timothy Feighery, Wallace Easterling, William Baer, Jeremy Bulow and Charles Thomas.*

For the respondents: *Ilene Gotts, Wachtell, Lipton, Rosen & Katz, New York, N.Y. and Stephen Stack, Dechert, Price & Rhoads, Philadelphia, PA.*

COMPLAINT

The Federal Trade Commission ("Commission"), having reason to believe that Rohm and Haas Company has agreed to acquire all of the share capital of Morton International, Incorporated, both corporations subject to the jurisdiction of the Commission, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. 45; and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

I. RESPONDENTS

1. Respondent Rohm and Haas Company ("Rohm & Haas") is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 100 Independence Mall West, Philadelphia, Pennsylvania.

2. Respondent Morton International, Incorporated ("Morton") is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Indiana, with its office and principal place of business located at 100 North Riverside Plaza, Chicago, Illinois.