### UNITED STATES OF AMERICA BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Edith Ramirez, Chairwoman Julie Brill Maureen K. Ohlhausen Joshua D. Wright Terrell McSweeny

In the Matter of

WACOAL AMERICA, INC. a corporation.

DOCKET NO. C-4496

**DECISION AND ORDER** 

The Federal Trade Commission ("Commission") having initiated an investigation of certain acts and practices of Wacoal America, Inc., a corporation, hereinafter sometimes referred to as "Respondent," and Respondent having been furnished with a copy of a draft of complaint which the Western Region-San Francisco proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge Respondent with violations of the Federal Trade Commission Act, 15 U.S.C. §§ 45 and 52; and

Respondent, its attorneys, and counsel for the Commission having thereafter executed an Agreement Containing Consent Order ("Consent Agreement"), containing an admission by Respondent of all the jurisdictional facts set forth in the aforesaid draft of Complaint, a statement that the signing of said Consent Agreement is for settlement purposes only and does not constitute an admission by Respondent that the law has been violated as alleged in such Complaint, or that the facts as alleged in such Complaint, other than jurisdictional facts, are true, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that Respondent has violated the said Act, and that a Complaint should issue stating its charges in that respect, and having thereupon accept the executed Consent Agreement and placed such Consent Agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in Commission Rule 2.34, 16 C.F.R. § 2.34, the Commission hereby issues its Complaint, makes the following jurisdictional findings and enters the following Decision and Order:

1. Respondent Wacoal America, Inc., is a Delaware corporation with its principal office or place of business at One Wacoal Plaza, Lyndhurst, New Jersey 07071.

2. The Federal Trade Commission has jurisdiction of the subject matter of the proceeding and of the Respondent, and the proceeding is in the public interest.

### ORDER

#### **DEFINITIONS**

For purposes of this order, the following definitions shall apply:

1. Unless otherwise specified, "Respondent" shall mean Wacoal America, Inc., a corporation, its successors and assigns, and its officers, agents, representatives, and employees.

2. "Adequate and well-controlled human clinical study" means a human clinical study that is randomized, double-blind, placebo controlled, and conducted by persons qualified by training and experience to conduct such study.

3. "Commerce" shall mean as defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

4. "Covered Product" means any garment containing a drug or cosmetic.

5. "Drug" and "cosmetic" mean as defined in Section 15 of the FTC Act, 15 U.S.C. § 55.

6. "Reliably Reported," for a human clinical test or study ("test"), means a report of the test has been published in a peer-reviewed journal, and such published report provides sufficient information about the test for experts in the relevant field to assess the reliability of the results.

## I.

**IT IS ORDERED** that Respondent, directly or through any corporation, partnership, subsidiary, division, trade name, or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Covered Product, in or affecting commerce, shall not make any representation, in any manner, expressly or by implication, including through the use of a product name, endorsement, depiction, or illustration, that use of such product causes substantial weight or fat loss or a substantial reduction in unclad body size.

## II.

**IT IS FURTHER ORDERED** that Respondent, directly or through any corporation, partnership, subsidiary, division, trade name, or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Covered Product or any drug or cosmetic, in or affecting commerce, shall not make any representation, other than representations covered under Part I of this order, in any manner, expressly or by implication, including through the use of a product name, endorsement, depiction, or illustration, that use of such product causes weight or fat loss or a reduction in unclad body size, unless the representation is non-misleading, and, at the time it is made, Respondent possesses and relies upon competent and reliable scientific evidence that substantiates that the representation is true. For purposes of this Part, competent and reliable

scientific evidence shall consist of at least two adequate and well-controlled human clinical studies of the Covered Product, conducted by different researchers, independently of each other, that conform to acceptable designs and protocols and whose results, when considered in light of the entire body of relevant and reliable scientific evidence, are sufficient to substantiate that the representation is true.

#### III.

**IT IS FURTHER ORDERED** that Respondent, directly or through any corporation, partnership, subsidiary, division, trade name, or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Covered Product or any drug or cosmetic, in or affecting commerce, shall not make any representation, other than representations covered under Parts I and II of this order, in any manner, expressly or by implication, including through the use of a product name, endorsement, depiction, or illustration, that use of such product reduces or eliminates cellulite, unless the representation is non-misleading, and, at the time of making such representation, Respondent possesses and relies upon competent and reliable scientific evidence that is sufficient in quality and quantity based on standards generally accepted in the relevant scientific fields, when considered in light of the entire body of relevant and reliable scientific evidence, to substantiate that the representation is true. For purposes of this Part, competent and reliable scientific evidence means tests, analyses, research, or studies (1) that have been conducted and evaluated in an objective manner by qualified persons; (2) that are generally accepted in the profession to yield accurate and reliable results; and (3) as to which, when they are human clinical tests or studies, all underlying or supporting data and documents generally accepted by experts in the field as relevant to an assessment of such testing as set forth in Part IX of this Order are available for inspection and production to the Commission.

#### IV.

**IT IS FURTHER ORDERED** that Respondent, directly or through any corporation, partnership, subsidiary, division, trade name, or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any product in or affecting commerce, shall not misrepresent, or assist others in misrepresenting, in any manner, expressly or by implication, including through the use of any product name or endorsement:

- A. The existence, contents, validity, results, conclusions, or interpretations of any test, study, or research; or
- B. That the benefits of the product are scientifically proven.

#### IT IS FURTHER ORDERED that

- A. Nothing in this order shall prohibit Respondent from making any representation for any product that is specifically permitted in labeling for such product by regulations promulgated by the Food and Drug Administration pursuant to the Nutrition Labeling and Education Act of 1990 or permitted under Sections 303-304 of the Food and Drug Administration Modernization Act of 1997; and
- B. Nothing in this order shall prohibit Respondent from making any representation for any product that is permitted in the labeling for such product under any tentative final or final monograph promulgated by the Food and Drug Administration, or under any new drug application approved by the Food and Drug Administration.

#### VI.

**IT IS FURTHER ORDERED** that Respondent shall, within thirty (30) days after the date of entry of this order, provide to the Commission a searchable electronic file containing the name and contact information of all consumers who purchased any Covered Product from January 1, 2011, through the date of entry of this order, to the extent it has such information in its possession or control, including information available upon request from franchisees or others. Such file: (1) shall include each consumer's name and address, the product(s) purchased, the total amount of moneys paid less any amount credited for returns or refunds, the date(s) of purchase, and, if available, the consumer's telephone number and email address; (2) shall be updated through the National Change of Address database; and (3) shall be accompanied by a sworn affidavit attesting to its accuracy.

#### VII.

**IT IS FURTHER ORDERED** that Respondent shall pay to the Federal Trade Commission the sum of one million three hundred thousand dollars (\$1,300,000). This payment shall be made in the following manner:

- A. The payment shall be made by electronic funds transfer within ten (10) days after the date that this order becomes final and in accordance with instructions provided by a representative of the Federal Trade Commission.
- B. In the event of default on any obligation to make payment under this order, interest, computed pursuant to 28 U.S.C. § 1961(a), shall accrue from the date of default to the date of payment. In the event such default continues for ten (10) calendar days beyond the date that payment is due, the entire amount shall immediately become due and payable.

- C. All funds paid to the Commission pursuant to this order shall be deposited into an account administered by the Commission or its agents to be used for equitable relief, including restitution, and any attendant expenses for the administration of such equitable relief. In the event that direct redress to consumers is wholly or partially impracticable or funds remain after the redress to consumers (which shall be the first priority for dispensing the funds set forth above) is completed, the Commission may apply any remaining funds for such other equitable relief (including consumer information remedies) as it determines to be reasonably related to Respondent's practices alleged in the complaint. Any funds not used for such equitable relief shall be deposited in the United States Treasury as disgorgement. Respondent shall be notified as to how the funds are distributed, but shall have no right to challenge the Commission's choice of remedies under this Part. Respondent shall have no right to contest the manner of distribution chosen by the Commission. No portion of any payment under this Part shall be deemed a payment of any fine, penalty, or punitive assessment.
- D. Respondent relinquishes all dominion, control, and title to the funds paid to the fullest extent permitted by law. Respondent shall make no claim to or demand for return of the funds, directly or indirectly, through counsel or otherwise.
- E. Respondent agrees that the facts as alleged in the complaint filed in this action shall be taken as true without further proof in any bankruptcy case or subsequent civil litigation pursued by the Commission to enforce its rights to any payment or money judgment pursuant to this order, including but not limited to a nondischargeability complaint in any bankruptcy case. Respondent further agrees that the facts alleged in the complaint establish all elements necessary to sustain an action by the Commission pursuant to Section 523(a)(2)(A) of the Bankruptcy Code, 11 U.S.C. § 523(a)(2)(A), and that this order shall have collateral estoppel effect for such purposes.
- F. In accordance with 31 U.S.C. § 7701, Respondent is hereby required, unless it has done so already, to furnish to the Commission its taxpayer identifying number, which shall be used for the purposes of collecting and reporting on any delinquent amount arising out of Respondent's relationship with the government.
- G. Proceedings instituted under this Part are in addition to, and not in lieu of, any other civil or criminal remedies that may be provided by law, including any other proceedings the Commission may initiate to enforce this order.

## VIII.

**IT IS FURTHER ORDERED** that Respondent shall comply with Paragraphs II and III of Appendix A to this order and shall also provide reasonable cooperation to the Commission with respect to the administration of the Consumer Redress Program and other Consumer Redress Requirements as described in Appendix A to this order, hereby incorporated into this order.

**IT IS FURTHER ORDERED** that, with regard to any human clinical test or study ("test") upon which Respondent relies to substantiate any claim covered by this Order, Respondent shall secure and preserve all underlying or supporting data and documents generally accepted by experts in the field as relevant to an assessment of the test, including, but not necessarily limited to:

- A. All protocols and protocol amendments, reports, articles, write-ups, or other accounts of the results of the test, and drafts of such documents reviewed by the test sponsor or any other person not employed by the research entity;
- B. All documents referring or relating to recruitment; randomization; instructions, including oral instructions, to participants; and participant compliance;
- C. Documents sufficient to identify all test participants, including any participants who did not complete the test, and all communications with any participants relating to the test; all raw data collected from participants enrolled in the test, including any participants who did not complete the test; source documents for such data; any data dictionaries; and any case report forms;
- D. All documents referring or relating to any statistical analysis of any test data, including, but not limited to, any pretest analysis, intent-to-treat analysis, or between-group analysis performed on any test data; and
- E. All documents referring or relating to the sponsorship of the test, including all contracts and communications between any sponsor and the test's researchers.

*Provided, however*, the preceding preservation requirement shall not apply to a Reliably Reported test, unless the test was conducted, controlled, or sponsored, in whole or in part by (1) any Respondent; (2) any other person or entity in active concert or participation with any Respondent; (3) any person or entity affiliated with or acting on behalf of any Respondent; (4) any supplier of any ingredient contained in the product at issue to any of the foregoing or to the product's manufacturer; or (5) the supplier or manufacturer of such product.

For any test conducted, controlled, or sponsored, in whole or in part, by Respondent, Respondent must establish and maintain reasonable procedures to protect the confidentiality, security, and integrity of any personal information collected from or about participants. These procedures shall be documented in writing and shall contain administrative, technical, and physical safeguards appropriate to Respondent's size and complexity, the nature and scope of Respondent's activities, and the sensitivity of the personal information collected from or about the participants. **IT IS FURTHER ORDERED** that Respondent Wacoal America, Inc., and its successors and assigns shall, for five (5) years after the last date of dissemination of any representation covered by this order, maintain and, upon reasonable notice and request, make available to the Federal Trade Commission for inspection and copying:

- A. All advertisements and promotional materials containing the representation;
- B. All materials that were relied upon in disseminating the representation; and
- C. All tests, reports, studies, surveys, demonstrations, or other evidence in its possession or control that contradict, qualify, or call into question the representation, or the basis relied upon for the representation, including complaints and other communications with consumers or with governmental or consumer protection organizations.

#### XI.

**IT IS FURTHER ORDERED** that Respondent Wacoal America, Inc., and its successors and assigns shall deliver a copy of this order to all current and future principals, officers, directors, and managers, and to all current and future employees, agents and representatives having primary responsibilities with respect to the advertising subject to the terms of Parts I-IV of this order, and shall secure from each such person a signed and dated statement acknowledging receipt of the order. Respondent and its successors and assigns shall deliver this order to current personnel within thirty (30) days after the date of service of this order, and to future personnel within thirty (30) days after the person assumes such position or responsibilities. Respondent shall maintain and upon request make available to the Federal Trade Commission for inspection and copying all acknowledgements of receipt of this order obtained pursuant to this Part.

#### XII.

**IT IS FURTHER ORDERED** that Respondent Wacoal America, Inc., and its successors and assigns shall notify the Commission at least thirty (30) days prior to any change in the corporation that may affect compliance obligations arising under this order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. *Provided, however*, that, with respect to any proposed change in the corporation about which Respondent learns less than thirty (30) days prior to the date such action is to take place, Respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. Unless otherwise directed by a representative of the Commission, all notices required by this Part shall be emailed to Debrief@ftc.gov or sent by

overnight courier (not the U.S. Postal Service) to the Associate Director of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580. The subject line must begin: "In the Matter of Wacoal America, Inc., FTC File Number 132-3095."

#### XIII.

**IT IS FURTHER ORDERED** that Respondent Wacoal America, Inc., and its successors and assigns, within sixty (60) days after the date of service of this order, shall file with the Commission a true and accurate report, in writing, setting forth in detail the manner and form of its own compliance with this order. Within ten (10) days of receipt of written notice from a representative of the Commission, it shall submit additional true and accurate written reports.

#### XIV.

This order will terminate on November 6, 2034, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; *provided, however*, that the filing of such a complaint will not affect the duration of:

- A. Any Part in this order that terminates in less than twenty (20) years;
- B. This order's application to any Respondent that is not named as a defendant in such complaint; and
- C. This order if such complaint is filed after the order has terminated pursuant to this Part.

*Provided, further*, that if such complaint is dismissed or a federal court rules that the Respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

By the Commission.

Donald S. Clark Secretary

SEAL ISSUED: November 6, 2014

# APPENDIX A

# **CONSUMER REDRESS PROGRAM**

**I.** The Commission shall apply funds received from Respondent pursuant to this order to a consumer redress program. Any funds required to administer the consumer redress program shall be taken from the sum provided by Respondent in Part VII of this order.

**II.** Within thirty days (30 days) of the date of service of this order, Respondent shall purchase: (A) no fewer than 6,300,000 online advertising impressions to run over a thirty-day (30-day) period on digital properties of Women's Health, Elle, Real Simple, and Glamour, some of which impressions may include advertisements in one or more of the properties' respective digital newsletters; and (B) a print advertising campaign in *USA Today* comprised of two (2) one-quarter page insertions in Marketplace Classifieds. The notices associated with A and B, above, shall, respectively, be in the forms set out in Exhibit 1 (with the understanding that banner ads will not contain the full text of the notice).

**III.** Within thirty (30) days of the date of service of this order, Respondent shall send a notice in form substantially identical to Exhibit 3 (a) by email to all persons identified in the file provided in compliance with Part VI of this Order for whom Respondent has an email address and (b) by United States Mail to all persons identified in the file provided in compliance with Part VI of this order for whom Respondent does not have an email address, but does have a street address. Said notice shall contain no information other than that set forth in Exhibit 3, nor shall any other material be transmitted therewith.

**IV.** The Commission shall, consistent with the provisions otherwise set out herein, have full discretion to (1) review and approve the procedures used to identify those consumers who meet the criteria for redress; (2) determine the application of the criteria for participation in any redress program and identify those consumers entitled to relief in any redress program implemented pursuant to this order; (3) determine the manner and timing of the sending to consumers of the forms attached hereto as Exhibits 2, 4 and 5; and (4) delegate any and all tasks connected with such redress program to any individuals, partnerships, or corporations of its choice and to pay the fees, salaries, and expenses incurred thereby from the payments made by Respondent pursuant to Part VII of this order. The FTC or its designated agent shall send directly to consumers the forms attached hereto as Exhibits 2, 4 and 5.

**V.** The award under this redress program shall be a pro rata share, with respect to each covered product purchased by the consumer (allocated by price and style), to each consumer who qualifies for the redress program, not to exceed the total purchase price of the Covered Products purchased by the consumer.

**VI.** Any applicant who does not submit a Claim Form within sixty (60) days of the last online notice or publication of the *USA Today* notice described in Paragraph II shall not be eligible for any award under this redress program.

**VII.** Following the completion of the redress program described in Part VII of this Order and in this Appendix A, the Commission or its designated agent shall provide to Respondent a report containing the name and address of each consumer to whom redress was paid pursuant to this Order and, for each consumer, the Covered Product(s) for which such claim was made, the total dollar volume of such claim and the redress paid. Respondent shall have no right to contest the validity of any claim submitted pursuant to the redress program.

# EXHIBIT 1 – [USA Today Notice]

# Did you buy a Wacoal iPant product? You may be eligible for a refund.

The Federal Trade Commission (FTC), the nation's consumer protection agency, sued Wacoal, alleging that Wacoal's advertising about iPant products was not adequately supported by scientific data. The FTC says Wacoal made misleading claims that wearing iPant products would reduce cellulite and reduce thigh size.

To settle the lawsuit, the company is offering money back to people who bought iPant products since January 1, 2011. You don't need your receipt and you don't have to send the product back.

There are two ways to apply for a refund:

1) Call [toll-free number] and request a claim form; complete the form and mail it back by [date certain -- sixty (60) days after the last online notice or publication of the USA Today notice], <u>or</u>

2) Apply online at [URL] by [date certain-- sixty (60) days after the last online notice or publication of the USA Today notice].

How much you get back will depend on how many people apply.

If you have questions, visit [URL] or call [toll-free number].

# **EXHIBIT 2 -- REFUND APPLICATION**

### [sent to consumers who request a claim form]

I bought the following Wacoal iPant product(s) since January 1, 2011.

Cupless Camisole (Style No. 802171)
Legging (Style No. 804171)
Mid-Thigh Shaper (Style No. 804271)
Hi-Waist Long Leg Shaper (Style No. 805171)
Brief (Style No. 808171)
Long Leg Shaper (Style No. 809171)

(If you bought more than one, please say how many.)

If I'm eligible to get money back as part of the FTC's lawsuit against Wacoal, send my refund to:

ZIP CODE: \_\_\_\_\_

• Mail this form to [address] by [date certain -- sixty (60) days after the last online notice or publication of the USA Today notice].

- You don't need your receipt and you don't have to send the product(s) back.
- For more information, visit [URL] or call [toll-free number].

# EXHIBIT 3 – [Email or letter to online buyers]

[date]

Name of Consumer Address City/State/ZIP

RE: Refunds for people who bought Wacoal iPant products

Dear Consumer:

We're writing because according to the records of Wacoal America, you bought iPant product(s) from the company's website. The Federal Trade Commission (FTC), the nation's consumer protection agency, sued Wacoal, alleging that Wacoal's advertising about iPant products was not adequately supported by scientific data. The FTC says Wacoal made misleading claims that wearing iPant products would reduce cellulite and reduce thigh size.

To settle the lawsuit, the company is offering money back to people who bought iPant products since January 1, 2011. You don't need your receipt and you don't have to send the product back.

There are two ways to apply for a refund:

- 1) Complete the attached form and mail it back by [date certain-- sixty (60) days after the last online notice or publication of the USA Today notice], or
- 2) Apply online at [URL] by [date certain-- sixty (60) days after the last online notice or publication of the USA Today notice].

How much you get back will depend on how many people apply.

If you have questions, visit [URL] or call [toll-free number].

Sincerely,

[name]

[Attach same Refund Application form.]

## **REFUND APPLICATION**

## [Attachment to letter to people who bought from Wacoal's website]

I bought the following Wacoal iPant product(s) since January 1, 2011. .

Cupless Camisole (Style No. 802171)
Legging (Style No. 804171)
Mid-Thigh Shaper (Style No. 804271)
Hi-Waist Long Leg Shaper (Style No. 805171)
Brief (Style No. 808171)
Long Leg Shaper (Style No. 809171)

(If you bought more than one, please say how many.)

If I'm eligible to get money back as part of the FTC's lawsuit against Wacoal, send my refund to:

NAME: \_\_\_\_\_

ADDRESS:

CITY AND STATE: \_\_\_\_\_

ZIP CODE: \_\_\_\_\_

• Mail this form to [address] by [date certain -- sixty (60) days after the last online notice or publication of the USA Today notice].

- You don't need your receipt and you don't have to send the product(s) back.
- For more information, visit [URL] or call [toll-free number].

# EXHIBIT 4 – [Letter to accompany redress payment]

[date]

Name of Consumer Address City/State/ZIP

## RE: Refunds for people who bought Wacoal iPant products

Dear Consumer:

You applied for a refund as part of the Federal Trade Commission's lawsuit against Wacoal America for deceptive advertising about iPant products. A check for your part of the settlement is enclosed. Please cash it by [date certain]. After that, the check won't be good.

If you have questions, please call the FTC [or name] at [toll-free number].

For consumer information about evaluating advertising claims for products like this, visit the FTC's Health & Fitness page, *http://www.consumer.ftc.gov/topics/health-fitness*.

Sincerely,

[name]

# **EXHIBIT 5** – [Letter to ineligible consumers]

[date]

Name of Consumer Address City/State/ZIP

# RE: Refunds for people who bought Wacoal iPant products

Dear Consumer:

You applied for a refund as part of the Federal Trade Commission's lawsuit against Wacoal America for deceptive advertising of iPant products. We reviewed the information you sent. Unfortunately, your purchase isn't covered by the settlement, and you don't qualify for a refund.

If you have questions, please call the FTC [or name] at [toll-free number].

For consumer information about evaluating advertising claims for products like this, visit the FTC's Health & Fitness page, *http://www.consumer.ftc.gov/topics/health-fitness*.

Sincerely,

[name]