No. 12-873

In the Supreme Court of the United States

LEXMARK INTERNATIONAL, INC.,
Petitioner,

v.

STATIC CONTROL COMPONENTS, INC.,
Respondent.

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

REPLY BRIEF FOR PETITIONER

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INTRODUCTION

In its Response Brief, Static Control argues for the first time in this litigation in favor of the "zone of interests" test to determine prudential standing under Section 43(a) of the Lanham Act. Static Control then adds a caveat to this test, asking for automatic standing to so-called "targets" of alleged false advertising without regard to their relationship to the defendant or whether the alleged injury is the type Congress intended to redress in the Act. In so doing, Static Control effectively concedes that the "reasonable interest" test it advocated below—and that was applied by the Sixth Circuit—is not the correct test.

The zone of interests test has not been adopted by any regional circuit for Lanham Act standing, fails to effectuate Congress' intent under the Act, and should not be adopted by this Court. In the Lanham Act context, the zone of interests test is more appropriately a background consideration and does not end the standing inquiry. It is but one of "[s]everal considerations falling within the general rubric of prudential standing" that may be considered in connection with a standing analysis—along with requirements "that a litigant 'assert his [or her] own legal interests rather than those of third parties,'" and "that courts 'refrain from adjudicating abstract questions of wide public significance which amount to generalized grievances[.]'" *Conte Bros. Auto., Inc. v. Quaker State-Slick 50, Inc.*, 165 F.3d 221, 226 (3d Cir. 1998). *See also Bennett v. Spear*, 520 U.S. 154, 163 (1997) (describing the zone of interests as being "among other prudential standing requirements of general application"). Moreover, the zone of interests test "is not a test of universal application," *Clarke v. Securities Industry Association*, 479 U.S. 388, 400 n.16 (1987), and even when it does apply, it "varies according to the provisions of law at issue, so that what comes within the zone of interests of a statute for purposes of obtaining judicial review of administrative action under the 'generous review provisions' of the [Administrative Procedure Act ("APA")] may not do so for other purposes." *Bennett*, 520 U.S. at 163 (citations omitted).

To give content to any standing analysis, this Court should not rely on generalizations but must look to the statute at issue and other helpful indicators to determine Congress' intent. *Clarke*, 479 U.S. at 400-01. In this case, the text of the Lanham Act, its legislative history, and the common law principles incorporated into the Act—which are all three similar to those that shaped the test for prudential standing under the antitrust statutes—support application of the test set forth by this Court in *Associated General Contractors of California, Inc. v. California State Council of Carpenters*, 459 U.S. 519 (1983) ("*AGC*"). That test, as summarized in *Conte Brothers*, examines: (1) The nature of the plaintiff's alleged injury, *i.e.* is it of the type Congress sought to redress; (2) the directness of the asserted injury; (3) the plaintiff's proximity to the alleged injurious conduct; (4) the speculativeness of damages; and (5) the risk of duplicative damages or complexity in apportioning damages. 165 F.3d 233 (citing *AGC*, 459 U.S. at 538-544).

ARGUMENT

I. THE ZONE OF INTERESTS TEST IS NOT APPROPRIATE FOR SECTION 43(a) CLAIMS.

Static Control's suggestion that the Court adopt the zone of interests test for Lanham Act false advertising claims is inconsistent with this Court's prudential standing jurisprudence and Congress' intent.

1. The zone of interests test "is not a test of universal application[.]" *Clarke*, 479 U.S. at 400 n.16. It has largely been limited to challenges of government action, whether under the APA, another statute, or the Constitution.[1] *See*, *e.g.*, *Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians v. Patchak*, 132 S. Ct. 2199 (2012) (APA); *FEC v. Akins*, 524 U.S. 11 (1998) (Federal Election Campaign Act); *Boston Stock Exch. v. State Tax Comm'n*, 429 U.S. 318 (1977) (Commerce Clause).

Furthermore, Static Control's statement that this Court "in *Bennett* applied the [zone of interests] test to determine whether suit was authorized under the

[1] The principal case where this Court applied the zone of interests test to claims not involving a challenge to government action was *Thompson v. North American Stainless, LP*, where this Court applied the zone of interests test to Title VII claims. 131 S. Ct. 863, 870 (2011). The Court considered the similarity of the language in Title VII to that of the APA, each of which authorize suit by a "person aggrieved." *Id.* at 869-70. This "person aggrieved" language is not in the Lanham Act, nor is there a right-of-first refusal to sue by the government as in Title VII. *See id*. at 867.

Endangered Species Act's ["ESA"] citizen-suit provision" is wrong. Resp. Br. 20. The *Bennett* Court only applied the zone of interests test when evaluating the separate APA judicial review claims at issue. 520 U.S. at 175. In evaluating standing under the ESA's citizen-suit provision, however, this Court asked whether that provision "negates the zone-of-interests test (or, perhaps more accurately, expands the zone of interests)." *Id.* at 164. The Court answered "[w]e think it does." *Id.* The considerations that led the Court to accept the ESA's citizen-suit provision's phrase of "any person" at "face value" and adopt a broad test for standing were: (1) "the overall subject matter of this legislation is the environment (a matter in which it is common to think all persons have an interest) and that the obvious purpose of the [citizen-suit] provision … is to encourage enforcement by so-called 'private attorneys general,'" and (2) "its reservation to the Government of a right of first refusal to pursue the action initially and a right to intervene later." *Id.* at 165. Neither of those considerations are present in this case.

As this Court has explained, the zone of interests test was developed in light of "Congress' evident intent to make agency action presumptively reviewable" under the APA. *Clarke*, 479 U.S. at 399. Judicial review under the APA is uniquely expansive and applies "except to the extent that—(1) statutes preclude judicial review; or (2) agency action is committed to agency discretion by law." 5 U.S.C. § 701(a). In that context, this Court found that a very broad test that "is not meant to be especially demanding" is appropriate. *Clarke*, 479 U.S. at 399. The result is a test that "forecloses suit only when a plaintiff's 'interests are so marginally related to or inconsistent with the purposes implicit in the statute that it cannot reasonably be assumed that Congress intended to permit the suit.'" *Patchak*, 132 S. Ct. at 2210 (citation omitted).

Indeed, the broad zone of interests test for standing under the APA is appropriate in that procedural context because its application by a court requires a second step. This second step is an analysis of the underlying substantive statute covered by the APA to determine if the would-be plaintiff is a person "adversely affected or aggrieved … within the meaning of [the underlying] relevant statute." 5 U.S.C. § 702. And, the APA covers multiple underlying statutes that have varying purposes and statutory language. Here, however, the focus is on a single statute—the Lanham Act—thereby allowing a standing test to be specifically tailored to its purpose.

2. Yet, it is this broad zone of interests test that Static Control advocates. Static Control asserts that in every case Section 43(a) should reach beyond direct competitors and indirect competitors down the chain to persons "whose products are necessary components" of the goods that are the subject of false advertising. Resp. Br. 47. Static Control's suggestion that standing should only be denied to "the 'mere intermeddler' who is minding other people's business," stretches the limits of even the APA's zone of interests analysis. Resp. Br. 50. For any given product, Static Control's proposal begs the question of what constitutes a "necessary" component? In this case, is a supplier of work benches a provider of necessary components? The same question applies to suppliers of plastic parts or facilities in which the remanufacturers work. Under

Static Control's proposal, which of these suppliers are "unnecessary?" All of them can allege the same injury that Static Control alleges (*i.e.*, lost income indirectly due to a decrease in the volume of Lexmark cartridges remanufactured). Some of these suppliers—a landlord, for example—may even suffer a greater monetary loss than Static Control if a remanufacturer goes out of business due to false advertising.

3. Additionally, the zone of interests test is not a test that normally applies in private-party lawsuits with full-blown discovery and the potential for treble damages and attorneys' fees. This Court has repeatedly held that the appropriate prudential standing analysis for any given claim will turn on the language, history, and purpose of the statute at issue. *Bennett*, 520 U.S. at 163-65; *Holmes v. Sec. Investor Prot. Corp.*, 503 U.S. 258, 266-67 (1992); *Clarke*, 479 U.S. at 400-01; *AGC,* 459 U.S. at 529-30. In each case "[t]he inquiry into reviewability does not end with the 'zone of interest' test" but rather "turns on congressional intent, and all indicators helpful in discerning that intent must be weighed." *Clarke*, 479 U.S. at 400. As a result, this Court did not adopt the zone of interests test for antitrust claims in *AGC*, and the Third and Fifth Circuits specifically rejected it under the Lanham Act in *Conte Brothers*, 165 F.3d at 226, and *Procter & Gamble Company v. Amway Corporation*, 242 F.3d 539, 562 n.49 (5th Cir. 2001).

In contrast to the APA, the scope of potential plaintiffs intended by Congress under the Lanham Act is substantially more limited. This is made clear first by the plain text of Section 45. The stated purpose of the Act relevant to false advertising (and the only one of the several purposes stated in Section 45 that is not tied to "marks"), is "to protect persons engaged in … commerce against unfair competition." 15 U.S.C. § 1127. As the Third Circuit explained in *Conte Brothers*:

> This section makes clear that the focus of [the] statute is on anti-competitive conduct in a commercial context. 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. ... The congressionally-stated purpose of the Lanham Act, far from indicating an express intent to abrogate prudential standing doctrine, evidences an intent to limit standing to a narrow class of potential plaintiffs possessing interests the protection of which furthers the purposes of the Lanham Act.

165 F.3d at 229.

4. Static Control's discussion of the statement in Section 45 that the Act was intended, in part, "'to provide rights and remedies stipulated by treaties and conventions respecting [trademarks, trade names, and] unfair competition [entered into between the United States and foreign nations]'" is inapposite. Resp. Br. 29. Static Control does not identify any treaty obligation that addresses prudential standing. The obvious construction of this purpose statement is that it relates not to Section 43(a) but to Section 44 of the Act (15 U.S.C. § 1126) entitled "International Conventions" and

which addresses the implementation of treaty obligations.

5. Thus, Static Control ignores the germane language in Section 45 and denies the common law background of the Lanham Act, instead focusing on the "any person" language in Section 43(a). Resp. Br. 17. However, as this Court has recognized in the context of the Racketeer Influenced and Corrupt Organizations Act ("RICO") and the Clayton Act, the use of the phrase "any person" cannot be understood in isolation apart from the purpose of the law in question. S*ee Holmes*, 503 U.S. at 265-66 (applying *AGC* criteria to RICO); *AGC,* 459 U.S. at 529-30. As this Court has held "[i]t is the 'cardinal principle of statutory construction' … [that] it is our duty 'to give effect, if possible, to every clause and word of a statute' … rather than to emasculate an entire section.'" *Bennett*, 520 U.S. at 173 (citations omitted). Static Control's proposed rule would violate this principle and "emasculate" Section 45's statement of intent.

6. Finally, the zone of interests test as proposed by Static Control is really no test at all; it is simply a fact-specific application that does nothing to resolve the question in this appeal. This is evident in how Static Control tries to apply the test. Static Control first argues that it is within the zone of interests for alleged statements by Lexmark that reference Static Control's products.[2] Resp. Br. 26. Static Control then asserts that it also falls within the zone of interests to sue over Lexmark's statements to Lexmark's customers about

[2] *See infra* Section II.

Lexmark's own products, apparently because Static Control alleges injury from those statements as well. Resp. Br. 27. However, Static Control offers no principled basis for these assertions. Static Control just recites the allegations of this case in lieu of a test. Indeed, Static Control offers no prudential limitation on Section 43(a) lawsuits and does nothing more than fall back to mere Article III standing, just as the reasonable interest test does.

II. A RULE GRANTING STANDING TO ALLEGED TARGETS IN ALL CASES IS CONTRARY TO THIS COURT'S PRUDENTIAL STANDING JURISPRUDENCE.

In addition to arguing for an exceedingly broad zone of interests test, Static Control urges the Court to hold that in all cases "companies whose products are specifically targeted by false advertising have standing to sue." Resp. Br. 26. This proposed target rule is contrary to sound principles of prudential standing as previously announced by this Court and, like the zone of interests test, has not been adopted as a test by any circuit.

1. This Court specifically rejected the "target area" test in *AGC*, explaining that reliance on "labels may lead to contradictory and inconsistent results." 459 U.S. at 537 n.33. The plaintiff union in *AGC* alleged that they were targets of the defendants' anticompetitive conduct. *Id*. at 522. Nevertheless, the union did not have standing because, among other

things, there were other, better suited plaintiffs to vindicate the harm—the individual union contractors who were denied contracts. *See AGC*, 459 U.S. at 541-42.

The same is true here. Static Control argues that it was the target of Lexmark's advertisements, but, when relevant prudential criteria are considered, it is not a proper plaintiff. Like *AGC*, there is a better suited class of plaintiffs to pursue the action—the remanufacturers, one of whom did file a Lanham Act claim against Lexmark in this lawsuit. Pet. App. 81-82.

AGC identifies yet another problem with Static Control's proposal. While recognizing that the union's "complaint does allege … harm to the Union and further alleges that the defendants intended to cause that harm," this Court held that "an allegation of improper motive … is not a panacea that will enable any complaint to withstand a motion to dismiss." 459 U.S. at 537. Because a target analysis necessarily looks to the intentions of the defendant, it is even more of a misfit in the context of the Lanham Act where there is no intent element.

2. Just as with claims under the Sherman and Clayton Acts, the mere allegation that the plaintiff is a target of defendant's conduct is not a talisman that magically confers standing. In any number of circumstances, a target allegation could be made where prudential principles would nonetheless counsel against standing under the Lanham Act.

For example, in *Nevyas v. Morgan*, 309 F. Supp. 2d 673, 676 (E.D. Pa. 2004), a dissatisfied patient created a website on which he allegedly made defamatory statements about his doctors. The doctors, who were the targets of the false advertising, filed a Lanham Act claim. *Id*. at 680. The district court correctly dismissed the doctors' false advertising claim because "nowhere in the complaint is it alleged … that the defendants … are commercial competitors with the plaintiffs," and the complaint did not suggest that plaintiffs' business was diverted to the defendants. *Id*. Thus, while the plaintiffs alleged "an injury to their commercial interests," it is not the kind of injury Congress intended to address in Section 43(a).[3] *Id.* The same is true here.

3. Rejecting Static Control's target rule would not leave an allegedly targeted party without a remedy. Aside from the Lanham Act, there are state law actions that may be available to a plaintiff who can satisfy the merits, including: fraud and deceit claims, defamation claims, interference claims, and claims under laws like the Uniform Deceptive Trade Practices Act. There is also the possibility of federally prosecuted actions under the Federal Trade Commission Act. *See* 15 U.S.C. §§ 45, 52.

Nor does the rejection of a per se rule granting standing to alleged targets mean that in an appropriate case a target could never have standing under Section

[3] *See also MCW, Inc. v. Badbusinessbureau.com, L.L.C.*, 2004 U.S. Dist. LEXIS 6678, 43-44 (N.D. Tex. Apr. 19, 2004) (plaintiff lacked standing under the *AGC* test for a Lanham Act claim involving disparaging remarks on a website because, among other things, plaintiff was not in competition with defendant and did not establish that defendant's reputation would be bolstered by the statements).

43(a). Rather, standing in all cases should be evaluated using the same prudential considerations identified by this Court in *AGC*.

4. In any event, Static Control's proposed target test is irrelevant in this case because Static Control's counterclaim does not allege that it was the target of the alleged false statements. Rather, Static Control alleged communications that were not only addressed to third-parties but, even according to Static Control, were intended to affect the actions of only those third-parties.

Static Control's counterclaim identifies the ultimate targets as the remanufacturers and the consumers of Lexmark's cartridges:

> Because Lexmark sells virtually all its toner cartridges with the Prebate label, its program has the *intended effect* of excluding competition and increasing prices to consumers in the relevant markets by restricting the supply of Lexmark toner cartridges.

Countercl. ¶35, J.A. 29 (emphasis added).

In particular, Static Control first alleged that Lexmark mislead its own customers in connection with the Prebate program. *Id*. at ¶¶33, 37-39, J.A. 28-31. Static Control is not even mentioned in these statements and cannot therefore be the target. Under no test—however expansive—should Static Control have prudential standing to sue for these statements to Lexmark's customers.

Second, Static Control alleged that Lexmark sent "letters to most of the companies in the toner cartridge remanufacturing business" and threatened those parties with legal action claiming that "remanufacturing Prebate-labeled toner cartridges violates Lexmark's intellectual property rights and that Prebate toner cartridges could not be legally remanufactured" at all. *Id*. at ¶35, J.A. 29. In these communications, Lexmark allegedly "informed remanufacturers that if they used [Static Control's] products to remanufacture Lexmark toner cartridges" such conduct would "violate the law." *Id.* The gravamen of these alleged letters was that the remanufacturers' conduct of "remanufacturing Prebate-labeled toner cartridges" was illegal. And the parties who were the targets of these communications are those remanufacturers who were threatened with legal action. Just because Static Control is mentioned in a letter does not transform it into the target of the letter. *See Static Control Components, Inc. v. Lexmark Int'l, Inc.*, 697 F.3d 387, 404 (6th Cir. 2012) ("[T]he intended targets of Lexmark's Prebate Program were the end users and the remanufacturers, not Static Control.").

5. Static Control also argues that the 1988 amendment to Section 43(a) confirming that representations about another's goods are potentially actionable under the Lanham Act compels adoption of its proposed target test. Resp. Br. 25. This argument confuses a question regarding the elements of a claim under the Act—namely the kinds of conduct that are actionable—with the issue of who has prudential standing to pursue those claims. There is no indication that the amendment altered prudential standing under the Act. In fact, the legislative history accompanying

the 1988 amendments indicates just the opposite: Congress intended "that standing under Section 43(a) ... should continue to be decided on a case-by-case basis[.]" S. Rep. No. 100-515, 100th Cong., 2d Sess. (May 12, 1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5604.

III. THE AMICI'S DEFENSES OF THE REASONABLE INTEREST TEST DEMONSTRATE ITS DEFICIENCIES.

Three *amici curiae* briefs argue in different degrees the merits of the reasonable interest test. None of them, however, argue that the Sixth Circuit's broad application of that test should be adopted.[4] The reasonable interest test articulated by the Second Circuit confers standing on plaintiffs demonstrating "(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." *Famous Horse, Inc. v. 5th Ave. Photo Inc.*, 624 F.3d 106, 113 (2d. Cir. 2010). The breadth of these two prongs, standing alone, could confer standing on plaintiffs having no competitive or

[4] *See, e.g.,* American Intellectual Property Law Association *Amicus Curiae* Brief ("AIPLA Br.") 17-18 n.4 ("To the extent the two circuits [Second and Sixth] have taken different approaches, however, *amicus* supports the Second Circuit's application of the reasonable interest test.").

commercial injury, including consumers.[5] This is contrary to the plain text of Section 45.

The *amici*'s defenses of the reasonable interest test demonstrate its inadequacy because none of the *amici* claims that a straightforward application of the test comports with prudential standing; instead each *amicus* layers the test with additional limitations. AIPLA appends a "commercial interest" requirement to prevent consumer standing and a heightened showing of causation of injury for non-competitors. AIPLA Br. 15, 17-18. The Law Professors require a more substantial showing of causation and injury for parties not obviously in competition. Law Professors' *Amicus Curiae* Brief ("Law Professors Br.") 19. The International Trademark Association ("INTA") adds a "commercial interests" prerequisite to exclude consumer standing. INTA's *Amicus Curiae* Brief ("INTA Br.") 26-27. None of these additional limitations emanate from the two prongs of the reasonable interest test, proving that the broad test is susceptible to interpretations that deviate from its plain language, which increases the likelihood of inconsistent application.

The paradoxical explanations of why the reasonable interest test comports with the Lanham Act further evidences the amorphous nature of the test. For example, AIPLA argues that the "inability of

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[5] As noted in Lexmark's Brief on the Merits, the one prudential standing limitation on which circuits agree is that consumers lack standing to bring a Lanham Act false advertising suit. Pet. Br. 32 n.6.

consumers" to bring false advertising claims under the Lanham Act "means that a broad set of commercial entities must have standing to ensure that they can serve as the 'vicarious avenger' of consumer rights." AIPLA Br. 13. Conversely, the Law Professors argue that the Lanham Act "is deliberately designed to protect individual businesses." Law Professors Br. 2.[6] A test that can be construed to represent two widely varying interpretations of the purpose of false advertising suits is no test at all.

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[6] The Law Professors argue for the reasonable interest and competitive injury tests by discounting the significance of defending false advertising suits by comparing the legal fees in three hand-picked antitrust cases with the 2011 median cost of trademark infringement suits litigated to conclusion when more than $25 million is at risk. Law Professors Br. 13-14. It is a fallacy to compare legal fees in three selectively chosen antitrust cases with the median fees in trademark infringement suits (not false advertising suits). Research demonstrates that false advertising damage awards are increasing. From 1993 to 2003, total compensatory damages for false advertising claims averaged approximately $870,000, with a median award of approximately $64,000. Between 2004 and 2008, the average award increased to roughly $2.9 million, with a median award of approximately $774,000. J. Shawn McGrath & Kathleen M. Kedrowski, *Damages Trends in Patent and Lanham Act Cases*, Americanbar.org (2010), http://webcache.googleusercontent.com/search?q=cache:ICBvQbhtGfYJ:apps.americanbar.org/litigation/committees/corporate/docs/2010-cle-materials/05-hot-topics-ip-remedies-injunctions/05b-damages-trends-ga-bar.pdf+&cd=1&hl=en&ct=clnk&gl=us. The Law Professors' preliminary data analyzing the results when standing was adjudicated in circuit courts demonstrates that circuits applying the reasonable interest test find that plaintiffs have standing more often than do circuits applying the *AGC* and categorical tests. Law Professors Br. 15-17.

IV. *AGC* PROVIDES THE APPROPRIATE TEST FOR CLAIMS UNDER SECTION 43(a).

A. The *AGC* test gives effect to background common law criteria.

1. In *Conte Brothers*, the Third Circuit concluded that the Lanham Act codified the common law of unfair competition and that the Sherman Act and *AGC* are fair analogues. 165 F.3d at 226-30. Static Control attacks that conclusion and Lexmark's reiteration of it, as "unsupported" and "wrong on all counts." Resp. Br. 38, 42. Static Control argues that "[i]n stark contrast to the Sherman Act, which '[d]id not announce a new principle of law,' … Lanham Act Section 43(a) expressly announced a new principle of law." Resp. Br. 38. This is simply not so. Static Control's argument is contradicted by the legislative history, which demonstrates that when enacting the Lanham Act (just as with the Sherman and Clayton Acts) Congress intended to advance existing "principles of law."

After stating that the Lanham Act sought to codify the "well-established rule of law protecting both the public and the trademark owner," the 1946 Senate Report explained that: "Unfair competition is the genus of which trade-mark infringement is one of the species, 'the law of trade-marks is but a part of the broader law of unfair competition.'" Sen. Rep. No. 1333, 79th Cong., 2d Sess. (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274, 1274-75 (quoting *United Drug Co. v. Rectanus*, 248 U.S. 90, 97 (1918)). And the same is true of false advertising: it is a species of unfair competition. The

Report elaborated on the wrong that this body of law sought to redress:

> All trade-mark cases are cases of unfair competition and involve the same legal wrong…. *The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another.* This essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trade-mark infringement.

Id. at 1275 (quoting *Hanover Star Milling Co. v. Melcalf*, 240 U.S. 403, 412 (1916)) (emphasis added).

This history establishes that instead of announcing a new principle of law, the "essential element" underlying the Lanham Act is the same principle of law underlying the pre-existing common law. As with the Sherman Act, the legislative history of the Lanham Act makes "it perfectly clear that [Congress] expected the courts to give shape to the statute's broad mandate by drawing on common-law tradition." *AGC*, 459 U.S. at 531-32.

Static Control's argument that the Lanham Act "announced a new principle of law" in a manner unlike the Sherman Act, not only gets the history of the Lanham Act wrong, it also misrepresents the substantive common law background of the Sherman Act. While "[t]here was no question that the common law had at various times condemned monopolies, or more often, behavior which was supposed to be monopolistic[,] … it was doubtful whether the common law was powerful enough in 1888 to destroy the monopolies of that time." William L. Letwin, *Congress and the Sherman Antitrust Law: 1887-1890*, 23 U. Chi. L. Rev. 221, 241 (Winter, 1956). And just as with Section 43(a)'s common law antecedents, standing under common law antitrust actions was quite limited. For example, while the common law arguably prohibited contracts in restraint of trade, "such contracts could be brought before the courts only by parties to them, [therefore,] [i]f trusts were to be attacked by this means either they themselves or those who did business with them would have to initiate the action, and there were few instances of this kind." *Id.* at 242-43.

The point being that the common law claims that predated both the Sherman and Lanham Acts were intended to address particular anticompetitive harms. Each act provides a framework for addressing those harms while retaining the same essential purposes as their common law antecedents, and standing under each act should be informed by that common law.

2. Furthermore, just as with the antitrust statutes, when ascertaining the scope of Section 43(a), this Court should consider not only the statute's specific unfair competition "common-law antecedents," but also "the [more general common law] contemporary legal context in which Congress acted[.]" *AGC*, 459 U.S. at 532. In the common law, "a number of judge-made rules circumscribed the availability of damages recoveries in both tort and contract litigation—doctrines such as foreseeability and proximate cause, directness of injury, certainty of damages, and privity of contract." *Id.* at 532-33. This applies both to the antitrust statutes and the Lanham Act. For example, the

common law's rigorous proximate cause requirement gave rise to the so-called "single source" rule that significantly limited the scope of unfair competition claims. *See* 5 McCarthy, *McCarthy on Trademarks and Unfair Competition* § 27:4 (4th ed. 2013).

Legislating against the backdrop of these rules, Congress assumed that Lanham Act claims "would be subject to constraints comparable to well-accepted common-law rules applied in comparable litigation." *AGC*, 459 U.S. at 533. *See* also *Holmes*, 503 U.S. at 287 (Scalia, J., concurring in judgment)("One of the usual elements of statutory standing is proximate causality."). The *AGC* factors effectively embody these considerations.

3. The similar histories of the Lanham Act and the antitrust laws warrant a similar application of these prudential criteria. In fact, the most significant distinction between the statutes relevant to standing is the inclusion of a specific statement of purpose in Section 45 of the Lanham Act, which has no parallel in the antitrust statutes. This distinction suggests that to the extent the test for prudential standing under the Lanham Act should differ from the one in antitrust claims, it should be more narrow—not less. This accounts for the universal exclusion of consumer claims under Section 43(a). *See* Pet. Br. 32 n.6.

B. It is logical to apply similar prudential standing tests to claims of anticompetitive conduct under the Lanham Act and antitrust laws.

1. That the Lanham and Sherman Acts address related harms to competition, and often arise from the same factual allegations (as in this case), are additional reasons to treat standing under each similarly. *See Gilbert/Robinson, Inc. v. Carrie Beverage-Mo., Inc.*, 989 F.2d 985, 991 (8th Cir. 1993) ("Like the antitrust laws, the Lanham Act seeks to promote a fair and efficient market place[.]"). Under the heading "Trade-marks Defeat Monopoly by Stimulating Competition," the Lanham Act's legislative history states that one of its purposes is to "foster fair competition." H.R. Rep. No. 219, 79th Cong., 1st Sess. at 3 (1945). While it is frequently observed that the antitrust laws "were enacted for 'the protection of competition, not competitors,'" just as with Lanham Act claims, it is competitors who are frequently the plaintiffs with the motivation and resources to vindicate the alleged harm. *Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc.*, 429 U.S. 477, 488 (1977) (quoting *Brown Shoe Co. v. United States*, 370 U.S. 294, 320 (1962)).

2. Additionally, the similarity of relief under both Acts—injunctive relief, the potential award of treble damages, and attorneys' fees—augments the case for applying similar constraints on standing to each. *Compare* 15 U.S.C. §§ 15, 26 *with* 15 U.S.C. §§ 1116, 1117.

The Law Professors attempt to distinguish Lanham Act false advertising cases from antitrust cases by making the unsupported assertion that the standard remedy in false advertising cases is an injunction and that monetary damages are an "occasional" remedy; an assertion contradicted by the facts of this case. Law Professors Br. 14. Here, Static Control sought antitrust damages of approximately $20 million, while submitting expert evidence valuing its Lanham Act claim at "approximately $1 billion." Countercl., J.A. 51; 04RE529, Motion for Summary Judgment on the Remanufacturers' Counterclaims, Exhibit 8, Expert Report p. 42.

C. Competition is an important, but not exclusive, consideration under the *AGC* test.

1. Static Control mischaracterizes Lexmark's argument, and the *AGC* test, when it states that Lexmark "asks the Court to adopt a categorical test explicitly requiring competition narrowly defined as an element of standing." Resp. Br. 30. While competition is determinative in the categorical test applied by three circuits[7] and advocated in the alternative by Lexmark, in the *AGC* test the plaintiff's status as a competitor is only one component of the first criterion. There are four other criteria that courts consider.

As it relates to competition, the first *AGC* criterion requires courts to consider whether the plaintiff's

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[7] *Stanfield v. Osborne Indus., Inc.*, 52 F.3d 867, 873 (10th Cir. 1995); *accord L.S. Heath & Son v. AT&T Info. Sys.*, 9 F.3d 561, 575 (7th Cir. 1993); *Halicki v. United Artists Commc'ns, Inc.*, 812 F.2d 1213, 1214 (9th Cir. 1987).

alleged injury is of the type Congress sought to redress. As explained in *Conte Brothers*, this inquiry encompasses two related elements: (1) whether the plaintiff is a competitor and (2) whether the advertisement is one that diverts sales or goodwill from the plaintiff to the defendant. 165 F.3d at 234. The alleged advertisements in this case, on their face, demonstrate that neither element is met.

Thus, although it would be rare in false advertising claims, "there may be circumstances in which a non-competitor may have standing to sue" under the *AGC* test if other criteria weigh in favor of it. *Id*.

2. INTA also criticizes the weight given to competition under the *AGC* test, arguing that the Restatement (Third) of Unfair Competition § 1 (1995) defines "unfair competition" more broadly than the diversion of sales to a direct competitor and that "[n]othing in the text or legislative history of the Lanham Act indicates that Congress intended to alter the common law understanding of 'unfair competition' to only include actions by direct competitors." INTA Br. 15-16. The Restatement (First) of Torts § 761 (1939), however, published seven years before the Lanham Act was enacted, limited false advertising claims to "[o]ne who diverts trade from a competitor" by engaging in fraudulent representations. INTA's reliance on the Restatement (Third) of Unfair Competition, published in 1995 and focusing primarily on state consumer protection acts, does not reflect the common law of false advertising in 1946.

3. While competition is not the exclusive consideration under the *AGC* test, the fact that Static

Control is not a competitor of Lexmark cuts against standing in this case. Static Control unequivocally states on page 6 of its brief that "Lexmark's only competition for replacement cartridges comes from entities known as remanufacturers." Static Control's counterclaim is consistent with this statement and makes clear that the role it plays is that of a supplier to Lexmark's alleged aftermarket competitors—the remanufacturers. *See*, *e.g.*, Countercl., ¶¶31, 33, 35, J.A. 28-29. Accordingly, both the district court and the court of appeals correctly found that Lexmark and Static Control are not competitors. Pet. App. 22-23, 36, 78-79.

CONCLUSION

For the foregoing reasons, the decision of the Court of Appeals should be reversed and Static Control's Lanham Act counterclaim should be dismissed.

Respectfully submitted,

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