No. 12-873

In the Supreme Court of the United States

LEXMARK INTERNATIONAL, INC.,
Petitioner,
v.

STATIC CONTROL COMPONENTS, INC.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

REPLY BRIEF OF PETITIONER

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REASONS FOR GRANTING THE PETITION

I. Intervention by this Court is necessary to resolve the conflict among the circuits as to the test for standing for Lanham Act false advertising claims.

While unable to deny the widespread circuit split as to the requirements for standing to assert Lanham Act false advertising claims, Static Control attempts to downplay the split by arguing that the "reasonable interest test" is essentially the same as the *AGC* multi-factored analysis. Of course, even if this were the case, there would still be a circuit split with at least three circuits applying the categorical test requiring direct competition—and there is absolutely no indication that the Seventh, Ninth, and Tenth Circuits are inclined to "reconsider their Lanham Act standing jurisprudence" as suggested by Static Control. Brief in Opposition, p. 10.

Contrary to Static Control's present contention, however, multiple courts, commentators, and even Static Control itself in its briefs before the Sixth Circuit, recognize that there is a significant difference between the reasonable interest test as applied by the Sixth Circuit in this case and the *AGC* analysis, which was applied by the district court below and is followed by the majority of circuits that have addressed the issue.

In this case, the Sixth Circuit made it unmistakably clear that the reasonable interest test is "conceptually different" from the *AGC* factors employed by the Third Circuit in *Conte Bros. Auto., Inc. v. Quaker State-Slick*

50, Inc., 165 F.3d 221, 227 (3d Cir. 1998) (Alito, J., authoring). As the panel below explained:

> The Third Circuit nominally uses a "reasonable interest" approach, but applies it by looking to the five *AGC* factors. *Conte Bros.*, 165 F.3d at 233-34. The Third Circuit has also rejected any distinction in standing between the two types of Lanham Act claims. *Id.* at 232. The Second Circuit's more recent cases reject the Third Circuit's conflation of the reasonable-interest test with the *AGC* factors as "unnecessarily complicat[ing] the inquiry," [*Famous Horse, Inc. v. 5th Ave. Photo Inc.*, 624 F.3d 106, 115 n.3 (2d Cir. 2010)], setting its approach apart. Therefore, Lexmark's statement that the reasonable interest test and the AGC test are not "conceptually different," Second Appellee Br. at 60, is not correct.

Static Control Components, Inc. v. Lexmark Int'l, Inc., 697 F.3d 387, 410 (6th Cir. 2012), Pet. App. 37.

Thus, whatever the status of the law in the Sixth Circuit before its opinion in this case, it is now clear that "[i]n this Circuit [i.e., the Sixth Circuit], the test for Lanham Act standing is not the same as the *AGC* test for antitrust standing," as Static Control argued in its brief below. (First Appellant Br. at 53, quoted at Pet. App. 35).[1]

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[1] Static Control further elaborated on the distinction between the reasonable interest test and the *AGC* factors in its Third Brief in the appeal below, explaining that: "*Frisch's* is this Court's [i.e., the

As reflected in the Sixth Circuit's opinion, the Second Circuit also expressly recognized that there are three distinct tests for Lanham Act standing currently used by the various circuits: the "strong categorical test," the *AGC* factors as applied in *Conte Brothers*, and the "more flexible" reasonable interest approach. *Famous Horse*, 624 F.3d at 112, 115 n.3.

The fact of the three-way circuit split on this issue and the enduring confusion among the federal courts has also been noted by numerous commentators. *See, e.g.*, Diane Taing, *Competition for Standing: Defining the Commercial Plaintiff under Section 43(a) of the Lanham Act*, 16 Geo. Mason L. Rev. 493, 494 (2009) ("A circuit split currently exists on the issue of prudential standing. The courts have adopted three different approaches for determining whether or not a commercial party may bring an action under Section 43(a): (1) the categorical approach; (2) the reasonable interest approach; and (3) the balancing test approach."); Peter S. Massaro, III, *Filtering Through a Mess: A Proposal to Reduce the Confusion Surrounding the Requirements for Standing in False Advertising Claims Brought Under Section 43(a) of the Lanham Act*, 65 Wash & Lee L. Rev. 1673, 1691 (2008) ("The current standards for Section 43(a) standing can be grouped into three categories. The Ninth and Tenth Circuits take the categorical approach. The First and Second Circuits apply a reasonable interests test. Finally, the Third, Fifth, and Eleventh Circuits use a

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Sixth Circuit's] last word on Lanham Act standing. Its simplicity stands in sharp contrast to *AGC*'s five-factor analysis." Third Appellant Br. at 35.

five-prong test that is commonly referred to as the *Conte Bros.* test, a reference to the case in which the Third Circuit developed the test."); Kevin M. Lemley, *Resolving the Circuit Split on Standing in False Advertising Claims and Incorporation of Prudential Standing in State Deceptive Trade Practices Law: The Quest for Optimal Levels of Accurate Information in the Marketplace*, 29 U. Ark. Little Rock L. Rev. 283, 291 (2007) ("It is time to bring order to the chaos and establish a single test for standing in section 43(a) cases.").

And at least one leading scholar of false advertising law has recognized that the Sixth Circuit's ruling in this case only adds to the confusion among the circuits. Rebecca Tushnet, 43(B)log: False Advertising and More, http://tushnet.blogspot.com/2012/09/lexmark-v-static-control-false.html (September 04, 2012, 9:49 AM) ("Okay, I thought Lanham Act standing couldn't get further bollixed. My mistake!").

Thus, contrary to Static Control's contention there is without question a significant and consequential split among the circuits that will only be resolved by a ruling from this Court.

II. This case is an appropriate vehicle for the Court to resolve the conflict among the circuits.

The question presented for review by this Petition is purely legal because the question of standing was properly resolved by the district court upon a motion to dismiss based solely upon an analysis of Static

Control's Lanham Act Counterclaim.[2] Therefore, no development of the record could possibly be relevant or aid this Court's consideration of the question presented.

Static Control's suggestion that this case is a "poor vehicle" because "intervening events" such as a summary judgment or jury verdict adverse to its Lanham Act claim could "moot" the standing issue and that the decision is "interlocutory" ignores the fact that by its nature standing is a threshold issue that can and should be decided at the beginning of a case on a motion to dismiss. Brief in Opposition, p. 12. "The rules of standing, whether as aspects of the Art. III case-or-controversy requirement or as reflections of prudential considerations defining and limiting the role of the courts, are threshold determinants of the propriety of judicial intervention. It is the responsibility of the complainant clearly to allege facts demonstrating that he is a proper party to invoke judicial resolution of the dispute and the exercise of the court's remedial powers." *Warth v. Seldin*, 422 U.S. 490, 517-518 (1975).

It is always true that the threshold issue of standing can become moot if it is not resolved before the underlying claim is disposed of on some other ground. However, this does not prevent courts from routinely addressing the issue in Lanham Act cases early in litigation when raised by a motion to dismiss.

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[2] Because the Lanham Act claim was dismissed prior to trial, contrary to Static Control's assertion, there was no finding at trial with regard to Static Control's Lanham Act claim. *See* Brief in Opposition, p. 4.

See e.g., Conte Bros., 165 F.3d 221 (affirming district court's dismissal of Lanham Act claim for lack of prudential standing); *Dovenmuehle v. Gilldorn Mortg. Midwest Corp.*, 871 F.2d 697, 698 (7th Cir. 1989) (same); *Made in the USA Found. v. Phillips Foods, Inc.*, 365 F.3d 278 (4th Cir. 2004) (same). Similarly, it does not insulate questions of judicial standing from review by this Court. *See, e.g., DaimlerChrysler Corp. v. Cuno*, 547 U.S. 332 (2006) (where plaintiffs lacked standing the lower courts erred by considering their claims on the merits); *Lujan v. Defenders of Wildlife*, 504 U.S. 555 (1992) (district court correctly granted motion to dismiss for lack of standing); *Allen v. Wright*, 468 U.S. 737 (1984) (same).

Similarly, that Static Control ***may*** be able to pursue a false advertising claim under state law does not render this case an inappropriate vehicle for the question presented by Lexmark's Petition.[3] The Court can, of course, resolve a federal issue presented by a petition for writ of certiorari without addressing state law issues that may be present in the same case or

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[3] The Sixth Circuit reversed the district court's dismissal of Static Control's North Carolina claims holding that the lower court had applied the wrong test for standing under North Carolina law. *Static Control Components, Inc.*, 697 F.3d at 411-413, Pet. App. 41-42. However, the Sixth Circuit did not reinstate Static Control's state law claims as it did with the Lanham Act claim but, instead, merely remanded for further proceedings. *Id.* at 413. Thus, it remains for the district court to determine whether Static Control has standing to assert its North Carolina claims based upon a distinct state law analysis that is unrelated to the question presented by Lexmark's Petition. In addition, these state law claims may not survive based upon other deficiencies relating to their merits or otherwise.

otherwise resolving every claim in the case. *See, e.g., Am. Elec. Power Co. v. Connecticut*, 131 S. Ct. 2527, 2540 (2011) (noting the presence of a nuisance law claim in the context of the Court's holding that the Clean Air Act displaces federal common law, and leaving the state law question "open for consideration on remand"); *Bray v. Alexandria Women's Health Clinic*, 506 U.S. 263, 286 (1993) (reversing holding of lower courts granting relief under federal law while noting that state law may provide similar relief on remand); *City of Columbia v. Omni Outdoor Advertising*, 499 U.S. 365, 384 (1991) (addressing question regarding immunity under Sherman Act while remanding for further proceedings involving other allegations and state law competition claim).

The Lanham Act claim is legally distinct from Static Control's North Carolina claims and, if the Sixth Circuit's reinstatement of the Lanham Act claim stands, the Lanham Act might provide an independent basis for potential liability for the alleged false advertising. Thus, the parties have a real interest in the resolution of the question presented by this Petition.

This case presents a clear opportunity for this Court to resolve the circuit split regarding the test for standing in false advertising claims brought under Section 43(a). The issue is directly presented and can be resolved independent of any factual disputes and without consideration of any other claims or issues. Thus, this case is an appropriate vehicle for this Court to resolve the circuit split identified in Lexmark's Petition.

III. The Sixth Circuit's "reasonable interest test" is inconsistent with the well-established prudential standing doctrine.

Static Control's final argument in opposition to Lexmark's Petition is that "Lexmark provides no argument or reasoned justification for reversing the Sixth Circuit's application of the reasonable interest test apart from its interest in changing the result." Brief in Opposition, pp. 14-15. In so arguing, Static Control confuses the purpose of a petition for writ of certiorari with that of a merits brief. Indeed, even if this Court were to conclude that the Sixth Circuit was correct in adopting the version of the reasonable interest test it applied here, this case would still provide an appropriate vehicle for this Court to address the issue and resolve the circuit split.

However, the Sixth Circuit's application of the reasonable interest test is contrary to the purposes of the Lanham Act and in conflict with established law regarding the necessity of prudential standing. The reasonable interest test as articulated by the Sixth Circuit in this case is little more than a gloss on the statutory language of Section 43(a) and does not account for the background prudential standing requirements that must be presumed to have been incorporated into the statute absent an express legislative statement to the contrary. *Bennett v. Spear*, 520 U.S. 154, 163 (1997) ("Congress legislates against the background of our prudential standing doctrine, which applies unless it is expressly negated."). Indeed, neither the Sixth Circuit opinion in this case nor the opinion in *Frisch's Restaurants* even acknowledges or discusses the requirements for prudential standing.

Static Control Components, Inc., 697 F.3d at 409-411, Pet. App. 34-38; *Frisch's Rests., Inc. v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642, 649-50 (6th Cir. 1982).

Concluding that it was bound by "a prior published decision … absent inconsistent Supreme Court precedent or an en banc reversal," the Sixth Circuit in this case held that a claimant has standing if the claimant can demonstrate "(1) a reasonable interest to be protected against the alleged false advertising and (2) a reasonable basis for believing that the interest is likely to be damaged by the alleged false advertising."[4] *Static Control*, 697 F.3d at 410-411, Pet. App. 36-37. This test is materially the same as the test for *Article III standing* and fails to account for the prudential considerations necessary to "determine whether the plaintiff is 'a proper party to invoke judicial resolution of the dispute and the exercise of the court's remedial powers.'" *Conte Bros*., 165 F.3d at 225 (*citing Bender v. Williamsport Area Sch. Dist.*, 475 U.S. 534, 546 n.8 (1986)).

As summarized by the Third Circuit in *Conte Brothers*, Article III standing "requires a plaintiff to demonstrate that he or she suffered 'injury in fact,' that the injury is 'fairly traceable' to the actions of the defendant, and that the injury will likely be redressed by a favorable decision." 165 F.3d at 225. It would appear that any plaintiff who could satisfy the "injury

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[4] This test is largely drawn from the statutory language providing that a party making false or misleading representations "shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act." 15 U.S.C. § 1125(a)(1).

in fact" and "fairly traceable" elements necessary for Article III standing would meet the Sixth Circuit's requirement for "a reasonable interest" that is "likely to be damaged by the alleged false advertising."

Accordingly, the Sixth Circuit's position is essentially the same as the "plain language argument" of the appellant in *Conte Brothers*. *Id*. at 228. However, as the Third Circuit explained, application of the prudential standing doctrine "does no violence to the plain meaning of the statute, because, as explained above, Congress intends to incorporate prudential standing principles unless it expresses its desire to negate them." *Id*. Rather, based upon a careful analysis of the statue and its history, the Third Circuit rightly concluded that:

> Conferring standing to the full extent implied by the text of § 43(a) would give standing to parties, such as consumers, having no competitive or commercial interests affected by the conduct at issue. This would not only ignore the purpose of the Lanham Act as expressed by § 45, but would run contrary to [Third Circuit] precedent and that of other federal appellate courts.

Id. at 229 (internal citations omitted). Similarly, as reflected in *Conte Brothers'* analysis of the Act's legislative history, the plaintiff's role as a competitor should be a significant factor in the standing analysis. *Id*. (*citing* S. Rep. No. 100-515, 100th Cong., 2d Sess., reprinted in 1988 U.S.C.C.A.N. 5577, 5604 (May 12, 1988) (characterizing "competition between the parties" as a "traditional trademark infringement question[]").

The particularly expansive version of the reasonable interest test adopted by the Sixth Circuit is contrary to the "purpose of the Lanham Act as expressed by § 45" and is at odds with this Court's prudential standing jurisprudence. *Conte Bros.* at 229. Furthermore, the Sixth Circuit's holding in this case widens the already deeply entrenched and longstanding split among the circuits as to the proper test for standing under the Lanham Act.[5] Accordingly, this case presents an ideal vehicle to allow this Court to provide direction to the lower federal courts regarding the proper approach for determining prudential standing for a plaintiff asserting a false advertising claim under the Lanham Act.

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[5] While the Sixth Circuit in this case believed that it was bound by the *Frisch's Restaurants* 1982 opinion, it is far from clear that *Frisch's* was actually controlling. *Frisch's Restaurants* (1) did not address non-competitor standing at all because the parties there were "competing restaurant chains" (670 F.2d at 648), (2) considered the question of standing under the Lanham Act with respect to a false association claim only, and not a false advertising claim such as the one at issue here (*id*. at 644), and (3) employed its "test" in determining whether the plaintiff had made the required showing for a preliminary injunction, not damages (*id*. at 649-50). Quoting *Johnson & Johnson v. Carter-Wallace, Inc.*, 631 F.2d 186, 189 (2d Cir. 1980), the opinion in *Frisch's Restaurants* stated that "a plaintiff seeking an injunction" only—as the claimant in that case did—could more easily establish standing than a claimant seeking "money damages" as Static Control does in this case. 670 F.2d at 650 ("If such a showing is made, the plaintiff will have established a reasonable belief that he is likely to be damaged within the meaning of § 43(a) and will be entitled to injunctive relief, as distinguished from damages, which would require more proof.").

CONCLUSION

For these reasons, Petitioner asks that this Petition for Writ of Certiorari be granted.

Respectfully submitted on this the 10th day of May, 2013.

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