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

RESPONDENT'S BRIEF ON THE MERITS

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QUESTION PRESENTED

Section 43(a) of the Lanham Act gives a right of action to "any person who believes that he or she is or is likely to be damaged" by another person's "commercial advertising or promotion" that "misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods." 15 U.S.C. §1125(a)(1)(B).

The question presented is: Does a plaintiff have prudential standing under Section 43(a) of the Lanham Act, where the plaintiff alleges that the defendant's false advertising targeted the plaintiff's products, thereby diminishing plaintiff's sales and tarnishing plaintiff's goodwill?

CORPORATE DISCLOSURE STATEMENT

Pursuant to Supreme Court Rule 29.6, Static Control Components, Inc. states it has no parent corporation, and no publicly held company owns 10% or more of its stock.

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STATUTE INVOLVED

Section 43(a)(1) of the Lanham Act, 15 U.S.C. §1125(a)(1), provides:

§1125. False designations of origin, false descriptions, and dilution forbidden

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--

> **(A)** is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> **(B)** in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

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.

STATEMENT

This case concerns a litigant's prudential standing to assert a claim of false advertising under Section 43(a) of the Lanham Act, 15 U.S.C. §1125(a)(1)(B).

Petitioner Lexmark International, Inc. ("Lexmark") sued respondent Static Control Components, Inc. ("Static Control"). Static Control counterclaimed under Section 43(a), alleging, among other things, that Lexmark intentionally engages in bad-faith advertising that both misrepresents Lexmark's products and falsely asserts that using Static Control's products violates Lexmark's intellectual property rights. J.A. 20, ¶2; J.A. 43-44, ¶¶85-88. Static Control alleged that this false advertising has tarnished its goodwill and caused it to lose sales. *Id.*

The District Court for the Eastern District of Kentucky dismissed Static Control's claim for lack of prudential standing. The Sixth Circuit reversed and reinstated the claim.

This Court should affirm. Prudential standing turns on whether a litigant's claim falls within the "zone of interests" protected by the statute. *Bennett v. Spear*, 520 U.S. 154, 162-63 (1997). Any commercial party like Static Control whose products are targeted by false advertising stands at the center of the zone of interests protected by the Lanham Act. That Static Control's products are specifically designed for and enable the very commercial activity that Lexmark's false advertising attacks also places Static Control squarely within the Act's protected zone of interests.

A. Statutory Background

1. At common law, no commercial tort of false advertising existed. Such wrongs were held to be among those "for which the legislature, and not the courts, must provide a remedy." *Am. Washboard Co. v. Saginaw Mfg. Co.*, 103 F. 281, 285 (6th Cir. 1900) (Taft, Day, Lurton, J.J.).

The Lanham Act of 1946 created just such a right against false advertising and a remedy to redress injuries caused by such wrongs. Section 43(a) as originally enacted provided:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services . . . any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce . . . shall be liable to a civil action by any person . . . who believes that he is or is likely to be damaged by the use of any such false description or representation.

Pub. L. No. 79-489, §43, 60 Stat. 427, 441 (1946).

2. In the decades after the enactment of the original Lanham Act, courts recognized that Section 43(a) provided a new cause of action and overturned common law restrictions on false advertising suits. *See, e.g.*, *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 651 (3d Cir. 1954). But some courts held that Section 43(a) was limited to a defendant's false statements about its own wares and did not provide a remedy for a defendant's false statements

about another's products. *See, e.g.*, *Bernard Food Indus. Inc. v. Dietene Co.*, 415 F.2d 1279, 1283 (7th Cir. 1969).

3. In 1988, Congress expressly overturned the *Bernard Food Industries* line of cases, clarifying that the false advertising cause of action also covers advertisements disparaging "another person's goods." Trademark Law Revision Act of 1988, Pub. L. No. 100-667, Title I, §132, 102 Stat. 3935, 3946, *codified at* 15 U.S.C. §1125(a)(1)(B); *see* S. Rep. No. 100-515, at 40 (1988).

As amended, Lanham Act Section 43(a)(1)(B) now reads:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--
>
> . . .
>
>> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> 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).

B. Factual Allegations

For the purposes of deciding whether a claimant has standing at the pleading stage, the Court deems all allegations in the complaint to be true, construing the complaint in favor of the claimant. *Warth v. Seldin*, 422 U.S. 490, 501 (1975). The Court also presumes that "general allegations embrace those specific facts that are necessary to support the claim." *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 561 (1992) (citation omitted).

Static Control alleged the following facts:

1. Lexmark is a major manufacturer of laser printers and competes with a number of other printer manufacturers. Pet. App. 4-5. Lexmark sells its printers for very little if any profit, making up ground by selling at a substantial markup the toner cartridges printers need for operation. J.A. 26, ¶25.

A toner cartridge is a mechanical device that contains a fine powder called toner, a portion of which the cartridge uses to form the desired image or text on each printed page. J.A. 26-27, ¶¶23, 27. Toner thus functions as a laser printer's "ink." J.A. 27, ¶27. As the laser printer is used, the toner cartridge's supply of toner is depleted, and various parts of the toner cartridge (gears, blades, rollers, etc.) also become worn. J.A. 26-27, ¶¶23, 27, 29. Because cartridges run out of toner, the owner of a Lexmark printer must keep purchasing replacement cartridges over the course of the printer's life. J.A. 26-27, ¶¶23, 27.

Lexmark's business is based on the profitability of its sales of new replacement toner cartridges. J.A.

38, ¶58. Lexmark is the only manufacturer of new replacement toner cartridges that are compatible with Lexmark printers, and Lexmark purposely designs its printers to keep it that way. J.A. 26, ¶24. Lexmark derives substantial profits from its toner cartridge sales, in contrast to the minimal profits it derives from printer sales. J.A. 26, ¶25.

Lexmark's only competition for replacement toner cartridges comes from entities known as remanufacturers. J.A. 28, ¶31. Remanufacturers recycle used Lexmark toner cartridges by gathering spent cartridges, inspecting and cleaning each cartridge, replacing any worn parts, and refilling the cartridges with new toner so that they can be reused. J.A. 27, ¶29. Remanufacturers sell these refurbished replacement cartridges at significantly lower prices than Lexmark sells new replacement cartridges. *Id.* Remanufacturing is the most environmentally friendly way of handling spent cartridges, as spent cartridges disposed of in landfills require hundreds of years to decompose. J.A. 27, ¶28.

Lexmark considers the remanufacturing of its toner cartridges by third parties to be a significant competitive threat to the company's profit model. J.A. 38, ¶58. To thwart third-party remanufacturing and, thereby, to protect its high margins on new replacement cartridges, Lexmark deploys a program it calls "Prebate." Lexmark attaches to every "Prebate" cartridge it sells a label asserting that the cartridge is subject to a single-use patent license that requires the consumer to return the spent cartridge to Lexmark after its first use. J.A. 28, ¶33. Virtually all of Lexmark's cartridges are sold with a

Prebate label. J.A. 29, ¶35. Lexmark makes non-Prebate cartridges difficult to acquire. J.A. 28, ¶33.

Lexmark enforces its Prebate program by equipping each Prebate toner cartridge with a technologically sophisticated microchip that will cause the printer stop working if the cartridge has been refurbished by anyone other than Lexmark. J.A. 33, ¶44. Over time, Lexmark has enforced its Prebate program with progressively more complex microchips with multi-layered, multi-stage encryption, all designed to prevent remanufacturers from offering refurbished, Lexmark-compatible toner cartridges to consumers. J.A. 33-34, ¶45.

To refurbish Prebate cartridges, therefore, a re-manufacturer needs substitute microchips that allow the cartridges to be refurbished by someone other than Lexmark, along with other specialized parts, most of which are not off-the-shelf commodity items. J.A. 27, ¶30; J.A. 33-34, ¶¶44-45.

Static Control is a leading supplier of parts to toner cartridge remanufacturers. J.A. 27, ¶30. Static Control specifically designed substitute microchips to replace Lexmark's microchips and thereby to allow Lexmark cartridges to be refurbished by remanufacturers and reused by consumers. J.A. 37, ¶54. As Lexmark admits, Static Control's microchips "enable[] remanufacturers to sell Prebate cartridges on the aftermarket." Lexmark Br. at 8.[1]

[1] As the party that sought dismissal of Static Control's claims, Lexmark's admission in its brief that Static Control's products

continued…)

2. In addition to its use of disabling microchips, Lexmark perpetuates its Prebate program by way of false promotions. J.A. 43-44, ¶¶85-88. In particular, Lexmark falsely advertises to remanufacturers (*i.e.*, Static Control's customers) that Lexmark cartridges sold with a Prebate label are subject to a single-use patent license and that recycling Lexmark cartridges will thereby make them liable to Lexmark for willful patent infringement. J.A. 20, ¶2; J.A. 28-29, ¶¶33, 35; J.A. 31, ¶39. In connection with these false Prebate promotions, Lexmark specifically targeted Static Control's products. Lexmark sent letters to remanufacturers telling them that if they used Static Control's products to remanufacture Lexmark toner cartridges, they would "violate the law" and infringe "Lexmark's intellectual property rights." J.A. 29, ¶35.

These promotions were "misrepresentations" about both "Lexmark's own products and SCC's [*i.e.*, Static Control's] competing products." J.A. 44, ¶86. Static Control alleged that Lexmark made these misrepresentations willfully and in bad faith, for the purpose of "eliminat[ing] competition and to ensure that only [Lexmark] supplies replacement toner cartridges." J.A. 29, ¶36; J.A. 43-44, ¶85.

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enable remanufacturers to compete with Lexmark is properly considered in determining whether Static Control's counterclaim states a claim for purposes of Federal Rule of Civil Procedure 12(b)(6). *See* 5C C. Wright & A. Miller, *Federal Practice and Procedure* §§1364, 1366, at 133, 141-42 (3d ed. 2004).

As the district court held below, Lexmark's advertisements about the legal effects of its Prebate program are false because Lexmark's patent rights are exhausted by Lexmark's authorized first sale of each cartridge. Mem. Op. & Order, Case No. 5:04-cv-0084, 04RE1443 (E.D. Ky. Mar. 31, 2009) (applying *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 626-30 (2008)). This means that Lexmark cannot invoke its patent rights to prohibit the collection and refurbishing of used toner cartridges, or to require consumers to return spent cartridges to Lexmark. Lexmark also falsely claimed that cartridges resold to consumers under the IBM brand were subject to such post-sale patent restrictions, when in fact Lexmark knew it had explicitly relinquished such patent rights in its contracts of first sale to IBM. Mem. Op. & Order, Case No. 5:04-cv-0084, 04RE1081, at 20-22 (E.D. Ky. 2007).

3. Lexmark's false advertising injured Static Control. Static Control alleged that Lexmark's misrepresentations proximately caused injury to Static Control by decreasing Static Control's sales of printer cartridge parts and increasing Lexmark's sales of replacement cartridges. J.A. 20, ¶2; J.A. 36, ¶¶51-52; J.A. 37, ¶54; J.A. 43-44, ¶¶85-88. Lexmark's conduct "has also irreparably harmed [Static Control] by leading consumers and others in the trade to believe that [Static Control] is engaged in illegal conduct and is a dishonest and disreputable business. Lexmark's illegal conduct has substantially injured [Static Control's] business reputation." J.A. 44, ¶88.

C. District Court and Sixth Circuit Proceedings

1. Lexmark initiated this litigation by suing Static Control in 2002. Pet. App. 3. Lexmark first sought to enjoin Static Control from selling substitute microchips that allow Lexmark cartridges to be used more than once, on the asserted ground that such microchips infringed Lexmark's software copyrights. *Id.*

The district court preliminarily enjoined Static Control's manufacture of microchips, holding that the chips likely violated Lexmark's copyrights. Pet. App. 3. The Sixth Circuit vacated that injunction, finding Lexmark unlikely to succeed on the merits. *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522, 551 (6th Cir. 2004) (Sutton, J.).

2. In 2003, Static Control filed counterclaims against Lexmark, including a false advertising claim under Section 43(a) of the Lanham Act and an antitrust claim under the Sherman Act, seeking both damages and injunctive relief. J.A. 8-54. Lexmark then added allegations that Static Control actively induced its remanufacturer customers to infringe Lexmark's toner cartridge patents. Pet. App. at 3, 46-47. The district court dismissed all of Static Control's counterclaims before trial, holding that Static Control lacked a sufficiently direct competitive relationship with Lexmark to establish prudential standing under the statutes raised. Pet. App. 67-80.

As is relevant here, the district court first dismissed Static Control's federal antitrust claim, analyzing the factors this Court set forth in

Associated General Contractors of California, Inc. v. California State Council of Carpenters, 459 U.S. 519 (1983) ("*AGC*"). Pet. App. 75-82. Turning to Static Control's Lanham Act claim, the district court "presum[ed]" that the "factual predicate for [the] Lanham Act claim is the same as for [the] antitrust claims." Pet. App. 82-83. The court then applied the *AGC* factors to the false advertising claim and held that Static Control lacked prudential standing to pursue its Lanham Act claim "[f]or the same reasons" that Static Control lacked antitrust standing. Pet. App. 83-84.

At trial on Lexmark's claims, a jury (advisory in part) found for Static Control on all remaining claims, finding among other things that Lexmark failed to prove that Static Control induced any remanufacturers to infringe Lexmark's patents, that the facts supported a finding of patent misuse by Lexmark, and that Lexmark misled remanufacturers and consumers with respect to whether it was legal to remanufacture cartridges resold under the IBM brand. Pet. App. 9-10; Special Verdict Form, Case No. 5:04-cv-0084, 04RE1366, 11-13 (E.D. Ky. 2007).

3. The Sixth Circuit affirmed Static Control's victory on Lexmark's affirmative claims and reinstated three of Static Control's counterclaims, including its false advertising claim under Lanham Act Section 43(a). Consistent with Sixth Circuit precedent, the court of appeals held that the proper test for prudential standing under that Section is whether 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 false advertising." Pet. App. 36 (citation omitted). The Sixth Circuit held that "Static Control alleged a cognizable interest in its business reputation and sales to remanufacturers and sufficiently alleged that these interests were harmed by Lexmark's statements to the remanufacturers that Static Control was engaging in illegal conduct." Pet. App. 38. The Sixth Circuit also noted that, even if (contrary to Sixth Circuit precedent) the antitrust standing factors enunciated in *AGC* set forth the appropriate test for Lanham Act standing, the district court erred by failing to analyze the conduct that was distinctly relevant to the Lanham Act claims. Pet. App. 38 n.10.

SUMMARY OF ARGUMENT

Static Control has prudential standing to sue Lexmark under Section 43(a) of the Lanham Act because Static Control's claim falls within the zone of interests protected by the statute. This is true both because Lexmark's false advertising directly attacked the legality of Static Control's products and because Static Control specifically enables the commercial activity (*i.e.*, the lawful remanufacture of Lexmark's Prebate cartridges) that Lexmark's false advertising sought to eradicate.

1. Section 43(a) provides an express civil remedy to "any person who believes that he or she is or is likely to be damaged" by someone's "commercial advertising or promotion" that "misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods." 15 U.S.C. §1125(a)(1). Static Control's allegations fall

squarely within the text of the statute. J.A. 20, ¶2; J.A. 43-44, ¶¶85-88. The dispute before the Court is whether court-created prudential rules deprive Static Control of standing to seek redress and the proper standard for addressing that question.

The Court should apply the "zone of interests" test to this dispute. *Bennett v. Spear*, 520 U.S. 154, 162 (1997). The zone-of-interests test is a test of general applicability that the Court has used in a variety of contexts to determine prudential standing, by asking whether a complaint "arguably fall[s] within the zone of interests protected or regulated by the statutory provision or constitutional guarantee invoked in the suit." *Id.*

The plain text and the context of Lanham Act Section 43(a) place claims by companies whose goods are targeted by false advertising at the center of the statute's zone of protected interests. Lexmark targeted Static Control's products both by falsely advertising that the use of Static Control's products is illegal and by more broadly advertising that the remanufacture of Prebate-labeled cartridges is illegal. These misrepresentations were intended to suppress demand for Static Control's products, most notably the substitute microchips that Static Control specifically designs and sells to enable the remanufacture of Lexmark cartridges. Absent any sanction, Lexmark would be free to falsely advertise that it is generally illegal to remanufacture Prebate-labeled cartridges, and that it is specifically illegal to do so using Static Control's products.

Congress amended the Lanham Act in 1988 to allow suits just like this one, expressly providing a cause of action against an advertiser that misrepresents the qualities of “another person’s goods.” Pub. L. No. 100-667, Title I, §132, 102 Stat. 3935, 3946, *codified at* 15 U.S.C. §1125(a)(1)(B). The suit-authorizing clause in Section 43(a), moreover, is more permissive than that chosen by Congress for other causes of action in Title 15.

Lexmark argues that Static Control should be denied standing because Static Control and Lexmark do not compete with one another. Lexmark’s premise is wrong: Lexmark obviously views Static Control as a significant competitive threat, and admits that the purpose of Static Control’s microchips is to enable competition with Lexmark.

Regardless, Lexmark’s narrowly conceived idea of competition is not a prerequisite for bringing suit under the Lanham Act. Contrary to Lexmark’s argument, the reference in the Act’s legislative purposes to redressing “unfair competition,” 15 U.S.C. §1127, does not require competition between a plaintiff and defendant, much less require that the parties sell exactly the same types of products (*i.e.*, finished goods versus component parts). The text of Section 43(a) defines what constitutes unfair competition subject to suit by injured persons. There is no basis to deny Static Control the right to sue Lexmark simply because Static Control’s component parts ultimately reach end users as part of cartridges refurbished by remanufacturers.

2. The Court need not fashion any prudential standing test specific to the Lanham Act’s false advertising cause of action. It is enough that Static Control’s claims pass muster under the Court’s

established zone-of-interests test. If the Court, however, prefers to use the occasion of this case to go beyond its zone-of-interests test (whether by developing a test on its own or choosing from those used by the regional circuits), the Court should use the reasonable interest test applied by the Sixth Circuit (and the First and Second Circuits) as a model. The Court should reject Lexmark's invitation to use antitrust rules from *Associated General Contractors of California, Inc. v. California State Council of Carpenters*, 459 U.S. 519, 529 (1983) ("*AGC*"), to decide standing under Lanham Act Section 43(a).

The Court's zone-of-interests test already accounts for the aspects of *AGC* that are generally relevant to prudential standing. Numerous differences between the Lanham Act and the antitrust statutes make applying all of the *AGC* factors, as the sole test under Section 43(a), inappropriate.

At the outset, the Court's basis for raising stringent barriers to claims under the Sherman and Clayton Acts was those statutes' incorporation of judge-made common-law causes of action. *AGC*, 459 U.S. at 531-33. Section 43(a), by contrast, was an explicit break from the judge-made law of unfair competition and the restrictions on false advertising suits contained therein.

The Lanham Act significantly broadened protections against false advertising, giving effect to U.S. treaty obligations to provide a right of action for "any person who believes that he or she is or is likely to be damaged" by false advertising. 15 U.S.C. §1125(a)(1); *see* General Inter-American Convention for Trade Mark and Commercial Protection, arts. 21

and 22, Feb. 20, 1929, 46 Stat. 2907, 2932, 2934, T.S. No. 833. In doing so, Congress abrogated common law limits on false advertising suits. Congress in 1988 reaffirmed the breadth of Section 43(a) by ensuring a cause of action for false advertising about "another person's goods." Congress has thus chosen to broadly protect the rights secured, rather than risk under-deterrence of the wrongs proscribed.

The purposes of the Lanham Act and the antitrust statutes also differ: Antitrust rules protect competition rather than competitors, but the Lanham Act protects aggrieved persons themselves—including their sales and goodwill—from false representations in the marketplace. Antitrust concerns about speculative damages, moreover, are inconsistent with the Lanham Act's authorization of suit based on "likely" injury and flexibility in the measure of what a plaintiff may recover.

Lexmark's policy arguments for barring Static Control's suit under *AGC*—that Static Control's damages are indirect, speculative, and too complex for courts to gauge—are also misplaced. Static Control will in fact prove actual, certain damages based on the reduced sales of its Lexmark-compatible products after Lexmark published its Prebate-related false advertisements to Static Control's customers. Diminished sales can also be compared to Static Control's contemporaneous sales of parts for cartridges compatible with printers made by manufacturers such as Hewlett-Packard who did not engage in such false advertising. J.A. 35-36, ¶¶49-51. Static Control, moreover, seeks injunctive relief, which affords an additional rationale in favor of Static Control's standing.

ARGUMENT

I. STATIC CONTROL STANDS WITHIN THE ZONE OF INTERESTS PROTECTED BY THE LANHAM ACT.

Section 43(a) of the Lanham Act gives a right of action to "any person who believes that he or she is or is likely to be damaged" by another person's "commercial advertising or promotion" that "misrepresents the nature, characteristics, qualities, or geographic origin of his or her *or another person's goods*." 15 U.S.C. §1125(a)(1)(B) (emphasis added).

Ordinarily, when the words of a statute are clear, the first and last rule of interpretation is "that a legislature says in a statute what it means and means in a statute what it says." *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992).

Lexmark asks the Court to hold that Congress did not mean what it said when it granted "any person" a right of redress for "likely" injuries stemming from proscribed false advertising. Lexmark further asks the Court to hold that even a company whose products are targeted with false advertising and whose sales and goodwill suffer resulting harm does not qualify as "any person" eligible to sue. Court-created prudential standing rules have their place. But such rules cannot eliminate causes of action seeking to vindicate interests that the text and purposes of a statute squarely safeguard.

Lexmark's question presented asks the Court to choose from three standards the regional circuits have used to judge prudential standing under

Lanham Act Section 43(a). Lexmark Br. at i. Yet the Court need not, and indeed should not, choose from this menu. The Court's generally applicable zone-of-interests test, which has the flexibility to account for the particularities of different statutes, works well for a Lanham Act claim. Static Control's claims fall well within the Lanham Act's zone of protected interests. The Court need go no further in this case.

A. The Court's Zone-of-Interests Test Governs Prudential Standing Under Federal Statutes, Including Lanham Act Section 43(a).

This Court has long held that standing "involves both constitutional limitations on federal-court jurisdiction and prudential limitations on its exercise." *Warth v. Seldin*, 422 U.S. 490, 498 (1975). There is no dispute that Article III's case-or-controversy requirements are met here. Static Control has alleged actual damages tied to Lexmark's malfeasance, with pleaded facts to support those allegations. J.A. 20, ¶2; J.A. 35-36, ¶¶49-51; J.A. 43-44, ¶¶85-88. Static Control's injuries are "fairly traceable" to Lexmark's conduct and would be redressed by a judgment for damages and/or an injunction. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992) (citation omitted).

Prudential limits on standing, like those enshrined in Article III, are "founded in concern about the proper—and properly limited—role of the courts in democratic society." *Warth*, 422 U.S. at 498. One of the most fundamental roles of a court, however, is to give force to a duly enacted statute "according to its terms." *Jimenez v. Quarterman*, 555 U.S. 113, 118 (2009). For this reason, any prudential standing inquiry must begin with the text of the statute, and prudential limits on standing "can be modified or abrogated by Congress." *Bennett v. Spear*, 520 U.S. 154, 162 (1997). While this Court has said that abrogation of prudential limits must be "express[]," it has not required that a statute explicitly reference judicial doctrines before finding that Congress intended no prudential limits on standing. *Id.* at 163-64.

Many prudential standing restrictions address whether a plaintiff is asserting its own discrete rights—for example, prohibitions on claims arising from "generalized grievanc[es]" or asserting "the legal rights or interests of third parties." *Warth*, 422 U.S. at 499; *see also Elk Grove Unified Sch. Dist. v. Newdow*, 542 U.S. 1, 12 (2004). These doctrines are not implicated when a statute's text grants a cause of action to a plaintiff injured by a specific violation. The standing inquiry in such cases "is whether the constitutional or statutory provision on which the claim rests properly can be understood as granting persons in the plaintiff's position a right to judicial relief." *Warth*, 422 U.S. at 500.

At bottom, prudential standing to sue is a question of legislative meaning. To answer that question, the Court has used the "zone of interests" test, under which a plaintiff has prudential standing if his or her "grievance . . . arguably fall[s] within the zone of interests protected or regulated by the statutory provision or constitutional guarantee invoked in the suit." *Bennett*, 520 U.S. at 162; *see also Elk Grove*, 542 U.S. at 12 (stating that standing "encompasses . . . the requirement that a plaintiff's complaint fall within the zone of interests protected by the law invoked") (quoting *Allen v. Wright*, 468 U.S. 737, 751 (1984)). The test does not require "any indication of congressional purpose to benefit the would-be plaintiff," *Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians v. Patchak*, 132 S. Ct. 2199, 2210 (2012), and instead 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," *id.* (citation omitted). The precise calibration of these principles in any given case will depend on statutory text, context, and history, as "the breadth of the zone of interests varies according to the provisions of law at issue." *Bennett*, 520 U.S. at 163.

As explained in *Bennett v. Spear*, the zone-of-interests test had its genesis in cases arising under the Administrative Procedure Act ("APA"), but the Court has "applied it also in suits not involving review of federal administrative action" and has "listed it among other prudential standing requirements of general application." *Bennett*, 520 U.S. at 163 (citing, among others, *Boston Stock Exch. v. State Tax Comm'n*, 429 U.S. 318, 320 n.3, 321 (1977)); *see also* 13A C. Wright, A. Miller, & E. Cooper, *Federal Practice and Procedure* §3531.7, at 537-38 (3d ed. 2008) (the zone-of-interests "test continues to apply in APA cases, but applies as well to actions brought under other statutes"). The Court in *Bennett* applied the test to determine whether suit was authorized under the Endangered Species Act's citizen-suit provision. 520 U.S. at 163-66. The Court has since used the test to say that non-named class members "fall[] within the zone of interests of the [Rule 23] requirement that a settlement be fair to all class members." *Devlin v. Scardelletti*, 536 U.S. 1, 7 (2002). The Court has also applied the test to determine what litigants may sue under Title VII of the Civil Rights Act of 1964. *Thompson v. N. Am. Stainless, LP*, 131 S. Ct. 863, 870 (2011).

The zone-of-interests test is all that is necessary to determine that Static Control has prudential standing in this case. If the Court decides to adopt one of the courts of appeals' standards as articulating the zone of interests protected by Section 43(a) of the Lanham Act, the "reasonable interest" test applied by the First, Second, and Sixth Circuits is the best choice, because it most closely tracks the Court's zone-of-interests test and the legislative purpose of protecting commercial entities from false advertising. *See generally* Br. of Law Professors As *Amicus Curiae* in Supp. of Neither Side; *Amicus Curiae* Br. of Am. Intellectual Prop. Law Ass'n in Supp. of Neither Party. This case, however, presents an opportunity to remind courts to focus on the specific zone of interests protected by any given statute, and to avoid myopic focus on a litany of factors to the detriment of statutory text and context.

B. Static Control's Claims Are Within the Lanham Act's Zone of Interests Because Lexmark Targeted Static Control's Products and Market with False Advertising.

The Court need accept only one straightforward and modest principle to decide this case and to affirm the Sixth Circuit: A company whose products are targeted with false advertising falls within the zone of interests of a statute whose text gives a remedy for false advertising about "another's goods." Regardless of how far the Lanham Act's protection extends, commercial entities whose goodwill and sales suffer when their goods and business model are falsely maligned stand at the heart of it. And companies like Static Control, whose products enable the very competition that a defendant's false advertising seeks to smother, are among the plaintiffs Congress sought to protect.

1. The text of Section 43(a), on its face, creates this cause of action for "any person who believes that he or she is or is likely to be damaged" by a false advertiser that misrepresents "his or her or another person's goods." 15 U.S.C. §1125(a)(1)(B). The statute's text places no other limits on those entitled to seek redress for damages caused by the wrongs proscribed. To the contrary, the grant of a remedy extends even to a person that merely "believes" he or she is "likely" to be injured, evincing a goal to protect victims of false advertising even when the quantum of damages may be difficult to prove.

Like the statute in *Bennett*, Section 43(a) of the Lanham Act contains an "authorization of remarkable breadth when compared with the language Congress ordinarily uses." 520 U.S. at 164-65. It is at least as generous, if not more so, than the "generous" suit-authorizing provision of the APA, *id.* at 163 (citation and internal quotation marks omitted), which provides that "[a] person suffering legal wrong because of agency action, or adversely affected or aggrieved by agency action within the meaning of a relevant statute, is entitled to judicial review thereof," 5 U.S.C. §702.

Congress knows how to set more stringent limits when it so desires. Case-in-point are the two trademark statutes that the Lanham Act replaced. The Act of February 20, 1905, limited the right to bring an action over the improper use of a trademark to "the owner thereof." Pub. L. No. 58-84, §16, 33 Stat. 724, 728. And the Act of March 19, 1920, limited those who could sue for false designations of origin to "any person, firm, or corporation doing business in the locality falsely indicated." Pub. L. No. 66-163, §3, 41 Stat. 533, 534.

Throughout the U.S. Code, Congress has limited suit to discrete groups such as "competitors, customers, or subsequent purchasers," 15 U.S.C. §298(b) (causes of action on false descriptions related to gold and silver), and to broader (but still defined) classes of injury such as "any person injured in his business or property," 7 U.S.C. §2305(c) (causes of action for unfair trade practices with respect to agricultural products); *see also Bennett*, 520 U.S. at 165. Congress's use of the broad authorizing clause in the Lanham Act creates a conspicuously wider zone of protected interests. The Lanham Act's authorization for suit is similar to statutes this Court has said gave standing to the "full extent permitted under Article III." *Bennett*, 520 U.S. at 165.

2. The Trademark Law Revision Act of 1988, by expressly making representations about "another person's goods" actionable, eliminates any doubt that those whose products are targeted by false advertising fall within the statute's protection. Pub. L. No. 100-667, Title I, §132, 102 Stat. 3935, 3946, *codified at* 15 U.S.C. §1125(a)(1)(B). Prior to the 1988 amendments, some courts had held that the original Section 43(a) was limited to a defendant's false statements about its own goods and did not extend to disparagement of the goods of another. *See, e.g.*, *Bernard Food Indus. Inc. v. Dietene Co.*, 415 F.2d 1279, 1283 (7th Cir. 1969).

In 1987-88, Congress considered a series of improvements to the Lanham Act, guided by a report from a committee of experts from the United States Trademark Association. Among the report's recommendations was codification of broader judicial interpretations of Section 43(a) and legislative abrogation of *Bernard Food Industries*.[2] Congress ultimately agreed with the Trademark Association's recommendations, reframing Section 43(a) and

[2] U.S. Trademark Ass'n Trademark Review Comm'n, *Report and Recommendations on the United States Trademark System and the Lanham Act*, 77 Trademark Rep. 375, 426-30 (1987), *reprinted in* Trademark Law Revision Act of 1987: Hearing on S.B. 1883 Before the Subcomm. on Patents, Copyrights & Trademarks of the S. Comm. on the Judiciary 100th Cong. 148-52 (1988).

overturning *Bernard Food Industries*' limitation on the right of action as "illogical on both practical and public policy levels," declaring "that the public policy of deterring acts of unfair competition will be served if Section 43(a) is amended to make clear that misrepresentations about another's products are as actionable as misrepresentations about one's own." S. Rep. No. 100-515, at 40 (1988).

By creating a cause of action against those who misrepresent "another's goods," Congress placed the targets of such false advertising attacks at the heart of the Lanham Act's zone of protected interests. As alleged, Lexmark deliberately and falsely advertised to Static Control's customers that using Static Control's products to remanufacture Lexmark toner cartridges would "violate the law." J.A. 29, ¶35; *see also* J.A. 44, ¶86. Static Control, as a company whose products were falsely maligned, must have standing to sue under the Act for damages caused by those false statements and to prevent future harm from their future repetition. As the Sixth Circuit correctly held, Static Control has a "cognizable interest in its business reputation and sales to remanufacturers and sufficiently alleged that these interests were harmed by Lexmark's statements to the remanufacturers that Static Control was engaging in illegal conduct." Pet. App. 38.

3. A statute's zone of interests is informed by the nature of the rights protected. Section 43(a) is designed to protect companies' reputations, "prohibit[ing] actions like trademark infringement that deceive consumers and impair a producer's goodwill." *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 32 (2003). The rights

created by Section 43(a), therefore, are personal and should provide standing when a plaintiff plausibly alleges that proscribed conduct harmed its goodwill.

Lexmark's false statements about Static Control's products in this case highlight why a company whose products are targeted by false advertising must have standing to sue the false advertiser. Lexmark's publications falsely claimed that use of Static Control's products violated Lexmark's intellectual property rights, causing Static Control's customers and prospective customers to believe that Static Control's products are illegal and that Static Control is a dishonest and disreputable business. J.A. 20, ¶2; J.A. 44, ¶88. In such circumstances, Static Control bears the brunt of the false-advertising injury and suffers the loss of goodwill associated with such an attack. There is no other party capable of recovering for Static Control's injury. Static Control indeed has not only the strongest but a unique interest in vindicating its own reputation and goodwill in response to this false advertising, and it should not be forced to rely on its customers (*i.e.*, the remanufacturers) to vicariously understand and to defend those interests. Even if Congress intended some implied limitation on those who can sue under the Lanham Act, Congress could not have intended for any such limitation to deprive rights of redress to plaintiffs whose products are falsely maligned by a defendant for its own commercial benefit.

A rule of decision that companies whose products are specifically targeted by false advertising have standing to sue the false advertiser fits well within the Court's prudential standing jurisprudence. Such plaintiffs have their own grievances to pursue, and are not asserting others' rights. *Warth v. Seldin*, 422 U.S. 490, 499 (1975); *Elk Grove Unified Sch. Dist. v. Newdow*, 542 U.S. 1, 12 (2004). Further, allowing those whose products are misrepresented to sue does not risk opening floodgates to an unlimited class of plaintiffs. Any advertiser—by controlling whose products it speaks falsely about—controls the parties allowed to sue under such a rule.

4. Beyond Lexmark's false statements about the legality of using Static Control's products, Static Control also has standing under the Lanham Act to sue Lexmark for its more general but equally false Prebate-related promotions. These claims fall within the zone of interests of the Lanham Act because the false advertising in effect and purpose targeted Static Control's microchips and other competition-enabling products. Lexmark's general Prebate-related promotions included, for instance, falsely telling remanufacturers (Static Control's customers) that they are legally prohibited from refurbishing any Prebate cartridge. J.A. 29, ¶35.

Lanham Act Section 43(a) specifically grants a cause of action to "any person" injured by an advertiser who "misrepresents the nature, characteristics [or] qualities . . . of his or her . . . goods." 15 U.S.C. §1125(a)(1)(B). Static Control's products are specifically designed for use in the refurbishment of Lexmark's printer cartridges. J.A. 13, ¶32; J.A. 27, ¶30; J.A. 37, ¶54. Lexmark, through deceptive advertisements about its own goods supposedly being sold subject to single-use patent licenses, intended to stop all remanufacturing of Lexmark cartridges, eliminating the only market into which Static Control's Lexmark-compatible parts can be sold. J.A. 29, ¶36.

That Lexmark enforces its false Prebate representations by integrating disabling microchips into its cartridges gives Static Control—as the designer and manufacturer of substitute microchips—a strong commercial interest in recovering its losses and preventing future harm from that false advertising. Lexmark itself recognizes that the commercial viability of Static Control's microchips is intertwined with the effect of the Prebate program, complaining that Static Control's microchips "enable[] remanufacturers to sell Prebate cartridges on the aftermarket, despite the Lexmark single-use license." Lexmark Br. at 8. Static Control was thus foreseeably and inevitably harmed by Lexmark's misrepresentation of its own goods and its false statements alleging patent infringement against remanufacturers who were not bound by that purported "single-use license."

As the maker and merchant of microchips that lawfully overcome the technological hurdles Lexmark erects to enforce its Prebate program, Static Control has one of the strongest interests, if not the strongest interest, in ensuring that Lexmark does not misrepresent the legal consequences of remanufacturing Prebate cartridges. This interest is neither merely "marginally related" to nor "inconsistent with the purposes implicit in the statute." *Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians v. Patchak*, 132 S. Ct. 2199, 2210 (2012) (citation omitted). As such, Static Control's commercial interest in protection from Lexmark's false advertising lies within the zone of interests of Section 43(a).

5. Static Control's right to sue is further buttressed by Section 43(a)'s purpose "to provide rights and remedies stipulated by treaties and conventions respecting . . . unfair competition." 15 U.S.C. §1127. In the General Inter-American Convention for Trade Mark and Commercial Protection, the United States committed to forbid "false descriptions of goods" and to ensure that "those causing such injury shall . . . be answerable in damages to the injured party." Arts. 21 and 22, Feb. 20, 1929, 46 Stat. 2907, 2932, 2934, T.S. No. 833.

That Section 43(a) implements the United States' treaty commitment to provide a remedy for false advertising counsels against creating overly stringent limitations on Lanham Act standing. As this Court has long held, "[t]he laws of Congress are always to be construed so as to conform to the provisions of a treaty, if it be possible to do so without violence to their language." *United States v. Forty-Three Gallons of Whiskey*, 108 U.S. 491, 496 (1883). It is one thing to start from a presumption that the United States Congress "legislates against the background of [the United States Supreme Court's] prudential standing doctrine" and thus require it to "expressly negate[]" such principles if it so desires. *Bennett v. Spear*, 520 U.S. 154, 163 (1997). But it would be quite another for courts to expect foreign trading partners to adjust their expectations of negotiated civil remedies based on the nuances of the U.S. judiciary's prudential standing doctrines. This Court is and should remain wary of limiting the reach of statutes that implement treaty obligations.

C. Competition Narrowly Defined Cannot Be a Prerequisite for Lanham Act Standing.

1. The principal assumption that Lexmark emphasizes in arguing that Static Control lacks standing to sue is Lexmark's view that Static Control and Lexmark do not compete (making Static Control's damages allegedly indirect and speculative).[3] Lexmark, in fact, asks the Court to adopt a categorical test explicitly requiring competition narrowly defined as an element of standing. Lexmark Br. at 29-30; *see also Jack Russell Terrier Network of N. Cal. v. Am. Kennel Club*, 407 F.3d 1027, 1037 (9th Cir. 2005).

Lexmark is wrong on all counts. Lexmark and Static Control are fierce competitors, even if Static Control sells specialized parts that others incorporate into finished goods, while Lexmark sells competing finished goods. Lexmark understood that it

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[3] Lexmark raises an argument in a footnote—not raised before or addressed by the Sixth Circuit—that Lexmark's statements are not "advertising or promotion." Lexmark Br. 37-38 n.9. Lexmark is mistaken on every point. For example, there can be no difference between the impact of a letter mass-mailed to the relevant buying public or published as an "open letter" in a trade magazine; each is "commercial advertising or promotion" under Section 43(a). Regardless, Lexmark's argument is not "fairly included" within the question presented. Supreme Court Rule 14.1(a). Any dispute as to whether the communications here qualify would in fact reinforce that "the totality of circumstances . . . did not warrant bringing the case here." *Phillips v. New York*, 362 U.S. 456, 456 (1960).

could most effectively and efficiently eliminate competition for replacement cartridges by controlling the supply of replacement-cartridge parts. That is why Lexmark incorporated advanced electronic microchips in its cartridges, contractually prohibited its microchip supplier from selling cartridge microchips to anyone other than Lexmark, and initiated this litigation specifically to stop Static Control from manufacturing Lexmark-compatible microchips. J.A. 33-34, ¶¶44-47; Pet. App. 7-8. Lexmark cannot on the one hand sue Static Control to gain a competitive advantage but on the other hand claim that Static Control lacks standing because it is too remote from competition.

A competition requirement lacks any basis in the text of the Lanham Act, the purposes of Section 43(a), the logic behind protecting commercial entities from false advertising, or this Court's prudential standing cases. Even worse, requiring competition (narrowly defined) would compel the Court to interpret the same words in the statute to mean different things depending on what subsection is modifying those words. The same clause giving a right of action to "any person who believes that he or she is or is likely to be" injured applies to both *false association* claims and *false advertising* claims. *Compare* 15 U.S.C. §1125(a)(1)(A), *with id.* §1125(a)(1)(B). Competition cannot logically be a prerequisite for claims for false association, otherwise a food company like Kraft would lack standing to sue a cookware merchant that deceived consumers as to an affiliation with the Kraft brand. *See Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1107-10 (9th Cir. 1992). Because this Court rightly "refuse[s] to adopt a construction that would attribute different meanings to the same phrase in the same sentence," *Reno v. Bossier Parish Sch. Bd.*, 528 U.S. 320, 329 (2000), it should not interpret the "any person" language in Section 43(a) to include a competition requirement for false advertising claims.

The statute does, as Lexmark contends, refer in Section 45's statement of purpose to remedying "unfair competition." 15 U.S.C. §1127; Lexmark Br. 15-16. But that portion of the statute does not require competition specifically between the parties for there to be "unfair competition" within the meaning of the Lanham Act. Section 45's use of the term "unfair competition" is no more than a generic description of the specific business practices required to be proscribed by treaty and implemented through Section 43(a). Section 43(a)'s text does not include competition as an independent element of a false advertising claim. To require competition would rewrite the operative language of the statute and ignore the corresponding statutory purpose of "provid[ing] rights and remedies stipulated by treaties and conventions." 15 U.S.C. §1127; *see also* 15 U.S.C. §1126(b) (referring to the Lanham Act's implementation of treaty obligations to give remedies for "unfair competition").

The leading treatise on trademarks and unfair competition, among others, has roundly criticized any categorical requirement of competition for a Lanham Act claim: "[T]he passé semantic argument that there cannot be 'unfair competition' without 'competition' between the parties has often been rejected." 5 J. Thomas McCarthy, *McCarthy on Trademarks* §27:32 (4th ed. 2010). For this reason, some courts' requirement of competition for standing under the Lanham Act is "an aberration in the history of court interpretation of §43(a)." *Id.* This Court should correct that aberration.

2. A rule that heavily weights or explicitly requires parties to sell the same types of goods into the same markets before a plaintiff can invoke federal protection against false advertising lacks principle. Different industries have different characteristics and market structures, and competitive interests in those industries may not be pigeon-holed into a single pattern. The fact that Static Control chooses to sell its parts to geographically dispersed remanufacturers rather than gathering used cartridges and remanufacturing them itself should not alone undermine standing. Static Control has a competitive interest at stake when Lexmark intentionally makes its microchips both indispensable to the remanufacturing process and unavailable from sources other than companies like Static Control.

Other industries provide additional examples of companies deserving of protection from false advertising by others who sell competing, but distinct, types of products. Take, for example, a recent case involving the pharmaceutical industry. Merck Eprova "manufactures and distributes pharmaceutical and dietary ingredients" but does not "sell any finished products to consumers." *Merck Eprova AG v. Brookstone Pharm., LLC*, 920 F. Supp. 2d 404, 411 (S.D.N.Y. 2013). Brookstone Pharmaceuticals—a merchant of finished goods—misleadingly mimicked certain of Merck's active ingredients to encourage substitution between its products and those of Merck's customers. In a competitive situation similar to this one, Merck successfully sued under the Lanham Act. *Id.* at 434.

Other courts have found standing for businesses selling at different levels of a given market when their commercial interests justified protection from false advertising. *See Camel Hair & Cashmere Inst. of Am., Inc. v. Associated Dry Goods Corp.*, 799 F.2d 6, 11-12 (1st Cir. 1986) (holding that standing exists for association of cashmere dealers and merchants of cashmere goods to sue retailers and coat manufacturer for false designations of cashmere content of coats); *Famous Horse Inc. v. 5th Ave. Photo Inc.*, 624 F.3d 106, 113-14 (2d Cir. 2010) (holding that standing exists for retailer of authentic clothing to sue wholesale supplier of lower-priced counterfeit goods). And courts have found various other non-competitor commercial interests worthy of protection against false advertising. *See Logan v. Burgers Ozark Country Cured Hams Inc.*, 263 F.3d 447, 460-61 (5th Cir. 2001) (false advertising suit by patent owner against unlicensed non-competitor); *PPX Enters., Inc. v. Audiofidelity, Inc.*, 746 F.2d 120, 124-25 (2d Cir. 1984) (suit by licensor entitled to royalties from sales of Jimi Hendrix albums against parties who deceptively labeled Hendrix recordings).

3. DRI—The Voice of the Defense Bar argues that the Court should adopt a categorical test insisting on competition (narrowly defined) because such a rule would draw the brightest line. *See* DRI—The Voice of the Defense Bar's *Amicus Curiae* Br. in Supp. of Pet'r at 2. A test requiring such competition, though, is no clearer than the rule Static Control advocates—that those who are targeted with false advertising are within the

statute's zone of interests to sue. The categorical test would preclude standing in more cases, but that is neither a virtue *per se* nor a feature of "clarity."

Clear rules have many benefits. But a bright line for prudential standing would hollow out the statute. If a given test is not easily administrable, the answer is not for courts to layer additional limits (however convenient) on those set forth in the legislative text. The answer is to enforce the statute.

In some instances the Court has inferred limits in otherwise clear statutes because Congress must not have meant, for example, to allow a "stockholder who suffered a heart attack upon reading a false earnings report [to] recover his medical expenses" under a statute conferring a right of action on "all purchasers, sellers, or owners of stock injured by securities fraud." *Holmes v. Sec. Investor Prot. Corp.*, 503 U.S. 258, 288 (1992) (Scalia, J., concurring). But it would not be appropriate for the Court to impose a limiting, atextual bright-line rule in place of the permissive rule set forth in the statute because divining legislative meaning on the margins is too difficult. The Court should thus reject any rule that places too much emphasis on competition narrowly defined, to the exclusion of other protected interests.

The zone-of-interests test, moreover, "hardly leaves courts at sea . . . . Like most legal notions, the standing concepts have gained considerable definition from developing case law. In many cases the standing question can be answered chiefly by comparing the allegations of the particular complaint to those made in prior standing cases." *Allen v. Wright*, 468 U.S. 737, 751-52 (1984).

II. ANTITRUST RULES DO NOT LIMIT STATIC CONTROL'S STANDING UNDER THE LANHAM ACT.

Lexmark asks the Court to import into the Lanham Act certain standing factors found relevant under federal antitrust law. *See* Lexmark Br. at 20-28; *Associated Gen. Contractors of Cal., Inc. v. Cal. State Council of Carpenters*, 459 U.S. 519, 529 (1983) ("*AGC*"). To do so, however, would be inappropriate. The Lanham Act (unlike the Sherman Act) abrogated common law restrictions on who can bring the suits it governs. Additionally, many fundamental textual and policy differences exist between the antitrust and false advertising statutes that require different approaches as to who may sue. And the facts Static Control has pleaded, moreover, show that Lexmark's policy concerns do not apply in this case.

In *AGC*, the Court addressed whether a labor union's allegations that companies had agreed to hire only non-union firms "sufficiently alleges that the unions have been 'injured in [their] business or property by reason of anything forbidden in the antitrust laws'" for purposes of the Clayton Act. *Id.* at 521 (quoting 15 U.S.C. §15). The *AGC* Court reasoned that strict limits on recoverable injuries were implicit in the Sherman and Clayton Acts because the Sherman Act was based on the common law with respect to anticompetitive restraints on trade. *Id.* at 530-34. Specifically, the Court found that "Congress intended the Act to be construed in the light of its common-law background." *Id.* at 531. In doing so, the Court quoted Senator Sherman's statement that the Act "'does not announce a new principle of law.'" *Id.* (quoting 21 Cong. Rec. 2456, 2459, 3149, 3151–3152 (1890)). The Court then looked at a number of factors it found relevant to "whether the [Clayton Act] affords a remedy in specific circumstances," *id.* at 537, including the "nature of the plaintiff's alleged injury," the "directness or indirectness of the asserted injury," the "speculative" nature of damages, and the goal of avoiding complex judicial proceedings. *Id.* at 538-45. The Court ultimately held that the union was "not a person injured by reason of a violation of the antitrust laws within the meaning of § 4 of the Clayton Act." *Id.* at 545-46.

The Third Circuit, in an opinion written by then-Judge Alito, was the first court of appeals to apply *AGC* in the Lanham Act context, suggesting that "[t]he test for antitrust standing set forth . . . in [*AGC*] provides an appropriate method for adding content" to the Third Circuit's "reasonable interest test." *Conte Bros. Auto., Inc. v. Quaker State-Slick 50, Inc.*, 165 F.3d 221, 233 (3d Cir. 1998). Applying the *AGC* factors, the *Conte Brothers* court concluded that retailers who could apparently sell (but chose not to sell) Quaker State motor oil were not in a position to sue Quaker State for false advertising when Quaker State misrepresented the qualities of its oil. *Id.* at 235.

The *AGC* factors should not be adopted by this Court as the test for prudential standing under Lanham Act Section 43(a). As a threshold matter, it is unclear whether *AGC* represents application of prudential standing principles, rather than the substantive elements of a Clayton Act claim. *See, e.g*, *Metallgesellschaft AG v. Sumitomo Corp. of Am.*, 325

F.3d 836, 843 (7th Cir. 2003) (stating that antitrust standing is "distinct from Article III and prudential standing"). To the extent *AGC* is about prudential standing at all, the aspects of *AGC* that are helpful in determining prudential standing here are covered by asking whether a claimant "arguably fall[s] within the zone of interests protected or regulated by the statutory provision." *Bennett v. Spear*, 520 U.S. 154, 162 (1997). And differences in the statutes' histories and purposes make further incorporation of *AGC*'s principles unwarranted.

A. The Lanham Act Abrogated Common Law Restrictions on False Advertising Suits.

Lexmark's argument for applying the *AGC* factors to Lanham Act Section 43(a) centers on its oft-repeated (but unsupported) refrain that the Lanham Act codified the common law of unfair competition. Lexmark Br. at 3, 4, 12, 13, 16, 24, 25, 27. Contrary to this *ipse dixit*, the history of Lanham Act Section 43(a) shows that Congress in that statute created new rights and remedies not available at common law, superseding some of the very limits that Lexmark asks this Court to resurrect through prudential standing rules.

In stark contrast to the Sherman Act, which "d[id] not announce a new principle of law," *AGC*, 459 U.S. at 531 (citation omitted), Lanham Act Section 43(a) expressly announced a new principle of law. Early common law cases restricted unfair competition suits to "passing off," *i.e.*, misrepresenting one's goods as those of another. The

Court long ago explained: "Unfair competition, as known to the common law, is a limited concept. Primarily, and strictly, it relates to the palming off of one's goods as those of a rival trader." *A.L.A. Schechter Poultry Corp. v. United States*, 295 U.S. 495, 531-32 (1935) (citations omitted).

Under the limited scope of the common law of unfair competition, no right of action existed for commercial false advertising. The *American Washboard* court, consisting of three later Justices of this Court, held that false advertising was among the "wrongs" for which "the legislature, and not the courts must provide a remedy." *Am. Washboard Co. v. Saginaw Mfg. Co.*, 103 F. 281, 285 (6th Cir. 1900) (Taft, Day, Lurton, J.J.). Similarly, in *Ely-Norris Safe Co. v. Mosler Safe Co.*, 7 F.2d 603 (2d Cir. 1925), Judge Learned Hand held that a plaintiff could only sue for false advertising when the plaintiff's damages were completely certain because "the plaintiff has a monopoly of the kind of wares concerned" and "the defendant . . . represent[s] his own as of that kind." *Id.* at 604. This Court reversed the Second Circuit based on a different reading of the complaint, but held implicitly that no false advertising cause of action existed at common law at least absent a plaintiff who was the single source of the goods at issue and a defendant who passes his wares off as such goods. *Mosler Safe Co. v. Ely-Norris Safe Co.*, 273 U.S. 132, 132-34 (1927).

Congress in its 1920 trademark statute created a limited additional cause of action for defined false representations. After the United States signed the Buenos Aires Convention of 1910, Congress enacted Section 3 of the Trademark Act of 1920, which gave a cause of action for "false designation[s] of origin" to "any person, firm, or corporation doing business in the locality falsely indicated." Pub. L. No. 66-163, §3, 41 Stat. 533, 534 (repealed 1946); *see also Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 777 n.2 (1992) (Stevens, J., concurring). Although limitations on the right of redress in Section 3 of the 1920 Trademark Act "destined [it] for oblivion," *id.*, the authorization for "any person" in a relevant locality to sue provided a statutory right of action that went beyond the common law "single source" limitations on standing.

The 1929 General Inter-American Convention for Trade Mark and Commercial Protection ("the Convention") obligated the United States to grant domestic and foreign nationals broader protections against acts of "unfair competition," beyond those available at common law or prior statutes. Feb. 20, 1929, 46 Stat. 2907, T.S. No. 833. Chapter IV of that Convention, entitled "Repression of Unfair Competition," required the United States to repress false advertising, *id.* art. 21, and to ensure that transgressors are "answerable in damages to the injured party," *id.* art. 22.

Congress, to accomplish its goal of "provid[ing] rights and remedies stipulated by treaties and conventions respecting . . . unfair competition," 15 U.S.C. §1127, codified the Convention's mandates in Sections 43(a) and 44 of the Lanham Act. Scholars writing in the decade after the Lanham Act's enactment recognized that the Convention formed much of the "initial incentive" behind the Lanham Act. Walter J. Derenberg, *Federal Unfair Competition Law at the End of the First Decade of* *the Lanham Act: Prologue or Epilogue?*, 32 N.Y.U. L. Rev. 1029, 1029 (1957).

Through Section 43(a) of the Lanham Act, Congress thus created the false-advertising remedy that the *American Washboard* court said was the legislature's prerogative. Section 43(a) expressly abrogated the *Ely-Norris* single-source rule (which required certainty of damages) by allowing "any person" who "believes" that he is "likely to be damaged" to sue. 15 U.S.C. §1125(a)(1).

Section 43(a) has long been recognized as a departure from common law rules. In *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649 (3d Cir. 1954), the Third Circuit held that Lanham Act Section 43(a) was not "merely declarative of existing law," because the statutory language differentiated it from the "judge made law of unfair competition." *Id.* at 651; *see also Gold Seal Co. v. Weeks*, 129 F. Supp. 928, 940 (D.D.C. 1955) ("In this respect Section 43(a) does create a federal statutory tort, *sui generis*"), *aff'd per curiam sub nom. S.C. Johnson & Son, Inc. v. Gold Seal Co.*, 230 F.2d 832 (D.C. Cir.), *cert. denied*, 352 U.S. 829 (1956); Rudolph Callmann, *The New Trade-Mark Act of July 5, 1946*, 46 Colum. L. Rev. 929, 931 (1946) (Section 43(a)'s "civil action in favor of any one who is *likely* to be injured" is "a most significant addition to our common-law doctrines of false advertising which, under the demoralizing influence of the Aluminum Washboard case, denied any private suit for false advertising").

Congress subsequently, moreover, reaffirmed the breadth intended for Section 43(a). Congress in 1988 overturned as illogical the *Bernard Food Industries* line of cases, which had limited actionable false advertising to statements about a merchant's own goods. *Supra*, at 24-25.

This statutory progression highlights Section 43(a)'s abrogation of common law limitations on false advertising suits. And it makes clear that the Lanham Act should provide a cause of action to any person who can plausibly allege commercial harm from false advertising.[4]

Lexmark is thus wrong on all counts when it says that AGC should apply here because Section 43(a) codified the common law of unfair competition. Section 43(a) is distinct from the generic category of "unfair competition" because it proscribes only "certain unfair trade practices prohibited by its text." *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 29 (2003). In the false advertising context, Section 43(a) is much more permissive than the

[4] Lexmark's citation to a standing reference in a 1988 Senate Report to the Trademark Law Revision Act, Lexmark Brief at 18, sheds no light on the question presented. The language quoted by Lexmark concerns the debate over consumer standing, not any limitations on standing for commercial actors like those that Lexmark advocates. *Compare* H.R. Rep. No. 100-1028, at 7-8, 13-15 (1988); *id.* at 32 (proposing a cause of action to "any person, including a consumer"), *with* S. Rep. No. 100-515, at 40-41 (1988); *id.* at 67 (retaining suit-authorization clause from the original Lanham Act). The standing cases cited in the legislative history of the Trademark Law Revision Act in fact generally applied the reasonable interest test that Lexmark asks the Court *not* to apply. H.R. Rep. No. 100-1028 at 13-15 (1988).

common law, establishing a cause of action where none previously existed and abrogating restrictions on suit.

The Sherman Act, by contrast, incorporated common-law rules requiring, among other things, certain damages. *See AGC*, 459 U.S. at 522 & n.26 (noting requirement that "the plaintiff [must] prove, with certainty, both the existence of damages and the causal connection"). The difference between the suit-authorizing language in the Lanham Act and that found in the Sherman and Clayton Acts reinforces the statutes' different positions vis-à-vis the common law. The suit-enabling language in the antitrust statutes, though very broad, requires the claimant to be an individual who "*shall be injured* in his business or property *by reason of*" an antitrust violation. 15 U.S.C. §15(a) (emphasis added). The Court has ascribed to Congress the intent to incorporate common law restrictions when statutes use the same language. *See Holmes v. Sec. Investor Prot. Corp.*, 503 U.S. 258, 267-68 (1992) (comparing Civil-RICO to the Sherman and Clayton Acts). When Congress uses more expansive words (as in the Lanham Act), courts should give effect to the variance.

Having jettisoned by statute common-law limitations on the scope of actionable false advertising, Congress cannot have intended for the courts to reinstate similar limitations under the guise of prudential standing. Incorporating the antitrust standing factors of *AGC* into a standing test for Lanham Act claims would do just that, thereby ignoring the extensive differences between the statutes' relationships with the common law.

B. Differences Between the Antitrust Statutes and the Lanham Act Make *AGC* Inappropriate for Lanham Act Standing.

Significant other differences between the Lanham Act's false advertising cause of action and antitrust law also require different approaches to standing:

First, Section 43(a) (like the other sections in the Lanham Act) protects individual persons' goodwill. *Supra*, at 25-26; *see also* 15 U.S.C. §1127 (stating that the Act is designed "*to protect persons engaged in [interstate] commerce* from unfair competition") (emphasis added). The antitrust laws, by contrast, "were enacted for 'the protection of *competition* not *competitors*.'" *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)). For this reason, this Court's antitrust jurisprudence imposes fairly rigorous limits to ensure that damages sought are to remedy an antitrust injury. *Id.* at 488-89. The same approach is not warranted in the Lanham Act context, because Section 43(a) protects individual rights.

Second, false advertising suits by their nature require little judicial gate-keeping compared to antitrust suits. Section 1 of the Sherman Act, for example, requires difficult line-drawing between unreasonable restraints on trade and those that are benign or aid competition. *See AGC*, 459 U.S. at 531; *Leegin Creative Leather Prods., Inc. v. PSKS, Inc.*, 551 U.S. 877, 885 (2007). The need in antitrust cases to determine whether conduct poses an unreasonable restraint commends closer scrutiny of the effects of alleged anticompetitive acts—and, therefore, on plaintiffs' standing to seek redress for harm to competition. No similar problem exists with respect to false advertising, which is never a public good.

Third, *AGC*'s concern about speculative damages does not apply in the Lanham Act context because the statute specifically provides for flexibility in proving damages. The statute allows plaintiffs to recover through three distinct measures—a plaintiff's damages from the wrongdoing, a defendant's profits from the wrongdoing, or any amount "the court shall find to be just" if the "recovery based on profits is either inadequate or excessive." 15 U.S.C. §1117(a). Congress, moreover, relieved plaintiffs of the burden precisely to prove a defendant's profits, requiring only proof of the defendant's sales before shifting the burden to the defendant to prove any offsetting costs that diminished its profits. *Id*. Any standing test that turns on the uncertainty of damages would improperly invite courts to pre-judge the merits of an action when Congress specifically provided avenues for alleviating plaintiffs' burdens. The statutory flexibility with respect to proof of injuries means that uncertainty in the quantum of damages cannot bar suit at the pleading stage.

Lanham Act Section 43(a)'s different text, context, and relationship with the common law vis-à-vis the Sherman and Clayton Acts mean that the Court should decline Lexmark's invitation to incorporate antitrust rules into the very different Lanham Act context. The Court should, moreover, proceed cautiously with any multi-factor test, as such tests can lead courts to a mechanical balancing that supplants statutory text and context. Here, as a prime example, the district court marched through a checklist of antitrust factors but failed to account for differences between the Lanham Act and Sherman Act when holding that Static Control lacked Lanham Act standing "[f]or the same reasons" that the district court believed Static Control lacked antitrust standing. Pet. App. 84. Mixing antitrust and Lanham Act doctrines would encourage other courts to assume that standing (or lack thereof) under one statute equates to standing (or lack thereof) under a different statute, as the district court did here.

C. *AGC's* Policy Concerns Do Not Apply on These Pleadings.

Each of Lexmark's arguments about Static Control's lack of standing under *AGC* refers back to the same faulty assertion: that Lexmark and Static Control do not compete against one another. Because Static Control and Lexmark do not sell the exact same products, Lexmark says that Static Control's injuries are not contemplated by the Lanham Act and are too indirect, too remote, too speculative, and too complicated for courts to administer. Lexmark Br. at 38-41. As discussed above, however, any requirement of competition (whether explicit or implicit through consideration of the *AGC* factors) is inconsistent with the statute's text, history, and purposes. *Supra*, at 30-35.

Regardless, Lexmark's policy concerns are without merit on these pleadings. Lost sales suffered by a person whose products are targeted by false advertising, and lost sales by a person whose products are necessary components of the very goods the false advertising seeks to suppress, are both standard false-advertising injuries that Congress sought to address in Lanham Act Section 43(a). *Cf. Merck Eprova AG v. Brookstone Pharm., LLC*, 920 F. Supp. 2d 404, 411 (S.D.N.Y. 2013); *Camel Hair & Cashmere Inst. of Am., Inc. v. Associated Dry Goods Corp.*, 799 F.2d 6, 11-12 (1st Cir. 1986); *Famous Horse Inc. v. 5th Ave. Photo Inc.*, 624 F.3d 106, 113 (2d Cir. 2010); *supra*, at 33-34.

Static Control's damages, moreover, are not remote or indirect in the way this Court uses those terms. Injuries in *every* commercial false advertising case—just as in common law libel and defamation cases—will be caused by third parties acting on false information. Accordingly, the mere fact that an injury turns on third parties' decisions cannot itself make claims for damages too indirect or too remote. *See Bridge v. Phoenix Bond & Indem. Co.*, 553 U.S. 639, 656-58 (2008) (holding that auction participants can recover under RICO because they were directly and foreseeably injured by false statements made to those running an auction). Static Control's damages relating to the false information directed at Static Control's own customers are as direct and proximate as false advertising harms can be.

Lexmark's purported concerns about duplicative damages and complex apportionment are also misplaced. No other party can claim the same damages that Static Control seeks (*e.g.*, its lost profits). Courts, moreover, are capable of apportioning damages in a way that prevents double recovery, since all awards under the Lanham Act are "subject to the principles of equity." 15 U.S.C. §1117(a). All that is required is a consistent allocation of the revenue from lost sales between component manufacturers central to competition (like Static Control) and those that produce finished goods. Static Control can prove the prices at which it sells Lexmark-compatible components and the costs to produce those components, establishing the measure of damages that Static Control suffered.

Standing for Static Control promotes essential policies of the Lanham Act as applied to the facts of this case. Many remanufacturers are too small to go head-to-head with Lexmark in litigation, whereas the leading supplier of essential, specialized components to the remanufacturing industry as a whole has sufficient wherewithal and motivation to fight back against Lexmark's false advertisements. A rule cutting off Lexmark's liability to all but individual remanufacturers would insulate defendants from the bulk of damages caused by false advertisements in the many commercial situations like the one at bar, leading to under-enforcement and under-deterrence of a wrong Congress proscribed.

Static Control's damages here are not speculative. Static Control's counterclaim plausibly alleges damages proximately caused by Lexmark's false statements, including lost sales and lost goodwill from those misrepresentations directed at Static Control's products. J.A. 20, ¶2; J.A. 43-44, ¶¶85-88. These allegations must be taken as true at this stage, "constru[ing] the complaint in favor of the complaining party." *Warth v. Seldin*, 422 U.S. 490, 501 (1975). But there are also pleaded facts that support the existence of damages. A comparison between the pricing and the market share for remanufactured cartridges for Hewlett-Packard and Lexmark printers shows that Lexmark's Prebate program (including the false advertising used to execute it) has had Lexmark's desired effect of suppressing sales of remanufactured Lexmark cartridges. J.A. 35-36, ¶¶50-52. Static Control has thus sold fewer products for the remanufacture of Lexmark cartridges (and Lexmark has sold more replacement cartridges) because Lexmark falsely advertised. The exact quantum of damages and methods for calculating them are matters for trial.

Congress made the judgment in the Lanham Act to adopt a low threshold for standing when it gave a cause of action to a plaintiff who merely "*believes* that he or she is or is *likely* to be damaged." 15 U.S.C. §1125(a)(1) (emphasis added). "It is not for the judiciary to eliminate the private action in situations where Congress has provided it." *Sedima, S.P.R.L. v. Imrex Co.*, 473 U.S. 479, 499-500 (1985).

Finally, Static Control's right to injunctive relief separately demonstrates why it should have standing here. By allowing suit under the Lanham Act "by any person who believes that he or she is or is likely to be damaged," 15 U.S.C. §1125(a)(1), Congress incorporated generous standing rules under the Trademark Act of February 20, 1905, which allowed "[a]ny person who believes he would be damaged by the registration of a mark" to oppose that registration. Pub. L. No. 58-84, §6, 33 Stat. 724, 726; Walter J. Derenberg, *Federal Unfair Competition Law at the End of the First Decade of the Lanham Act: Prologue or Epilogue?*, 32 N.Y.U. L. Rev. 1029, 1053-54 (1957). Parties under this statute could oppose the registration of trademarks based on probable (rather than proven) injury. *See Burmel Hankerchief Corp. v. Cluett, Peabody & Co.*, 127 F.2d 318, 321-22 (C.C.P.A. 1942); *see also* 15 U.S.C. §§1063, 1064 (continuing to apply same standing rules under the Lanham Act). Similar leniency ought to be given to a party seeking to enjoin false advertising that potentially harms that party's goodwill and likely depresses sales of its products. "The only type of plaintiff that should be denied the opportunity to prove [an advertisement's] falsity is the 'mere intermeddler' who is minding other people's business." 5 J. Thomas McCarthy, *McCarthy on Trademarks* §27:31 (4th ed. 2010).

Policy concerns about how damages will be proven or apportioned at trial cannot undermine Static Control's federal right to make Lexmark stop speaking falsely about Static Control's products and the market for them more generally. Standing for equitable relief ought not differ from the right to recover damages. *See Holmes v. Sec. Investor Prot. Corp.*, 503 U.S. 258, 289 (1992) (Scalia, J., concurring in the judgment). Static Control thus must have standing to pursue both forms of relief subject to proof of its injuries at trial.

* * *

Lanham Act Section 43(a) protects "any person" whose goods are targeted with false advertising. As the target of false advertising and as the manufacturer of microchips that enable the very remanufacturing Lexmark sought to suppress with its false advertising, Static Control's claims fall within the Lanham Act's zone of interests.

CONCLUSION

For all these reasons, the Court should affirm the judgment of the Sixth Circuit.

Respectfully submitted,

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