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

BRIEF OF THE INTERNATIONAL TRADEMARK ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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INTEREST OF *AMICUS CURIAE*[1]

Founded in 1878, *amicus curiae* The International Trademark Association ("INTA") is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual property concepts as essential elements of trade and commerce. INTA has more than 6,000 members in more than 190 countries. Its members include trademark and brand owners, as well as law firms and other professionals who regularly assist brand owners in the creation, registration, protection, and enforcement of their trademarks. All INTA members share the goal of promoting an understanding of the essential role that trademarks and goodwill play in fostering effective commerce, fair competition, and informed decision-making by consumers.

INTA was founded in part to encourage the enactment of federal trademark legislation after invalidation on constitutional grounds of the United States' first trademark act. Since then, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with major trademark and related legislation. INTA members are frequent participants in Lanham Act–related litigation as both plaintiffs and

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1. In accordance with Supreme Court Rule 37.6, *amicus curiae* states that this brief was authored solely by INTA and its counsel, and no part of this brief was authored by counsel to a party. No party or counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, its members, and its counsel made such a monetary contribution to its preparation or submission. Letters from both parties consenting to the filing of this brief have been filed with the Clerk of the Court.

defendants. INTA has also participated as *amicus curiae* in numerous cases involving significant Lanham Act issues in this Court and others.[2]

INTA and its members have a particular interest in this case, which concerns prudential standing requirements for false advertising claims brought pursuant to Section 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B). Resolution of the current three-way circuit split on this issue would greatly benefit trademark owners by creating a uniform standard and reducing forum shopping. In addition, it is important to INTA that the standard adopted by the Court sufficiently protect trademark owners' ability to pursue recourse under the Lanham Act when their commercial interests

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2. Cases in which INTA has filed *amicus* briefs with this Court include without limitation: *Already, LLC v. Nike, Inc.*, 133 S. Ct. 721 (2013); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); and *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988). Recent cases in which INTA has filed *amicus* briefs with the United States Courts of Appeals for the various circuits include without limitation: *Ferring Pharm. Inc. v. Watson Pharm., Inc.*, Case No. 13-2290 (3d. Cir.) (amicus brief filed Sept. 20, 2013); *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206 (2d Cir. 2012); *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012); *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958 (9th Cir. 2011); and *Test Masters Educ. Servs., Inc. v. Singh*, 428 F.3d 559 (5th Cir. 2005).

are adversely affected by false advertising. As set forth herein, while INTA takes no position with respect to the plausibility of respondent's allegations or the merits of its substantive claims, INTA and its members are concerned that the prudential standing tests proposed by petitioner are not only inconsistent with the text and purpose of the Lanham Act, but also would prevent the Courts from hearing legitimate grievances concerning deceptive marketing that Congress intended to be actionable under the Lanham Act.[3]

SUMMARY OF ARGUMENT

At the heart of prudential standing is the question of "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 v. Seldin*, 422 U.S. 490, 500 (1975). Put differently, a plaintiff's complaint must "fall within the zone of interests protected by the law invoked," in order for prudential standing to lie. *Allen v. Wright*, 468 U.S. 737, 751 (1984).

3. This brief is not the first time that INTA has provided guidance with respect to prudential standing requirements for Section 43(a) false advertising claims. INTA's predecessor, the U.S. Trademark Association ("USTA"), addressed this issue prior to passage of the Trademark Law Revision Act of 1988. *See The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors*, 77 Trademark Rep. 375, 427-28 (1987); S. Rep. No. 100-515, at 2-3 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5578-79 (noting that the USTA *Report and Recommendations* "served as the basis for the introduction" of the bill that became the Trademark Law Revision Act of 1988).

Section 43(a)(1)(B) of the Lanham Act, added as part of the Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935, provides an express statutory cause of action against false advertising. The text of that provision extends the cause of action to an expansive class of potential plaintiffs – indeed, the same category of plaintiffs that may bring a cause of action for false association under Section 43(a)(1)(A): "any person who believes that he or she is or is likely to be damaged by such" false advertising or false association. 15 U.S.C. § 1125(a)(1). While it is universally acknowledged that this language incorporates some prudential standing limitations, those limitations are fairly minimal; Section 43(a) protections are available to those entities whose *commercial* interests are adversely affected by false advertising or false association. *See, e.g.*, *Colligan v. Activities Club of N.Y., Ltd.*, 442 F.2d 686, 692 (2d Cir. 1971).

Of the three prudential standing tests employed by the circuit courts for false advertising claims under Section 43(a)(1)(B) of the Lanham Act, the "reasonable interests" test applied by the Sixth Circuit in the proceedings below – and advocated for by respondent Static Control Components, Inc. ("Static Control") – is the only analysis fully consistent with the text and underlying purposes of the Lanham Act. *See Static Control Components, Inc. v. Lexmark Int'l, Inc.*, 697 F.3d 387, 410-11 (6th Cir. 2012). Under this flexible and case-by-case approach originally developed by the Second Circuit, the Court inquires whether a plaintiff has "'(1) a reasonable interest to be protected against the false advertising and (2) a reasonable basis for believing that the interest is likely to be damaged by the alleged false advertising.'" *Id.* at

410 (quoting *Famous Horse Inc. v. 5th Ave. Photo Inc.*, 624 F.3d 106, 113 (2d Cir. 2010)). Necessarily built into this determination is the aforementioned limitation that only parties whose commercial interests are affected are within the aegis of Section 43(a). *See Famous Horse*, 624 F.3d at 111-12.

In contrast, the two alternate tests of prudential standing that petitioner Lexmark International, Inc. ("Lexmark") implores this Court to choose from would, inconsistent with the broad standing mandate of Section 43(a)(1)(B) itself, drastically limit the protections that the Lanham Act affords to parties with commercial injuries.

The "categorical test" misinterprets one of the Lanham Act's general purposes – to protect "against unfair competition," 15 U.S.C. § 1127 – as protecting only *direct competitors* against false advertising. But the notion that Lanham Act protections only extend to "direct" competitors is not found in the text of Section 43(a) or the legislative history of the Lanham Act.

Nor does such a limitation make any sense. To be sure, false advertising may be particularly likely to injure a party's commercial interests when the advertiser is a direct competitor (because, for example, it may divert sales to a substitute product). But there are instances in which factual misrepresentations can injure the commercial interests of non-direct competitors (or even non-competitors). For example, if a company is expressly falsely disparaged, its goodwill and reputation may be injured irrespective of whether the party making the statements is a direct competitor. Relatedly, commercial interests may be injured in cases involving deceptive statements about a party's association or affiliation under Section 43(a)(1)(A), for which no courts – even those that apply the categorical test for Section 43(a)(1)(B) claims – require that the plaintiff and defendant be direct competitors for prudential standing to lie. Accordingly, while Lexmark may tout the categorical test as having the "virtue of simplicity, resulting in greater consistency and predictability" in the courts, Pet. Br. at 12, those purported benefits are obtained at the steep expense of fidelity to the scope and purposes of the Lanham Act.

Nor should this Court adopt the balancing factors set forth by this Court for determining standing to bring an antitrust claim in *Associated General Contractors of California, Inc. v. California State Council of Carpenters*, 459 U.S. 519, 538-44 (1983) (the "*AGC* Factors"), and first adopted in the Lanham Act false advertising context in *Conte Bros. Automotive, Inc. v. Quaker State-Slick 50, Inc.*, 165 F.3d 221, 233-35 (3d Cir. 1998). While the application of the *AGC* Factors to standing under the Lanham Act in *Conte Bros.* reflects a thoughtful attempt to supplement the "reasonable interests" test by providing additional guideposts for the courts, those factors nevertheless have also proven an unduly restrictive tool for identifying the types of commercial harms that give rise to a cause of action under the Lanham Act. Indeed, because of their origins as a test to determine prudential standing under Section 4 of the Clayton Act, 15 U.S.C. § 15, the *AGC* Factors require a plaintiff to demonstrate an injury to competition itself – i.e., an antitrust injury – that is not required under the Lanham Act.

In addition, the *AGC* Factors place great emphasis on a plaintiff's ability to demonstrate and apportion monetary damages. Yet monetary damages are not only notoriously difficult to prove in Lanham Act false advertising cases, they are not even required by the Lanham Act itself, which permits plaintiffs to pursue, among other remedies, solely injunctive relief. *See* 15 U.S.C. § 1116(a). Relatedly, the *AGC* Factors do not properly account for the fact that false advertising can result in damage to a business's goodwill separate and apart from measurable, pecuniary harms. As a result, application of the *AGC* Factors to Section 43(a) claims leads to inconsistent and confusing results – including by the District Court in this case, which conflated its analyses of prudential standing for Static Control's distinct claims under the antitrust laws and the Lanham Act.

The facts of this case demonstrate the shortcomings of the categorical test and *AGC* Factors. While INTA takes no position with respect to the plausibility of Static Control's allegations or the actual merits of its substantive claim, it is difficult to imagine that such allegations, if plausible, would not present the very injury that falls within the Lanham Act's "zone of interests."[4] Static Control, which "mak[es] and sell[s] the components necessary to remanufacture Lexmark [toner] cartridges," *Static Control*, 697 F.3d at 396, has alleged that Lexmark's advertising sought to impair Static Control's activities by

4. INTA's conclusion that the reasonable interest approach should be adopted is shared by *amici* the American Intellectual Property Law Association and Law Professors, whose briefs were submitted to this Court in support of neither petitioner nor respondent. Insofar as Lexmark advocates for the categorical and *AGC* Factors test, and Static Control recognizes that any proper test of prudential standing specific to Section 43(a) of the Lanham Act "should use the reasonable interest test applied by the Sixth Circuit (and the First and Second Circuits) as a model" (Respondent's Br. at 15), INTA believes that it is appropriate to submit this brief in support of the respondent.

"false[ly] inform[ing] customers that [Static Control's] products infringe Lexmark's purported intellectual property." *Id.* at 409. To the extent that Lexmark purportedly disseminated false information about Static Control's business by name and in such a manner that would impair Static Control's ability to sell its products, Static Control's commercial interests were certainly alleged to have been harmed.

Insofar as Lexmark advocates for a test that would not permit Static Control to pursue its false advertising claim herein, its notions of prudential standing would not adequately protect brand owners against misrepresentations about their businesses. Accordingly, this Court should reject the categorical test and *AGC* Factors, and adopt the reasonable interests test as the proper analysis of prudential standing for false advertising claims under Section 43(a)(1)(B) of the Lanham Act.

LEGAL BACKGROUND

A. Prudential Standing Under the Lanham Act

Section 43(a) of the Lanham Act, on its face, provides that "any person who believes that he or she is or is likely to be damaged" may bring a cause of action against any person who "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" that constitutes either false association or false advertising. 15 U.S.C. § 1125(a)(1). While this grant of standing is broad, courts throughout the United States have consistently agreed that this provision, and the Lanham Act generally, imposes on putative plaintiffs additional "prudential standing" requirements beyond demonstrating an Article III "case or controversy" – *i.e.*, that the plaintiff's allegedly injured interest is "within the zone of interests" intended to be protected by the statute. *Allen*, 468 U.S. at 751. For example, Section 43(a) protections are available only to those entities whose *commercial* interests are adversely affected by false advertising or false association, and thus consumers do not have a cause of action under the statute. *See Colligan*, 442 F.2d at 692 (explaining that the Lanham Act is intended "exclusively to protect the interests of a purely commercial class against unscrupulous commercial conduct"); *see also Made in the USA Found. v. Phillips Foods, Inc.*, 365 F.3d 278, 279-80 (4th Cir. 2004) (citing cases for the proposition that "[a]t least half of the circuits hold (and none of the others disagree)" that consumers are barred from suing under the Lanham Act); *Conte Bros.*, 165 F.3d at 229 (recognizing that consumers do not have standing to bring Section 43(a) claims and noting "the expressly commercial purpose of the Lanham Act"); *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1383 n.5 (5th Cir. 1996) ("[W]e have found no case which suggests that 'consumers' as such have standing under § 43(a).").[5]

5. The breadth of the Lanham Act's protection of commercial interests is aptly reflected in the language of Section 43(a) itself, referring to "use[] in commerce" and misrepresentations of "goods, services, or commercial activities." 15 U.S.C. § 1125(a). The *Colligan* court also looked to the general purpose language in Section 45 of the Lanham Act concerning protection of "persons engaged in such commerce," 15 U.S.C. § 1127, as reflecting Congressional intention to protect only against commercial harms. *See Colligan*, 442 F.2d at 691-92.

Beyond this, however, the various circuit Courts of Appeals have disagreed as to the prudential standing requirements for false advertising claims under Section 43(a)(1)(B) of the Lanham Act, with a three-way circuit split on this issue emerging. These three tests have come to be known as (1) the "categorical" test, (2) the "*AGC* Factors" test, and (3) the "reasonable interests" test.

B. Three-Way Circuit Split for Lanham Act "Prudential Standing"

1. Categorical Test

The "categorical" test is the narrowest, most rigid approach to prudential standing for false advertising claims under Section 43(a)(1)(B) of the Lanham Act. It permits such claims only where the plaintiff is a direct competitor of the defendant, *i.e.*, the injury is "harmful to the plaintiff's ability to compete with the defendant." *Jack Russell Terrier Network of N. Cal. v. Am. Kennel Club, Inc.*, 407 F.3d 1027, 1037 (9th Cir. 2005). This test was first adopted by the Ninth Circuit in *Halicki v. United Artists Communications, Inc.*, 812 F.2d 1213, 1214-15 (9th Cir. 1987). Relying on one of the general statements of purpose in Section 45 of the Lanham Act "to protect persons engaged in . . . commerce against unfair competition," 15 U.S.C. § 1127), the Ninth Circuit narrowed its analysis to the regulation of *competition*, concluding that for conduct to be actionable under the Lanham Act, it "must not only be unfair but must in some discernible way be competitive." *Halicki*, 812 F.2d at 1214. Notably (and as discussed below in Section I.A), courts that apply the categorical test only require direct competition for false advertising claims brought under Section 43(a)(1)(B), but not for false association claims brought under Section 43(a)(1)(A), despite the fact that both causes of action are covered by the same statutory language concerning who may sue. *See Jack Russell Terrier Network*, 407 F.3d at 1037; 15 U.S.C. § 1125(a)(1).

In addition to the Ninth Circuit, the Seventh and Tenth Circuits have also adopted the categorical test. *See L.S. Heath & Son, Inc. v. AT&T Info. Sys., Inc.*, 9 F.3d 561, 575 (7th Cir. 1993); *Stanfield v. Osborne Indus., Inc.*, 52 F.3d 867, 873 (10th Cir. 1995).

2. *AGC* Factors Test

The "*AGC* Factors" test is so called because it derives from this Court's decision in *Associated General Contractors of California, Inc. v. California State Council of Carpenters* ("*AGC*"), which considered prudential standing requirements for bringing an antitrust action for treble damages under Section 4 of the Clayton Act. *See AGC*, 459 U.S. at 521 ("The question presented is whether the complaint sufficiently alleges that the unions have been 'injured in [their] business or property by reason of anything forbidden in the antitrust laws' and may therefore recover treble damages under § 4 of the Clayton Act.") (alteration in original) (quoting 15 U.S.C. § 15). Addressing the legislative history and the historical context of federal antitrust laws, this Court discussed various factors present under the common law that "circumscribed the availability of damages recoveries" for violation of Section 4 despite the broad statutory language purporting to make the treble damages cause of action available to "'[a]ny person who shall be injured in his business or property.'" *See AGC*, 459 U.S. at 529-

35. Without enumerating a specifically laid out test, this Court identified several generalized factors that bear on whether standing exists in the context of that particular antitrust provision. *See id.* at 537-45.

The Third Circuit, in *Conte Brothers Automotive, Inc. v. Quaker State-Slick 50, Inc.*, faced with the issue of the appropriate test for prudential standing for false advertising claims under the Lanham Act, first recognized that its precedent appeared to apply a form of the "reasonable interest" test (discussed below), without having squarely adopted an articulated standard. 165 F.3d at 230-31. However, in order to add "content" to that test historically (if implicitly) applied, *see id.* at 233, the Third Circuit noted the similarly broad grant of standing in Section 4 of the Clayton Act, and articulated and adopted the following specific factors set forth in *AGC* as a balancing test for determining prudential standing for false advertising claims: (1) the nature of the plaintiff's alleged injury (is it of a type that Congress sought to redress in providing a private remedy?); (2) the directness or indirectness of the asserted injury; (3) the proximity or remoteness of the party to the alleged injurious conduct; (4) the speculativeness of the damages claims; and (5) the risk of duplicative damages or complexity in apportioning damages. *See id.* at 233-35 (citing *AGC*, 459 U.S. at 538-44).

The Fifth and Eleventh Circuits have both adopted the Third Circuit's articulation of the *AGC* Factors test. *See Proctor & Gamble Co. v. Amway Corp.*, 242 F.3d 539, 562-63 (5th Cir. 2001); *Phoenix of Broward, Inc. v. McDonald's Corp.*, 489 F.3d 1156, 1162-67 (11th Cir. 2007).

3. "Reasonable Interests" Test

The "reasonable interests" test employed by the Sixth Circuit is the broadest and most flexible of the three tests, permitting Section 43(a)(1)(B) claims where a plaintiff demonstrates "'(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.'" *Static Control*, 697 F.3d at 410 (quoting *Famous Horse*, 624 F.3d at 113). This test incorporates the prudential standing limitation (discussed above) that the "reasonable interest" at issue be a commercial one, not simply a consumer interest. *See Famous Horse*, 624 F.3d at 111-12. Unlike the categorical test, competition between the plaintiff and defendant is not "a *sine qua non* of standing," but rather "a factor that strongly favors standing." *Id.* at 112-13.

In addition to the Second and Sixth Circuits, the First Circuit has applied a variant of the reasonable interests test. *See Camel Hair & Cashmere Inst. of Am., Inc. v. Associated Dry Goods Corp.*, 799 F.2d 6, 11 (1st Cir. 1986) (noting that "the dispositive question in determining whether a plaintiff is a proper person to bring a claim under the Lanham Act, is whether the plaintiff has a reasonable interest in being protected against false advertising").[6]

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6. The Eighth Circuit has recognized a circuit split among courts that adopt the categorical test and *AGC* Factors test (disregarding the reasonable interests test), but has declined to expressly adopt either as the proper analysis of prudential standing. *See Am. Ass'n of Orthodontists v. Yellow Book USA, Inc.*, 434 F.3d 1100, 1103-04 (8th Cir. 2006).

ARGUMENT

I. THE CATEGORICAL TEST IS UNDULY NARROW AND DOES NOT ADEQUATELY PROTECT THE INTERESTS OF TRADEMARK OWNERS

A. Circuits Adopting the Categorical Test Deviate from Precedent and Rely Solely on an Unduly Narrow Reading of the Lanham Act's General Statement of Purpose

As discussed above, the sole basis for the Ninth Circuit's adoption of the "direct competitor" requirement in *Halicki* was the language of Section 45 of the Lanham Act, which states that among the Lanham Act's various purposes is to "protect persons engaged in . . . commerce against unfair competition." 15 U.S.C. § 1127; *see Halicki*, 812 F.2d at 1214. Seeking to contain a perceived "'explosion' of cases brought under the [Lanham Act]," *Halicki*, 812 F.2d at 1213-14 (citation omitted), the court took an extremely narrow view of "unfair competition," reading it as a limitation on the specific types of injuries made actionable under Section 43(a), rather than an example of the unlawful conduct against which the Lanham Act seeks to protect persons engaged in commerce. *See id.* at 1214. Subsequent cases within the circuits employing the categorical test have continued to rely solely on the Section 45 language as the justification for the categorical test. *See, e.g.*, *Stanfield*, 52 F.3d at 873; *L.S. Heath & Son*, 9 F.3d at 575; *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1108 (9th Cir. 1992). Lexmark also relies on this same rationale. *See* Lexmark Br. at 4, 15.

But the reasoning in *Halicki* is fatally flawed insofar as the categorical rule relies on an unduly restrictive understanding of "unfair competition" as that term is used in Section 45. The general term "unfair competition" in the abstract is not so constrained that it only applies to diversions of sales from one party to its *direct competitor*, but rather refers to a broader category of "commercial torts." *See generally* 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 1:8 (4th ed. 2013); *see also id.* § 1:8, at 1-18 (explaining that "the meaning of the term ["unfair competition"] is fluid, having been refined on a case-by-case basis over more than a century," and therefore is not susceptible to an "overall, sweeping definition"). This point is aptly reflected in the Restatement (Third) of Unfair Competition, which, in its introductory provision, defines unfair competition as "caus[ing] harm to the commercial relations of another by engaging in a business or trade" through "acts or practices" including not only "deceptive marketing," but also trademark infringement, trade secret appropriation, and violations of the right of publicity. Restatement (Third) of Unfair Competition § 1 (1995). Indeed, the Restatement expressly rejects the notion that "deceptive marketing" is limited to direct competitors; misrepresentations are actionable when they relate to "goods, services or commercial activities" and lead to "the likely commercial detriment of another," *id.* § 2, which "detriment" includes not only "diversion of trade," but also "affect[ing] the conduct of prospective purchasers," and "harm[ing] the other's reputation or goodwill." *Id.* § 3. As a result, the drafters of the Restatement (in their comments) bluntly reject the categorical test, and adopt the reasonable interests test:

> The commercial harm cognizable under this Section is not limited to direct diversions of trade, and *an actor may thus be subject to liability to a person with whom it does not compete*. Commercial detriment sufficient to subject an actor to liability may be found in the treatment of harm to the business reputation or goodwill of another. In determining the existence of a likely commercial detriment, *the dispositive question is whether the party seeking relief has a reasonable interest to be protected against the deceptive marketing of the actor*.

Id. § 3 cmt. f (emphasis added). Nothing 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. If anything, Congress passed the Lanham Act to codify and make "stronger and more liberal" existing trademark law. S. Rep. No. 79-1333, at 3 (1946).

The failings of the categorical rule are further reflected by the fact that courts that apply the categorical rule to Section 43(a)(1)(B) false advertising claims recognize that there is no direct competition requirement for prudential standing in false association claims under Section 43(a)(1)(A), despite the fact that both causes of action *share the same exact language* with respect to who can bring a suit. *See* 15 U.S.C. § 1125(a)(1); *see also Waits*, 978 F.2d at 1107 (noting the "[c]ommon sense" proposition that a party "commercially damaged" by Section 43(a)(1)(A) activity will "rarely if ever be a competitor, and yet is the party best situated to enforce the Lanham Act's prohibition on such conduct"). This differential treatment is not based on any logical distinction between false association and false advertising for purposes of prudential standing, nor could it be: the two causes of action both protect against the same injury – "false or misleading representation[s] of fact" with respect to "commercial activities" – with the only difference being the *type* of misrepresentation being made by the defendant. 15 U.S.C. § 1125(a)(1)(A), (B).[7] Rather, the distinction was simply a contrivance of the Ninth Circuit to "attempt to reconcile" its *Halicki* decision with precedent, *Waits*, 978 F.2d at 1108, "which grant[ed] a remedy against false representations in similar noncompetitive situations." 5 McCarthy, *supra*, § 27:32, at 27-34; *see Smith v. Montoro*, 648 F.2d 602, 607 (9th Cir. 1981) ("[T]he plaintiff under section 43(a) need not be in actual competition with the wrongdoer.").

The Ninth Circuit's desire to resolve its own precedential conflicts notwithstanding, its "solution" is not only inconsistent with the plain language and logic of Section 43(a), but also with the legislative history of the Lanham Act. *See Conte Bros.*, 165 F.3d at 232 ("Section 43(a) provides no support for drawing a distinction in standing depending on the type of § 43(a) violation alleged."). The text of Section 43(a) under the original Lanham Act included "'two prongs'" that "rested on the prohibitions against 'false designation of origin' and 'false description or representation'" and "share[d] the same criteria" as to "procedural elements such as . . . standing to sue." 5 McCarthy, *supra*, § 27:9, at 27-21 to 27-22. When

7. Section 43(a)(1)(A) protects against deceptive statements concerning affiliation, sponsorship, or origin of commercial activities, *see* 15 U.S.C. § 1125(a)(1)(A), while Section 43(a)(1)(B) protects against deceptive statements concerning the nature or qualities of commercial activities. *See* 15 U.S.C. § 1125 (a)(1)(B).

Congress added the express statutory cause of action for false advertising as a separate provision, it did not add any other language that distinguished standing under Sections 43(a)(1)(A) and 43(a)(1)(B). On the contrary, in passing the 1988 revisions to the Lanham Act, the Senate explained that the amendments "should not be regarded as either limiting or extending applicable decisional law." S. Rep. No. 100-515, at 41 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5604 (emphasis added).

B. The Categorical Test Has Been Heavily Criticized

In light of the foregoing, it is not surprising that the categorical test has been heavily criticized. A leading treatise on trademarks and unfair competition describes *Halicki* as an "aberration in the history of court interpretation of § 43(a)" and notes that the "passé semantic argument that there cannot be 'unfair competition' without 'competition' between the parties has often been rejected." 5 McCarthy, *supra*, § 27:32, at 27-74 to 27-75; *see also* 4 McCarthy, *supra*, § 24:14; James S. Wrona, *False Advertising and Consumer Standing Under Section 43(a) of the Lanham Act: Broad Consumer Protection Legislation or a Narrow Pro-Competitive Measure?*, 47 Rutgers L. Rev. 1085, 1138 (1995).[8] Perhaps as a result of this criticism, even the Ninth Circuit appears to be backing away from the severity of the "direct competitor" requirement. In a 2011 opinion, that court emphasized that Section 43(a)(1)(B) prudential standing requires

8. Then Circuit Judge Alito, writing the opinion in *Conte Bros.*, cited these same sources and noted that the "Ninth Circuit's approach has been the subject of criticism in subsequent cases and scholarly commentary." *Conte Bros.*, 165 F.3d at 232-33.

"commercial injury," and explained that "when plaintiff competes directly with defendant, a misrepresentation will give rise to a presumed commercial injury that is sufficient to establish standing." *TrafficSchool.com, Inc. v. Edriver Inc.*, 653 F.3d 820, 826-27 (9th Cir. 2011). These statements can fairly be read to reflect a position that *direct competition may be sufficient, but is not necessary*, for prudential standing under Section 43(a)(1)(B), and are a very far cry from the strict categorical test that Lexmark argues should be adopted by this Court.

C. This Case Demonstrates the Shortcomings of the Categorical Test

Static Control alleges that Lexmark injured its business and reputation by making false statements to customers that Static Control was engaging in illegal conduct: specifically, that Static Control was making products that infringed Lexmark's intellectual property. *See Static Control*, 697 F.3d at 409. According to Lexmark, Static Control would lack prudential standing under the categorical test because it does not sell printers or print cartridges like Lexmark, and instead only "indirectly" competes with Lexmark by supplying parts to Lexmark's competitors in the cartridge market. But this distinction makes little sense. Whether Static Control competes with Lexmark for customers or works in conjunction with parties that compete with Lexmark for customers, its business and competitive interests are nevertheless adverse to Lexmark. Therefore, damage allegedly incurred by Static Control is the same as if they were directly competing: a loss of customers and of goodwill. Further, the existence or non-existence of a direct benefit to Lexmark that corresponds with such loss of customers and goodwill by Static Control is not dispositive of the question of whether Static Control suffered an injury to its commercial interests.

As discussed below, *see infra* Section III, the fact that Static Control's business was the express target of the purported misrepresentations by Lexmark should be sufficient to ensure prudential standing. Insofar as the categorical test would not permit Static Control to bring a Section 43(a) false advertising claim, it is unduly narrow and does not comport with the purposes of the Lanham Act.

II. ADOPTION OF THE ANTITRUST-BASED *AGC* FACTORS TEST HAS SUBSTANTIAL LIMITATIONS IN THE CONTEXT OF the LANHAM ACT

A. By Emphasizing Injury to Competition and Monetary Damages, the *AGC* Factors Do Not Comport with the Lanham Act

As discussed above, this Court developed the *AGC* Factors to identify actionable injuries under Section 4 of the Clayton Act. *See AGC*, 459 U.S. at 521, 538-45. Accordingly, the purpose of the *AGC* Factors is to identify whether the plaintiff has suffered antitrust injury – that is, injury to "competition, not competitors." *Brown Shoe Co. v. United States*, 370 U.S. 294, 320 (1962); *see AGC*, 459 U.S. at 538. At no point did this Court suggest that these factors would be applicable to a prudential standing analysis outside of the context of Section 4 of the Clayton Act, much less an entirely different statutory scheme.

When used to identify actionable injuries under the Lanham Act, the *AGC* Factors suffer from the limits of their antitrust origins. To be sure, the Third Circuit's decision in *Conte Bros.* was a thoughtful rejection of the failings of the categorical test while drawing parallels between the broad grants of standing in the language of Section 43(a) of the Lanham Act and Section 4 of the Clayton Act. *See Conte Bros.*, 165 F.3d at 231-33. But there was little basis for lifting the *AGC* Factors wholesale; while the court relied almost exclusively on the suggestion in the Restatement reporter's notes that the *AGC* Factors "'may offer a useful analogy'" in cases of deceptive marketing, *Conte Bros.*, 165 F.3d at 233, the drafters of the Restatement did not suggest that a virtual identical standing analysis is appropriate. *See* Restatement (Third) of Unfair Competition § 3 cmt. f (1995). And while the court correctly noted that both the Lanham Act and Clayton Act "were drafted against the backdrop of common law doctrine," by applying the *AGC* Factors wholesale to the Lanham Act context, the court appears to have treated those common law backdrops as identical without taking into account that the statutes seek to remedy fundamentally different types of injury. *See Conte Bros.*, 165 F.3d. at 228-30, 233.

The most troublesome aspect of application of the *AGC* Factors to Section 43(a) is its emphasis (in the fourth and fifth factors) on the plaintiff's ability to prove and apportion monetary damages to obtain prudential standing. As an initial matter, monetary damages can be extremely difficult (if not impossible) to establish in false advertising and other Lanham Act claims.[9] More

9. *See TrafficSchool.com*, 653 F.3d at 825 (explaining that it "is especially difficult" to prove injury in a false advertising case insofar as "the injury consists of lost sales that are 'predicated on the independent decisions of third parties; *i.e.*, customers'")

significantly, the Lanham Act *does not require monetary damages* in order to bring a valid claim. Rather, the statute expressly permits plaintiffs to seek injunctive relief alone, even if damages are not otherwise sought. *See* 15 U.S.C. § 1116(a). It is self–evident that a court should not impose a higher burden under the rubric of prudential standing than that required in order to prevail on the merits of the substantive claim. This Court recognized that fact when it refused to extend the *AGC* Factors to a prudential standing analysis under Section 16 of the Clayton Act, reasoning that because that section provides for injunctive relief and "raises no threat of multiple lawsuits or duplicative recoveries, some of the factors other than antitrust injury that are appropriate

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(citation omitted); *Coca-Cola Co. v. Tropicana Prods., Inc.*, 690 F.2d 312, 316 (2d Cir. 1982) ("It is virtually impossible to prove that so much of one's sales will be lost or that one's goodwill will be damaged as a direct result of a competitor's advertisement."); *accord* 5 McCarthy, *supra* § 27:31, at 27-61 to 27-62; *see also* Restatement (Third) of Unfair Competition § 37 cmt. b (1995) (noting "the difficulty of proving lost sales"). Indeed, since injuries to reputation or goodwill are particularly difficult to quantify, courts recognize that such injuries constitute "irreparable harm" in the context of injunctions. *See* 5 McCarthy, *supra*, § 30:47, at 30-120 to 30-120.1 ("[I]n many situations, irreparable harm can rather easily be demonstrated by pointing to the fact that the trademark owner's business goodwill and reputation are in peril."); *see, e.g.*, *Century 21 Real Estate LLC v. All Prof'l Realty, Inc.*, No. CIV. 2:10-2751, 2011 WL 221651, at *12 (E.D. Cal. Jan. 24, 2011) ("[T]he Ninth Circuit has recognized that damage to goodwill is an irreparable harm."); *Tambrands, Inc. v. Warner-Lambert Co.*, 673 F. Supp. 1190, 1195-96 (S.D.N.Y. 1987) (granting permanent injunction; noting that "[b]ecause it is difficult to establish actual damages in a competitive market, legal remedies in [false advertising] cases such as this are often inadequate").

to a determination of standing under § 4 are not relevant under § 16." *Cargill, Inc. v. Monfort of Colorado, Inc.*, 479 U.S. 104, 111 n.6 (1986). If the *AGC* Factors do not apply throughout the Clayton Act, there is certainly no justification to extend them to the Lanham Act.[10]

In addition, that the *AGC* Factors direct courts to consider "directness of the asserted injury," duplicative damages, and "complexity in apportioning damages" have led some courts irrationally to deny prudential standing even to direct competitors in cases where there are multiple competitors in the marketplace because proving and apportioning damages for any one of those competitors would be difficult. *See, e.g.*, *Phoenix of Broward,* 489 F.3d at 1160, 1163-64 & n.3, 1167-73 (denying prudential standing under the *AGC* Factors to Burger King franchisees seeking to sue McDonald's under Section 43(a)(1)(B) despite recognition that the parties were "'direct competitors,'" plaintiffs alleged "competitive harm," and there was "no identifiable class of persons that is more proximate to the claimed injury"); *see* Rebecca Tushnet, *Running the Gamut From A to B: Federal Trademark and False Advertising Law*, 159 U. Pa. L. Rev. 1305, 1306 (2011) (noting that the *Phoenix* court dismissed the case because it concluded, "without hearing any evidence, that

10. The Lanham Act also permits plaintiffs to seek, "subject to the principles of equity," a defendant's profits aside from actual damages. 15 U.S.C. § 1117(a). Some courts – including courts that apply the *AGC* Factors and categorical test – permit awards of such profits based purely on a deterrence theory, and therefore this form of award too need not be based on any actual damages. *See, e.g.*, *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 177-78 (3d Cir. 2005); *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989).

it would be too difficult for the class [of franchisees] to show the precise extent to which it had been harmed").[11]

B. This Case Demonstrates the Shortcomings of the *AGC* Factors Test

For the reasons discussed above, Static Control has alleged a commercial injury resulting from Lexmark's misrepresentations that, if plausible, should place it within the zone of interests protected by the Lanham Act. That Lexmark contends that the *AGC* Factors would deny Static Control a cause of action despite the fact that Static Control's business and goodwill was allegedly expressly and directly targeted by Lexmark's advertising demonstrates how unduly restrictive those factors can be. For example, Lexmark relies heavily on the *AGC* Factors' undue emphasis (in the Lanham Act context) on monetary damages. Pet. Br. at 25-27. Lexmark also asserts that the "proximity" factor weighs against Static Control because there are "entities closer to the defendant's actions in the relevant market" that have a greater interest in pursuing the cause of action and "vindicat[ing] the public interest" in truthful commercial speech. *Id.* at 25 (quoting *AGC*, 459 U.S. at 542). But this makes little sense; insofar as Lexmark's alleged misrepresentations were about Static Control's products, it is difficult to imagine any entity with a greater commercial interest to bring the cause of action. And even if another entity did have equal or greater interest, that interest would not render Static Control's

11. The deficiencies inherent in the application of the *AGC* Factors in the *Phoenix* opinion and other troubling decisions are addressed in greater depth by *amici* AIPLA (Br. at 26-27) and Law Professors (Br. at 25-30). Tellingly, Lexmark cites the *Phoenix* opinion with approval. Lexmark Br. at 27-28, 40.

injuries illusory. Finally, Lexmark effectively incorporates into the first *AGC* Factor a direct competition requirement akin to that of the categorical rule, taking the strained position that Static Control lacks "competitive interests" in this matter. Pet. Br. at 24. Plainly this is not so.[12]

The application of the *AGC* Factors by the District Court in this case demonstrates another significant risk: that courts will simply conflate the Lanham Act and antitrust analyses without considering the different purposes of, and protections afforded by, those statutory schemes. In this case, after evaluating Static Control's prudential standing under Section 4 of the Clayton Act, the District Court concluded that Static Control lacked prudential standing to pursue its false advertising claims "for the same reasons that [it] lacks standing to pursue its antitrust claims." *Static Control Components, Inc. v. Lexmark Int'l, Inc.*, No. 02-571, 2006 U.S. Dist. LEXIS 73845, at *38 (E.D. Ky. Sept. 28, 2006), *rev'd*, 697 F.3d 387 (6th Cir. 2012). Congress could not have intended that prudential standing under the Lanham Act be addressed in such summary fashion or that the "zones of interests" protected by the Lanham Act simply be conflated with those protected by U.S. antitrust laws.

12. To the extent that application of the *AGC* Factors to the Lanham Act is based on the language of Section 45 declaring the intent of the Lanham Act to protect against "unfair competition," *see Conte Bros.*, 165 F.3d at 228-29, that reasoning is flawed for the reasons discussed above. *See supra* Section I.A.

III. THE "REASONABLE INTERESTS" TEST IS CONSISTENT WITH THE LANHAM ACT AND SHOULD BE ADOPTED

For all of the reasons discussed above, the categorical test and the *AGC* Factors disregard the text and history of Section 43(a), as well as reflect incorrect assumptions as to the purposes of the protections afforded by Congress therein. In contrast, the approach employed by the Sixth Circuit in this case is consistent with Congress' intent that a broad category of plaintiffs whose commercial interests are adversely affected by false advertising (or false association) may seek recourse under the Lanham Act. By inquiring into whether the plaintiff can show a reasonable commercial interest to be protected against false advertising and a reasonable basis for "believing" that the interest is "likely" to be damaged by the alleged false advertising, the reasonable interests test hews closely to the actual language of Section 43(a). *See* 15 U.S.C. § 1125(a)(1); *Static Control*, 697 F.3d at 410; *Famous Horse*, 624 F.3d at 111-13. This approach neither demands that plaintiffs carry burdens not required under the Lanham Act itself – such as proving monetary damages (as do the *AGC* Factors) – nor requires creation of an artificial distinction between false association and false advertising claims that are governed by the same exact statutory language in Section 43(a) (as does the categorical rule).

Lexmark's apparent concern that the reasonable interests test is not practical is without merit. In this regard, Lexmark asserts that the analysis is "toothless" because it "sets the same bar as Article III standing," Pet. Br. at 4. This is simply not true. The Sixth and Second Circuits' tests incorporate the universally acknowledged limitation – beyond the requirements of Article III – that injuries are only actionable under the Lanham Act if they are to a party's *commercial* interests, thereby excluding mere consumers from having prudential standing. *See Static Control*, 697 F.3d at 411 (finding that Static Control "sufficiently alleged" a harm to its "cognizable interest in its business reputation and sales to remanufacturers"); *Famous Horse*, 624 F.3d at 112 (noting "the Lanham Act's focus on commercial interests rather than consumer interests").

Relatedly, Lexmark does not support its bald assertion that the reasonable interests test is "insolubly vague and will sow disuniformity in the federal courts," Pet. Br. at 4, and INTA is not aware of any data reflecting that courts in the First, Second, or Sixth Circuits are any more "disuniform" in their application of prudential standing than within the other circuits.[13] On the contrary, application of the *AGC* Factors "unnecessarily complicates the inquiry, without clarifying the result." *Famous Horse*, 624 F.3d at 115 & n.3.

Far from being a deficiency, the breadth and flexibility of the reasonable interests test is one of its great strengths. For example, the reasonable interests test recognizes that direct competition between an aggrieved plaintiff and an alleged false advertiser is likely *sufficient,* but *not necessary* for prudential standing under the Lanham Act because under those circumstances it

13. *Amici* Law Professors have demonstrated with empirical evidence that the "reasonable interest circuits are not noticeably clogged with noncompetitor suits, nor are they unable to deny plaintiffs standing in appropriate circumstances." (Law Professors Br. at 17.)

is particularly likely that some portion of the sales or goodwill reaped from the false advertising would have been drawn from customers that might otherwise have gone to the competitor. *See Famous Horse*, 624 F.3d at 113 (noting that competition is "a strong indication of why the plaintiff has a reasonable basis for believing that its interest will be damaged by the alleged false advertising" but not "an absolute requirement for standing"); *see also TrafficSchool.com*, 653 F.3d at 827 ("There are good reasons to presume that a competitor bringing a false advertising claim has suffered a commercial injury. Competitors 'vie for the same dollars from the same consumer group,' and a misleading ad can upset their relative competitive positions.") (citation omitted). But the reasonable interests test also recognizes that where alleged false advertising references or targets a plaintiff – such as in comparative ads, negative ads, or ads that create a false association – that too renders it particularly likely that commercial interests have been injured even if the plaintiff and defendant are not competitors. *See Ortho Pharm. Corp. v. Cosprophar, Inc.*, 32 F.3d 690, 694 (2d Cir. 1994) ("[W]e have tended to require a more substantial showing where the . . . the defendant's advertisements do not draw direct comparisons between the two [products]"); *Vidal Sassoon, Inc. v. Bristol-Myers Co.*, 661 F.2d 272, 278 (2d Cir. 1981) (explaining that "it is quite likely that the apparently effective suggestions of competitive superiority" of defendant's product over plaintiff's product "would eventually result in loss of sales to [plaintiff]").[14]

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14. There are, of course, other circumstances where a false advertisement plainly injures a party's commercial interests, yet prudential standing would not exist under either the categorical test or *AGC* Factors test. For example, Company A might incorporate Company B's product as a component or ingredient of

In this case, application of the reasonable interests test led the Sixth Circuit to find prudential standing once it determined that Static Control plausibly "alleged a cognizable interest in its business reputation and sales to remanufacturers and sufficiently alleged that these interests were harmed by Lexmark's statements . . . that Static Control was engaging in illegal conduct." *Static Control*, 697 F.3d at 411. In so finding, the court correctly pointed out that the District Court erred in not considering "Static Control's allegations of false advertising directly targeting Static Control." *Id.* at 411 n.10. That Static Control does not "directly" compete with Lexmark for the same exact customers, and/or may have difficulty in proving or apportioning damages, did not change the fact that Static Control had alleged an injury to its business as a result of being expressly targeted by Lexmark's alleged deceptive statements to customers. Accordingly, this case provides a paradigmatic example of how the flexible, case-by-case reasonable interests analysis can ensure that brand owners whose commercial interests are adversely affected by false advertising will not be foreclosed from seeking relief under the Lanham Act.

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its own product, and – in advertising it's own product – make false claims about Company B's product to improve Company A's sales. Unlike the alternative tests of prudential standing, the reasonable interests test recognizes that the creation of false expectations among consumers could injure Company B's commercial interests, even if the companies don't compete, and regardless of whether damages could be readily measured or apportioned.

CONCLUSION

For the foregoing reasons, this Court should reject Lexmark's invitation to adopt either the categorical test or the *AGC* Factors as the proper analysis of prudential standing for false advertising claims brought under Section 43(a)(1)(B) of the Lanham Act, and instead adopt the "reasonable interests" test utilized in the United States Courts of Appeals for the Second and Sixth Circuits.

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