



ARE Trademark Law Alert: Supreme Court Outlines Rules for Standing to Sue Under the Lanham Act

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Lexmark Int'l, Inc. v. Static Control Components, Inc., No. 12-873 (March 25, 2014).

On March 25, 2014, the U.S. Supreme Court, in a 9-0 decision, ruled that Static Control Components Inc. had the right to sue Lexmark International Inc. for disparaging its business. In the process, the Supreme Court settled a wide circuit split by implementing a new test and invalidating three different tests the circuit courts previously used to determine standing for false advertising under the Lanham Act.

Lexmark and Static Control have been locked in litigation since 2002, when Lexmark accused Static Control of intellectual property infringement and violation of the Digital Millennium Copyright Act by selling microchips used to refill and reuse Lexmark's toner cartridges. Static Control countersued Lexmark on multiple claims including false advertising, alleging that Lexmark falsely told customers that Static Control's products infringed on Lexmark's intellectual property.

The trial court dismissed Static Control's counterclaims stating Static Control lacked standing, but the Court of Appeals for the Sixth Circuit reinstated the Lanham Act claims. The Supreme Court agreed.

Prior to this decision, the circuit courts had used "three competing approaches to determining whether a plaintiff has standing to sue under the Lanham Act." Slip op. at 4-5. The tests were:

1. The antitrust multi-factor balancing test used by the Third, Fifth, Eighth and Eleventh Circuits;
2. The "actual competitor" test used by the Seventh, Ninth, and Tenth Circuits; and
3. The "reasonable interest" test used by the Second and Sixth Circuits. *Id.* at 5.

The Supreme Court rejected all three tests for standing, writing "[w]hile none of those tests is wholly without merit, we decline to adopt any of them." *Id.* at 16. Instead, the Supreme Court found that "this case presents a straightforward question of statutory interpretation" and held "that a direct application of the zone-of-interests test and the proximate-cause requirement supplies the relevant limits on who may sue." *Id.* at 10, 16.

The Supreme Court simply held that "[t]o invoke the Lanham Act's cause of action for false advertising, a plaintiff must plead (and ultimately prove) an injury to a commercial interest in sales or business reputation proximately caused by the defendant's misrepresentations." *Id.*



at 22. And the Supreme Court concluded that “Static Control ha[d] adequately pleaded both elements.” *Id.*

This is a landmark case on the issue of standing. The decision goes beyond rejecting three established circuit court tests; the decision also rejected the judicially created doctrine of prudential standing, a discretionary determination of standing by the courts, for claims of false advertising under the Lanham Act.

We will continue to follow this development.

In the meantime, please feel free to contact our attorneys regarding issues raised by this case.

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