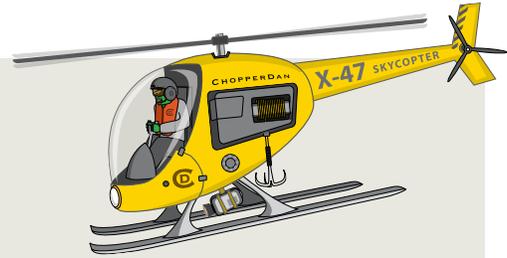


The Federal Trade Commission enforces truth-in-advertising laws in the United States. Here's what the FTC looks for:

- **Deception:** If an ad says or shows something that's false or that misleads you about a product, it's deceptive. That's crucial if the false or misleading information is an important part of your decision to buy the product.
- **Proof:** Some products require more proof for their claims than other products. It depends on the effect that a lie about a product could have on you. For example, false information in an ad for a pen might not mean much to your health or safety. But false information in an ad about a "cure" for a disease could be harmful. That's why those claims need more proof.
- **Unfairness:** If consumers are hurt in some way by something a business did—say its practice caused you to be hurt physically or to lose money—the FTC takes a closer look to see if the business did something unfair. The FTC asks three key questions:
 - Was the harm serious?
 - Could the consumer have avoided the harm?
 - Is the harm to some consumers outweighed by some benefits to other consumers, or to competition?

If the business' practice fails this test, the FTC would believe its behaviour was unfair and could follow up with legal action.

- **All claims count:** An advertiser is responsible for all the claims in an ad—not only for what the ad actually says, but also for what it shows or implies. The words, the pictures, and even the product's name add up to the "net impression"



A Picture is Worth a Thousand Words

You see an ad on TV for a toy helicopter. The ad shows the helicopter flying high above a boy who's watching from the ground. What would you expect if you bought the toy: A helicopter that flies on its own? Or a helicopter that you hold and pretend is flying? If you had bought this particular toy, you'd find that the closest it comes to flying is when you hold it in your hand and zoom it through the air yourself. This ad is deceptive for two reasons: One is that the toy doesn't work as it's shown in the ad. The other is that the claim that the helicopter actually flies is important to the person deciding whether to buy the toy. The ad never says in words that the helicopter flies on its own, but it shows the helicopter flying.

of an ad. The net impression is what the FTC looks at to decide whether an ad is deceptive.

A key part of the FTC's analysis is what's known as the "reasonable consumer." The FTC looks at what an ad says or shows from the viewpoint of the audience the advertiser is trying to reach—not from the perspective of an FTC lawyer. If an ad is aimed at teenagers, the FTC tries to look at the ad as a teenager would, not as a parent would.

Truth or Consequences

The FTC doesn't have to prove that a business or ad agency means to fool people—only that people are likely to have been fooled by the ad. So if an advertiser breaks the law and has an unfair or deceptive ad, what happens next? The FTC can make the company:

- **Stop running the ad:** If an ad breaks the law, the company usually has to stop running the ad. This happens through a “cease and desist order.” This may sound like a simple solution, but it can be an expensive one. The company responsible for the ad winds up losing all the money they paid to produce and place the ad.
- **Fix the ad:** In some cases, the company responsible may be required to run ads that correct the false impression they made. This is called “corrective advertising.”
- **Add warnings:** Sometimes the company has to put warnings on labels or in advertisements so consumers get more accurate information about a product. You might see this kind of warning on health products, like a cold remedy, that warn you of possible side effects.
- **Stop being in the same business:** Some people or companies are banned from doing the same things in the future—for example, they may not be allowed to make infomercials to sell similar products.

- **Pay customers back:** The person or company that broke the law may have to return any money they got because of the bad ad. Every year, the FTC recovers millions of dollars from companies that broke the truth-in-advertising laws and returns some to the consumers who bought the product in question.

Things to Talk About and Do

- Look at ads in a magazine or online. Figure out who the target audiences are for the ads—who is the “reasonable consumer” for the ad. What would the reasonable consumer think about the ads?
- If you created a deceptive ad in a previous exercise, discuss what you, the advertiser, should have to do to fix the ad?

Want to Find Out More?

Federal Trade Commission
www.ftc.gov

