

>> Cecelia Prewett: Thanks. Good morning. I'm Cecelia Prewett, the Director of Public Affairs for the Federal Trade Commission. If you have electronic devices, please remember to turn them on "vibrate" or "off" right now. Today the FTC Director of the Bureau of Consumer Protection, David Vladeck, will explain the details of our latest law-enforcement effort. After his statement, we'll first take questions from the room, and then we'll ask for questions from the folks on the phone. Before asking a question, please state your name and affiliation. Now it's my pleasure to introduce David Vladeck.

>> David Vladeck: Thank you, Cecelia.

>> Cecelia Prewett: Thanks.

>> David Vladeck: Good morning, everyone. Welcome to the Federal Trade Commission. We're here this morning as the nation's consumer-protection agency to remind advertisers big and small that they must have adequate proof for the claims they make in their ads. We're also here to remind consumers that there are no shortcuts to a fit and healthy body. We're pleased to announce that Reebok has entered into a \$25 million settlement to resolve FTC allegations that it violated the law by making false and unsubstantiated claims for its EasyTone and RunTone toning shoes. Since 2009, Reebok has urged consumers to "take the gym with them and to get better legs and a better butt with every step" by claiming that the instability created by its toning shoes increases the effects of a regular exercise routine and even provides health benefits to those who can't find the time to exercise. For the millions of Americans who paid up to \$100 for a pair of Reebok toning shoes, Reebok's claims didn't withstand scrutiny. Their consumers expected to get a workout, not to get worked over. Reebok's ads claimed that wearing EasyTone shoes rather than regular shoes would lead to a number of health benefits. For example, Reebok claimed that people wearing these shoes would gain 28% more strength and tone in the glutes -- that is, the butt -- and 11% more strength and tone in the hamstrings and calf muscles. Let's watch one of the Reebok ads that gave rise to this case.

>> Woman: Reebok EasyTone shoes not only look fantastic, they'll help make your legs and butt look great, too. It's the shoe proven -- dude -- to work your hamstrings and calves up to 11% harder and tones your butt up to 28% more than regular sneakers just by walking. [Clears throat] Excuse me. I take it you agree?

>> Man: Reebok EasyTone with balance-ball-inspired technology. Better legs and a better butt with every step.

>> David Vladeck: All right. This morning the Federal Trade Commission filed its complaint against Reebok along with the accompanying settlement in the United States District Court for the Northern District of Ohio. If entered by the court, the settlement would resolve the FTC's allegations that Reebok made unsubstantiated claims about the health benefits of wearing EasyTone and RunTone shoes and false claims that scientific tests supported its strengthening and toning claims. Under the settlement, Reebok will pay \$25 million into a fund that will be used to return money to consumers who bought Reebok's toning footwear and toning apparel. The settlement prohibits Reebok from claiming that its toning shoes and toning apparel will strengthen muscles or cause a specific amount of increase in strength or muscle tone unless Reebok has sufficient substantiation for these claims. The settlement also prohibits Reebok from making any other health- or fitness-related claims for its toning shoes and other toning apparel unless the company has competent and reliable scientific evidence to support those claims. And, finally, the settlement prevents Reebok from misrepresenting the results of any tests, studies, or research regarding toning shoes or toning apparel. To its credit, Reebok has already stopped manufacturing boxes and promotional materials with these claims. It has already begun to notify its retailers about the settlement and will instruct the retailers to remove prohibited advertisements or promotional material and provide them with stickers to conceal any remaining claims that appear in material in their inventory. So, if you're an advertiser out there, remember that marketing campaigns, no matter how clever, sexy, or funny, must start and must stick with product claims that are substantiated. Advertisers must have substantiation for claims before they make them. I invite businesses that are interested in learning more about substantiation, advertising, and other issues within the FTC's jurisdiction to look at our business center at business.ftc.gov. Again, that's business.ftc.gov. The FTC settlement with Reebok is a big victory for consumers who bought

toning shoes based on the benefits that Reebok promised but did not deliver. Unfortunately, there is no such thing as a no-work, no-sweat way to a fit or healthy body. For that reason, we're also pointing you to a new consumer alert -- "How's That Workout Working Out?" -- with practical tips on buying fitness gear. We have a special page on the FTC's Website, ftc.gov/reebok -- R-e-e-b-o-k -- that gives tips on buying fitness gear. Please go look at our Website and read our consumer alert. The Website also provides information on how consumers can obtain a refund. Again, that Website is ftc.gov/reebok. Please consult that Website for more information. Before we get to your questions, I want to thank the staff of the FTC's Cleveland office, including Jon Steiger, Larissa Bungo, and Dana Barragate, the lead lawyers in this case. This has been a terrific team effort, and I want to thank Mary Engle and Rich Cleveland from the Division of Advertising Practices, Tim Daniel from our Bureau of Economics, and Peter Miller from my staff, all for their invaluable assistance. Fortunately, Larissa Bungo and Dana Barragate are here today. I'd ask them to join me, and now we'll take whatever questions you have. Let's start with reporters in the room. Yes?

>> Woman #2: Can you talk a little bit about how you started the investigation, how this problem came to your attention?

>> David Vladeck: No. We don't talk about our investigative work. And we're here to talk about our settlement today with Reebok. Other questions? Let's go -- If we may, Mitch, can we go to the phones?

>> Mitch Katz: To ask your question from the phone line, please press star and then one. To ask a question, please press star and then one. And we have several questions. First on the line is Andrew Martin with New York Times. Please go ahead.

>> Andrew Martin: Hi. Can you hear me?

>> David Vladeck: Yes, loud and clear.

>> Andrew Martin: So, can you just tell me a little bit about how this came about and when you started the investigation and how it came about?

>> David Vladeck: We don't talk -- Mr. Martin, we don't talk about our investigations. We talk about legal actions that we have taken. This case is now filed, so we're permitted to talk about the case and about the settlement. Our complaint is online. It has greater details about the allegations that we've made and about the advertisements and the claims that Reebok was making that we thought were not adequately substantiated.

>> Andrew Martin: But can you at least tell us if this was prompted by consumer complaints? I mean, did you buy a pair of these? Were you unhappy with the results? [Laughter] Something must have prompted this thing.

>> David Vladeck: Mr. Martin, I wear size 15 shoes. You can't buy these shoes in my size. We did get consumer complaints. We read the newspapers. We watch TV, like everyone else. There are multiple ways in which we get complaints. This case and this issue was generated by a multiplicity of sources.

>> Andrew Martin: Thank you.

>> Mitch Katz: We have a question from Jim Puzzanghera with Los Angeles Times. Please go ahead.

>> Jim Puzzanghera: Yeah, thanks. There are a number of other manufacturers who came out with similar products. Are those being investigated, or are you in the process of looking at those, as well?

>> David Vladeck: We're here to talk today about Reebok. We never talk about other investigations that may or may not be pending. So, I'm sorry, but I'm not able to answer your question.

>> Mitch Katz: We have a question from Ivan Penn with St. Petersburg Times.

>> Ivan Penn: Hi. Thank you very much. Just wondering, were there any particular health benefits at all that these shoes provided? 'Cause, obviously, I also had the previous question, as well, about the particular benefits that are claimed by some of the other manufacturers. But is there anything about these shoes that provide any benefit to consumers?

>> David Vladeck: I'm going to let Dana Barragate answer that question.

>> Dana Barragate: Our complaint against Reebok alleges unsubstantiated claims regarding its strengthening and toning benefits of its footwear. And we looked at the ad claims that were being made by the company. That's what we assessed, and that's what this case is about.

>> Ivan Penn: Okay, thank you.

>> David Vladeck: Thank you.

>> Mitch Katz: We have a question from Katy Bachman with Adweek. Please go ahead.

>> Katy Bachman: Thank you. My question has been answered.

>> David Vladeck: Great.

>> Mitch Katz: Next we have Eileen Ambrose with Baltimore Sun. Please go ahead.

>> Eileen Ambrose: Hi. I was wondering, when people get a refund, I mean, are they getting a refund for the full price for their shoes? And I don't suppose you have a breakout of how many you expect in Maryland or anything like that who might qualify for this reimbursement?

>> David Vladeck: Let me explain the process a little. This will be a two-step process. Our Website has gone live with a page accessible through ftc.gov/reebok that provides an easy way for

consumers who've purchased these shoes and want to get refunds to be included in the class of people who will get refunds. But until we know precisely how many people seek refunds, we will not be able to tell you or anyone else exactly the amount of refunds that will be available, let alone the geographic breakdown of how those refunds will be allocated. We want to get cash back in the hands of consumers as quickly as we can, but this process will take some time. Of course, we just filed this case today. It will be overseen by a federal district judge. The judge will have a lot to say about the pace of this process.

>> Mitch Katz: We have a question from Andrew Martin, New York Times. Please go ahead.

>> Andrew Martin: Hi. Do you know how many of these shoes were sold? And, secondly, on the sort of scientific data that Reebok had or didn't have, I guess, can you provide more detail on that? Did they have none, or was it simply not sufficient?

>> David Vladeck: I'm going to ask Larissa Bungo of our Cleveland office to address those questions.

>> Andrew Martin: Okay.

>> Larissa Bungo: Good morning. As to your first question, how many of these shoes were sold, Reebok is in a better position to answer that question. As to your second question, what type of scientific evidence we we evaluated, we evaluated the support that the company had for the claims that they made.

>> David Vladeck: And just to add, in our view, that evidence was wholly insufficient to support the specific objective claims they were making, like the claim that those of you who were able to see the advertisement that we ran here, which is -- By the way, all of the claims at issue, all the ads at issue, are referenced in our complaint, which include all the dialogue. And you'll see that Reebok was making objective, you know, numerical claims about the amount of strength enhancement and toning these shoes would confer. And so that will give you a sense of what our concern was.

>> Andrew Martin: Oh. Okay.

>> Mitch Katz: We have a question from Tim Molloy with Please go ahead.

>> Tim Molloy: Really, a question along similar lines. Just wondering if you did your own testing of any sort, if you put people on treadmills or anything like that to verify that their claims were wrong or inadequate.

>> David Vladeck: No, we did not.

>> Tim Molloy: Then how could you confirm that the claims were inadequate?

>> David Vladeck: I'm sorry. I didn't hear the last part of your question.

>> Tim Molloy: How, specifically, were you able to confirm that their claims were wrong?

>> David Vladeck: Our job is not to determine their claims were wrong. Our job is to determine whether the company had substantiation for the claims they were making. We did that. We spent a lot of time examining the evidence the company put forward, and we found it wanting.

>> Tim Molloy: Thanks.

>> Mitch Katz: We have a question from Kristi Ellis with Women's Wear Daily. Please go ahead. And, Ms. Ellis, your line is open.

>> Kristi Ellis: Hi. Can you hear me?

>> David Vladeck: Yes, we can hear you fine. Thank you.

>> Kristi Ellis: Hi. You mentioned toning apparel. Did the settlement cover toning apparel? And then, secondly, can you give us an idea of how long these advertisements ran?

>> David Vladeck: I'm going to ask Dana Barragate to address that question.

>> Dana Barragate: First, with respect to the toning apparel, it's not uncommon for our orders to include additional products and additional claims in the coverage. So, our order provides redress for consumers who purchased any of Reebok's toning footwear or its toning apparel. And, again, consumers should be directed to our Website, ftc.gov/reebok, where they can submit their requests for a refund. As for your second question, how long were the ads running, they started running these ads early on. The shoes became available in early 2009, and the ads at issue, including the one that the people here in the room were able to see, ran for, typically, 2009 into 2010.

>> David Vladeck: Let me just say that, to its credit, Reebok pulled these ads sometime in the middle of our investigation, understanding, I think, that we had serious problems with them. Are there other questions?

>> Mitch Katz: We have a question from Simon Houpt with the Globe and Mail. Please go ahead.

>> Simon Houpt: Hi. Two questions. First of all, can anybody in the room tell me exactly or roughly what the size of the market is for these toning shoes, not just Reebok's? And, also, does this settlement in any way preclude or affect any kind of further possible class action suit, some of which have been launched against manufacturers like New Balance?

>> David Vladeck: You know, I don't want to get into market because it involves market definitions that we would like to stay away from. In terms of the class action, there are class actions, at least one major class action, pending against Reebok. Our settlement is intended to work in tandem with that, though the FTC has control over all aspects of the \$25 million fund that will be -- that is created as a result of this settlement, assuming, of course, the judge approves it. But that money will be put in a designated fund to be used solely for the purpose of providing

redress to Reebok consumers. And we will have control over that fund and we will make sure that consumers get money back into their pockets.

>> Mitch Katz: We have a question from Tim Peterson with Direct Marketing News. Please go ahead.

>> Tim Peterson: Thank you. Has the FTC put in place any penalties that Reebok would face should they violate the prohibitions about future claims or future advertising that is unsubstantiated with scientific data?

>> David Vladeck: We enforce our orders vigorously, and I don't want to suggest that Reebok will not comply. Reebok has -- I want to commend Reebok for the work it's done in this case. But we take our orders seriously, and if companies violate them, we go to court and get relief that can include civil penalties. So, you know, not to suggest that we have any fear that Reebok will not comply with this order, but we take order compliance very seriously.

>> Tim Peterson: So, there's no measure in place that explicitly states, you know, if they violate it once, then they will pay "x" amount of dollars?

>> David Vladeck: No, but that's not the way court orders work.

>> Tim Peterson: Got it.

>> David Vladeck: Our court orders are enforceable in court, and if there's a significant violation, any company under our order will see us again. And we will seek a full measure of relief that's available under law which includes but is not limited to monetary relief.

>> Mitch Katz: At this time, there are no further questions in queue from the phone lines.

>> David Vladeck: Unless there are further questions here, I want to thank all of you for coming. Oh, yes. I'm sorry.

>> Man #2: I do have one question, just to clarify. You didn't do any investigation on the claims that Reebok made. The burden of proof was put on Reebok to provide the information that they had to create that advertising?

>> David Vladeck: Right. Advertisers cannot make claims about their products, particularly not objective claims like this, without having some basis for it. That's the law we enforce, and that's the message we want to convey to advertisers. If you are going to make specific claims, particularly about health benefits, for your products, you better have some kind of adequate substantiation for those claims before you make them. That's the law. That, I think, is well understood by the advertising community. But that's a message we want to drive home. If there are no more questions, I'd like to thank everyone for coming. I would urge everyone to visit our Website, ftc.gov/reebok, for information about this case, and I would urge all consumers who have purchased Reebok toning shoes or toning apparel please to visit our Website so you can see how you go about requesting a refund. Thank you very much.