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E-mail Marketing: Practical Tips for CAN-SPAM Act Compliance

One of the most persuasive forms of advertising is direct marketing, which consists of communications (often unsolicited) by which the sender tries to market goods and services directly to consumers. Direct marketing uses mail, telephone, text, fax and e-mail, and avoids the traditional forms of advertising such as radio, newspapers and television. In particular, online direct marketing can provide marketers with several advantages to traditional direct marketing, including lower costs, immediate delivery and a more interactive experience. On the other hand, the high volume of unsolicited commercial e-mail messages ("spam") frustrates consumers and dilutes the impact marketers can have.

Direct marketing is governed by several federal and state laws and regulations, and the provisions of these can sometimes be inconsistent. Therefore, while direct marketing is a powerful business tool, if used in a careless manner, it can cause substantial nuisance, cost and inconvenience to recipients and subject the sender to considerable fines and sanctions.

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This article focuses on direct e-mail marketing, and provides practical tips for complying with the CAN-SPAM Act (which regulates direct e-mail marketing). It also briefly discusses the legal issues relevant to the other forms of direct marketing.



E-MAIL MARKETING - CAN-SPAM ACT

In 2003, Congress enacted the Controlling the Assault of Non-Solicited Pornography and Marketing Act (CAN-SPAM Act) to regulate unsolicited commercial e-mail. Rather than prohibiting all unsolicited commercial e-mail, the Act provides specific requirements relating to these messages. A commercial e-mail message is generally defined as any e-mail that has a primary purpose of commercial advertisement or promotion of a commercial product or service, including content on a website. An e-mail message that facilitates an agreed upon transaction or updates a customer in an existing business relationship may not contain false or misleading routing information, but otherwise is exempt from most provisions of the Act.

The Act's main provisions include the following with respect to commercial e-mail:

- Ban on false or misleading header information (*i.e.*, an e-mail's routing information, including the originating domain name and e-mail address);
- Prohibition on deceptive subject lines;
- Requirement that the sender give recipients an opt-out method; and
- Requirement that the e-mail be identified as an advertisement and include the sender's valid physical postal address.

With respect to text messages, if the text message is from internet-to-phone (which involves addresses that reference internet domains), then it is covered by the Act. If, however, the text message is from phone-to-phone (which does not involve addresses that reference

the internet), the Act does not apply.

The Federal Trade Commission is the primary enforcer of the Act, and can seek civil penalties up to \$16,000.00 for each separate e-mail that violates the Act (if based on actual knowledge or knowledge fairly implied) and injunctive relief (even without a showing of knowledge). The Act, however, also allows various federal, state and private parties to bring claims for violations. For example, state agencies can seek: (i) injunctive relief; (ii) damages for actual loss or statutory damages up to \$250.00 per violation, whichever is greater, with a maximum award of \$2,000,000.00 (each separately addressed unlawful message is treated as a separate violation and claims for false or misleading headers are not limited by this cap); (iii) three times the amount of statutory damages for willful, knowing or aggravated violations; and (iv) costs of bringing the action and reasonable attorney fees. In addition, the Act also carries criminal penalties for fraudulent activities.

TIPS FOR CAN-SPAM ACT COMPLIANCE

Below are tips to help your business structure and administer its direct commercial e-mail messaging programs:

The Mailing List

- The mailing list should include only persons who have opted in to receive commercial e-mail from you.
- The mailing list must not include any person who has previously opted out from receiving commercial e-mail from you.
- As soon as possible before distribution, the mailing list should be compared against your "do not e-mail" list to ensure that there are no recipients that should be excluded.

The E-mail Message

- The message must include complete and accurate transmission and header information.
- The "From" line must identify your business as the sender specifically enough for the recipient to understand who is sending the message (at least your name, trade name or product or service name).
- The "Subject" line must accurately describe the message's content.
- The message must clearly include your valid, current physical postal address (a street address; a post office box accurately registered with the US Postal Service; or a private mailbox accurately registered with a commercial mail receiving agency established pursuant to US Postal Service regulations).
- The message must disclose that it is an advertisement or solicitation unless the e-mail message is sent only to recipients who have opted in to receive these messages from you.

The Opt-out Mechanism

- The message must clearly explain that the recipient may opt out of receiving future commercial messages from you.
- The message must include either an e-mail address or other online mechanism that the recipient may use for opting out. The mechanism must not require the recipient to do anything more than reply to the e-mail or visit a single web page to opt out, and must not demand any payment or personal information, including account information (other than e-mail address).
- The opt-out mechanism must work for at least 30 days after the e-mail is sent.
- The explanation of how a recipient can opt out must be easy to read and understand.
- You may include options that permit the recipient to select the types of commercial messages the recipient would like to continue receiving. One

option, however, must permit opting out of all commercial messages from you.

- You must honor all opt-out requests within 10 business days.
- Opt-out requests do not expire. An opt-out is overridden only by the recipient's subsequent express request to receive commercial e-mail.
- Do not sell, share or use your opt-out list for any reason other than to comply with the law.

Monitoring Opt-out Capabilities

You should implement procedures to ensure that your opt-out capabilities actually work, such as:

- Establishing e-mail accounts with several major private e-mail account providers and adding these e-mail addresses to your mailing list.
- For each e-mail address created for monitoring purposes, use your opt-out mechanism to remove the e-mail address from the mailing list.
- Repeat this procedure on a regular basis (at least every two weeks).
- Examine the e-mail received by the monitoring e-mail account to confirm that: (i) the opt-out mechanism works; (ii) the opt-out request is honored within 10 business days; and (iii) those that have opted out no longer receive commercial messages from you.
- Immediately fix any issues.

Third-party Marketing Affiliates or Service Providers

Both the company whose product or service is advertised as well as the individual or entity sending the message are potentially liable for violations of the Act. Therefore, when using third-party service providers, including affiliate marketers:

- Ensure that the written contract with the service provider clearly sets out each party's responsibilities for compliance with the Act and

includes appropriate and adequate remedies for non-compliance.

- Actively monitor their compliance with the Act.

Additional Requirements for Messages Sent to Wireless Devices

When sending commercial messages to wireless devices:

- Ensure that the recipient has opted in to receive the commercial message. The consent can be oral, written or electronic.
 - Ask for consent in a way that involves no cost to the recipient (e.g., do not send the request to the wireless device and/or allow the recipient to respond in a way that involves no cost, such as an online, e-mail or postal mail sign-up).
- When seeking consent, make it clear that the recipient:
 - is agreeing to receive commercial message on his or her wireless device;
 - may be charged to receive the commercial message; and
 - can revoke his or her consent at any time.

OTHER FORMS OF DIRECT MARKETING

The following briefly highlights some of the other laws and regulations that apply to other forms of direct marketing.

Telephone/Facsimile

Federal rules that cover unsolicited commercial communication by telephone include:

- *The Telemarketing Consumer Fraud and Abuse Prevention Act*: Prohibits specific deceptive and abusive telemarketing acts or practices; requires disclosure of certain material information; requires

express verifiable authorization for certain payment mechanisms; sets record-keeping requirements; and specifies exempt transactions.

- *The Telemarketing Sales Rule:* Prohibits deceptive and abusive telemarketing acts or practices; establishes a national do-not-call registry maintained by the FTC; establishes an allowable calling time from 8:00 a.m. to 9:00 p.m.; restricts unauthorized billing; and requires telemarketers to transmit caller identification information and imposes disclosure and consent requirements related to telemarketing transactions.
- *The Telephone Consumer Protection Act:* Requires prior express written consent for all telephone calls and text messages that use an automatic telephone dialing system or a prerecorded voice to deliver a telemarketing message to wireless numbers; prohibits sending unsolicited commercial advertisements to a person or business by facsimile without the prior express invitation or permission of the recipient (unless the sender can prove it has had an existing business relationship with the recipient).

Mail

There is no national prohibition of direct mail advertising. But direct mail advertising, like all advertising, must be in compliance with the Federal Trade Commission Act. Specifically, an advertisement must be truthful and not mislead consumers, and it must be substantiated. An advertising claim can be misleading if relevant information is left out or if the claim implies something that is not true. Appropriate substantiation varies depending on the claims being made, the product being advertised and the evidence that experts believe is necessary to substantiate the claim. If an advertisement specifies a certain level of support for a claim, then the advertiser must have at least that level of support. The FTC may seek injunctive

relief through administrative actions or through actions in federal district court against advertisers who make unfair or deceptive claims. Monetary relief in the form of consumer redress or disgorgement is also possible.

The foregoing information is provided only for general reference. It does not constitute legal advice. Legal advice may be provided based only on specific facts. Please consult us before relying on any general information stated herein. We are happy to discuss any questions you may have regarding legal issues related to direct marketing.

[1] Some of the information in this article is courtesy of Thomson Reuters

U.S. Supreme Court Agrees to Review IPR Claim Construction Standards and Whether the Decision to Institute IPR Proceedings Is Subject to Judicial Review

The United States Supreme Court added *Cuozzo Speed Technologies v. Lee* to its docket for its 2016 term, which will call upon the Court to examine two questions key to inter partes review ("IPR") proceedings. First, the Court will decide whether it is proper for the United States Patent and Trademark Office ("PTO") to use a claim construction (or claim interpretation) standard different from that which is used by federal district courts. Second, the Court will address the question of whether the decisions of the Patent Trial and Appeal Board ("Board") to institute an IPR are subject to judicial review.

IPRs are administrative proceedings conducted by the PTO to determine the patentability and scope of existing patents. See 35 U.S.C. §§ 311-319. The September 16, 2012 Leahy-Smith America Invents Act instituted IPRs "to establish a more efficient and streamlined patent system that will improve patent quality and limit

unnecessary and counterproductive litigation costs."

See Leahy-Smith America Invents Act, Pub L. No. 112-29, § 6(a), 125 Stat 284, 299-305 (2011); H.R. Rep. No. 112-98 (2011); 77 Fed. Reg. 48680-01 (Aug. 12, 2012) (codified at 37 C.F.R. §§ 42.100 et seq.). Since the inception of the IPR program, over 4000 IPR petitions have been filed.

<http://www.uspto.gov/sites/default/files/documents/2016-01-31%20PTAB.pdf>

Cuozzo Speed Technologies ("Cuozzo") is the owner of a patent which relates to "a speed limit indicator and method for displaying speed and the relevant speed limit." See U.S. Patent No. 6,778,074 (filed March 18, 2002, and issued August 17, 2004) (the "Patent"). On September 16, 2012, Garmin International, Inc. and Garmin USA, Inc. (collectively, "Garmin") petitioned the PTO for the institution of an IPR with respect to claims 10, 14, and 17 of the Patent. After review, the Board found that those three claims were invalid as obvious under the "broadest reasonable interpretation" of the claim terms. Cuozzo appealed the decision, arguing that (1) the PTO improperly instituted IPR proceedings on the basis of certain prior art which was not actually raised by Garmin and (2) the Board should have applied the (more favorable) standard enunciated in *Phillips v. AWH*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc), which uses a "plain and ordinary meaning" standard in evaluating the scope of the Patent claims.

The Federal Circuit, in its majority opinion, rejected Cuozzo's arguments, holding that the Board's use of the broadest reasonable interpretation standard was consistent with long standing practice at the PTO, and Federal Circuit case law. Further, the majority ruled that the PTO's decision to institute an IPR was not an appealable decision pursuant to the plain language of 35 U.S.C. section 314(d), which provides that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." See 35 U.S.C. § 314(d).

Judge Newman filed a dissent in response to the majority opinion, noting that the PTO had an obligation to issue valid claims, and that a patent applicant can amend the claims in response to rejections under the Philips standard to comply with the statute. Judge Newman also pointed out the distinction that this conventional justification for the "broadest reasonable interpretation" did not apply to claims in IPR because there had been a prior determination that the subject claims were patentable and, in practice, the patentee could not readily amend his or her claims in response to the asserted grounds of invalidity. Further, Judge Newman argued that the IPR process was created to provide a more cost effective, quicker alternative for defendants to challenge the validity of patent claims. In order for the IPR to properly serve as a substitute for the more time consuming and costly district court patent litigation, she argued, the Board must apply the same standard as the federal district courts. Finally, Judge Newman disagreed with the majority's reasoning and interpretation of Section 314(d), stating that the language of the statute should be read to prevent interlocutory appeals of the Board's decision, but not the final judgment as doing so prevents all judicial review in an extraordinary and improper manner.

The Cuozzo case gives the Supreme Court the chance of resolving the conflict over which standard of review applies in the context of claim construction. It is possible, though not necessarily likely, that the Court will affirm the decision of the Board to use the "broadest reasonable interpretation" standard in deference to the long tradition of the Board in applying that standard without Congressional action. The Court, however, has the opportunity to bring the Board in line with federal district courts that apply a stricter standard (and more favorable to the patent holder) and provide patent owners recourse in the event of an adverse decision during IPR.



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