Portfolio Media. Inc. | 860 Broadway, 6th Floor | New York, NY 10003 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Lawyers Weigh In On Supreme Court's Lexmark Ruling

By **Julia Revzin**

Law360, New York (March 25, 2014, 8:33 PM ET) -- The U.S. Supreme Court on Tuesday clarified the standard for bringing false advertising claims under the Lanham Act, resolving a three-way split among the circuit courts. Here, attorneys tell Law360 why the ruling in Lexmark International Inc. v. Static Control Components Inc. is important.

Steven M. Coyle, Cantor Colburn LLP
"Today's Lexmark ruling clarifies and unifies the test for when a party has standing to bring a Lanham Act claim. First, a party must allege that any injury it has sustained falls within a 'zone of interests' protected by the Lanham Act, such as commercial or business reputation interests. Second, the party must allege that the defendant's activity was the 'proximate cause' of the injury. Therefore, under the Lexmark test, a Lanham Act plaintiff must now allege an economic or reputational injury caused by a defendant's false advertising, and also that the false advertising deceived consumers into withholding trade from the plaintiff. The Lexmark test simplifies the test for bringing a Lanham Act claim and eliminates the confusion caused by the various tests used by the different circuits."

David M. Axelrad, Horvitz & Levy LLP
"The Supreme Court's affirmation in Lexmark that 'the proximate-cause requirement generally bars suits for alleged harm that is "too remote" from the defendant's unlawful conduct,' is an important reminder of a fundamental principle of tort law. As the court explained, the question presented by the requirement of proof of causation 'is whether the harm alleged has a sufficiently close connection' to the conduct at issue."

Michael Clayton, Morgan Lewis & Bockius LLP
"Time will tell the effect of the new, two-part standard on the scope of claims that can be brought. Consumers will continue not to be able to bring Lanham Act false advertising claims according to the decision today because they do not suffer 'injury to a commercial interest,' but courts previously had uniformly held that consumers could not bring such lawsuits, albeit under the rubric of a lack of standing. Perhaps the biggest restrictive impact will be felt in the Second and Sixth circuits, which had used a variation of a 'reasonable interest' test that the court characterized as 'vague,' requiring little more than bare Article III standing. But the test announced by the court today may well be broader than the courts that previously applied some variation of a competitive injury or direct competitor test."

James Dabney, Fried Frank Harris Shriver & Jacobson LLP
“The Lexmark decision raises the stakes for persons who make false public accusations of patent infringement. Section 43(a) of the Lanham Act provides a potentially powerful remedy to firms injured by such conduct.”

Wayne Dennison, Brown Rudnick LLP
“The Lexmark case provides clarity by simplifying the competing approaches previously used in the circuit courts. Now, in order to invoke the Lanham Act’s cause of action for false advertising, a plaintiff need only plead (and ultimately prove) an injury to a commercial interest in sales or business reputation proximately caused by the defendant’s misrepresentations. The case further clarifies that the plaintiff and the defendant need not be direct competitors to establish a false advertising claim under the Lanham Act.”

Anthony J. Dreyer, Skadden Arps Slate Meagher & Flom LLP
"[The International Trademark Association] is extremely pleased with this decision and the court's holdings. Our principal goals in submitting an amicus brief were to highlight for the court the limitations of the categorical test and Associated General Contractors in the Lanham Act context. We believe the test for standing that the court adopted today proves beneficial to trademark holders going forward. Today's ruling in Lexmark International v. Static Control will allow parties with commercial interests that are directly impacted by advertising to have an opportunity to challenge those ads and protect their commercial interest. As a result of today's decision, we now have clarity among circuit courts and a flexible uniform standard by which to operate going forward."

Anderson Duff, Wolf Greenfield & Sacks PC
“Affirming the Sixth Circuit, the court rejected the three tests previously used to determine whether a party had standing under the Lanham Act. Focusing on the text of the statute, the court held a party must: (1) fall within the zones of interest protected by the statute and (2) allege a harm with a sufficiently close connection to the conduct the statute prohibits. In the context of the Lanham Act, 'a plaintiff must plead ... an injury to a commercial interest in sales or business reputation proximately caused by the defendant’s misrepresentations.”

Donald Falk, Mayer Brown LLP
“Lexmark clears up confusion about when a plaintiff can sue under a federal statute. The court rejected multifactor balancing tests, and effectively eliminated the 'prudential standing' inquiry, in favor of constitutional and statutory analyses. Now, a plaintiff with constitutional standing can sue if its injury comes within the statute’s 'zone of interests' and was proximately caused by the violation. A Lanham Act false-advertising plaintiff must allege 'economic or reputational injury flowing directly from' from the advertising. A business can’t use the Lanham Act to enforce its interests as a consumer, but doesn’t have to be the defendant’s direct competitor, either.”

Paul Garcia, Kelley Drye & Warren LLP
"The court’s unanimous Lexmark decision will open the doors to new plaintiffs in some circuits. Rejecting the various approaches of the lower courts — from the competitor-only test, to antitrust standing, to the reasonable interest inquiry — the Supreme Court held 'that a direct application of the zone-of-interests test and the proximate-cause requirement supplies the relevant limits on who may sue' for false advertising under the Lanham Act. The question now boils down to whether Congress has authorized a class of plaintiffs to sue and, if so, a court cannot limit a cause of action just because 'prudence' dictates."

Andra B. Greene, Irell & Manella LLP
“The Lexmark decision is significant because it simplifies and clarifies the test for standing under the Lanham Act. There had previously been a circuit split. The test the Supreme Court announced is straightforward: Is the plaintiff within the zone of interests protected by the statute and were the injuries proximately caused by a violation of the statute? As a result of today’s decision, companies will have to think twice about telling customers that a competitor’s products infringe their intellectual property. If such claims turn out to be false, there is now potential exposure under the Lanham Act.”

Paul Llewellyn, Kaye Scholer LLP
“The decision is significant because it clarifies a long-standing split among appellate courts regarding who can sue for false advertising under federal law. According to the decision, standing is not limited to direct competitors, for example, but includes anyone who suffers lost sales or damage to its business reputation as a direct result of a defendant's false or misleading statements. At least in the 'relatively unique circumstances' of the Lexmark case, this includes a company that supplies an essential component to the defendant's competitor. As a result, at least in some jurisdictions, would-be false advertising plaintiffs who did not have standing under the Lanham Act now can bring suit even against noncompetitors. At the same time, on the other hand, the decision confirms what the appellate courts have held for quite some time, which is that consumers (including businesses whose interest is only as the purchaser of a product) do not have standing under the Lanham Act.”

Leo Loughlin, Rothwell Figg Ernst & Manbeck PC
“The significance of the Supreme Court’s decision today is the issue of standing for false advertising cases has been clarified and that a plaintiff in such cases must only plead (and ultimately prove) an injury to a commercial interest in sales or business reputation that is proximately caused by the defendant’s misrepresentations. As a result, the court made clear that nondirect competitors may bring actions for false advertising under the Lanham Act. The court rejected several tests used by the various circuits, including the balancing test and direct competitor test.”

R. Jacobs-Meadway, Eckert Seamans Cherin & Mellott LLC
“This is a significant opinion not only because it makes available to persons with a legitimate commercial interest the protections and remedies of Section 43(a); but also because it reinforces the practice of the court in IP cases to read the language of the statute as enacted and not read in or permit additional requirements for enforcement of rights to be read into the statute.”

Carrie Web Olson, Day Pitney LLP
“The decision makes it clear that diversion of sales to a direct competitor is not the only type of injury to be recognized by the Lanham Act. Here, the court found that Static Control’s allegation of injury to its commercial interest in reputation and sales based on Lexmark’s false claim of illegality is clearly within the 'zone of interest' entitled to protection under the Lanham Act. With respect to proximate cause, the court reasoned that because Static Control alleges that its microchips were both necessary for and had no other purpose other than for refurbishing Lexmark toner cartridges, any false advertising that reduced the remanufacturers business would necessarily injure Static Control, as well. The court finds these allegations sufficient for establishing a basis to proceed under the Lanham Act. Of course, Static Control will have to demonstrate evidence of injury proximately caused by Lexmark’s alleged misrepresentations, but the court’s ruling today gives the company, and others like it, at least a chance to prove its case."

Ajeet Pai, Vinson & Elkins LLP
“As a practical matter, the court’s unanimous decision broadens Lanham Act standing in some circuits and arguably narrows it in others. The court confirmed that standing extends to commercial plaintiffs (whether or not they are competitors) who allege injury to reputation or sales, as long as they can show causation. In addition, the decision might make companies think twice before alleging to a competitor that its supplier infringes intellectual property, because the supplier may strike back with a Lanham Act claim.”

Marc Rachman, Davis & Gilbert LLP
“Today's U.S. Supreme Court ruling in Lexmark v. Static Control will have a significant impact on Lanham Act false advertising cases in the future. The decision adopts a standard for determining Lanham Act false advertising standing that will more likely be uniformly applied by the courts than some of the current standards in place. At the same time, however, the new standard allows for plaintiffs who are not direct competitors of the defendants to assert claims, so the decision could result in an increase in the number of false advertising suits filed in the federal courts, especially in those circuits that previously required that a plaintiff be a direct competitor.”

Scott A. Shaffer, Olshan Frome Wolosky LLP
"Lexmark was not found guilty of anything yet. The Supreme Court decision only allows Static Control’s Lanham Act claims to go forward. However, today’s decision makes it riskier for one business to disparage another that sells related products. Lexmark and Static Control were not direct competitors and previously, some courts only allowed Lanham Act claims to be made by direct competitors. But the Supreme Court disagreed and broadened the categories of businesses that can sue under this powerful statute. The new nationwide standard now extends Lanham Act protection to businesses within the zone of interests (unfair competition, false advertising, trademark infringement) protected by the statute."

Mark Sommers and Anna Balishina Naydonov, Finnegan Henderson Farabow Garrett & Dunner LLP
“Today’s decision opens the door for false-advertising claims that genuinely injure a noncompetitor, but were previously precluded because of standing. Allowing case merits to decide these issues is sound and reasoned. Resolving the long-time three-way circuit split about a proper test for 'prudential standing' in Lanham Act false-advertising cases also removes the incentive to forum shop. Now that these claims don’t belong only to a defendant’s direct competitors, the gatekeeper of grievance will more sensibly look to the 'zone of interest' and 'proximately caused' injury by the defendant’s false advertising, not to a plaintiff’s competitive proximity to a given defendant.”

Harold Weinberger, Jonathan Wagner and Norman Simon, Kramer Levin Naftalis & Frankel LLP
“Today’s decision portends increased unfair competition litigation by confirming that diverse market participants have Lanham Act standing. Any plaintiff alleging that false advertising proximately caused injury to commercial reputation or sales would likely fall within the act’s 'zone of interests.' This test means that Section 43(a) claims are not limited to so-called 'direct competitors,' nor to parties capable of pleading either a 'reasonable interest' in protecting their trade from actionable advertising, or 'prudential standing' as in antitrust law.”

--Editing by John Quinn.
