

Lexmark Int'l, Inc. v. Static Control Components, Inc., Appeal No. 12-873 (U.S. Sup. Ct. March 25, 2014). Certiorari to the Sixth Circuit Court of Appeals.

Background:

Lexmark sells the only type of toner cartridges that work with its laser printers and launched a "Prebate" program to encourage customers to return empty cartridges to the company in exchange for a discount on new cartridges. Every Prebate cartridge has a microchip that disables the empty cartridge until Lexmark replaces the chip. Static Control makes and sells components for cartridge remanufacture and developed a microchip that mimicked Lexmark's — allowing the "Prebate" cartridges to be remanufactured.

Static Control claimed that Lexmark engaged in false or misleading advertising and caused lost sales and damage to Static Control's business reputation. Static Control alleged two types of false or misleading conduct by Lexmark. First, it alleged that through the "Prebate" program Lexmark "purposefully misleads end-users" to believe that they are legally bound by the Prebate terms and are thus required to return Prebate-labeled cartridges to Lexmark after a single use. Second, it alleged that upon introducing the "Prebate" program, Lexmark "sent letters to most of the companies in the toner cartridge remanufacturing business" falsely advising those companies that it was illegal to sell refurbished Prebate cartridges and, in particular, that it was illegal to use Static Control's products to refurbish cartridges.

Issue/Holding:

Whether a non-competitor, like Static Control, has standing to sue Lexmark for false advertising under Lanham Act Section 43(a), 15 U.S.C. §1125(a)? Yes, affirmed.

Discussion:

In a March 25, 2014 unanimous decision, *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, the U.S. Supreme Court announced a new test to determine standing in false advertising claims brought under Lanham Act Section 43(a), 15 U.S.C. §1125(a). The Court declined to adopt the multifactor balancing test urged by Lexmark or the direct-competitor test applied by the Sixth Circuit Court of Appeals. The new test instead examines (1) whether plaintiff's interests fall into the "zone of interests" contemplated by the statute and (2) whether plaintiff's alleged economic or reputational injury was proximately caused by the deception wrought by defendant's advertising.

In analyzing Static Control's interest in the matter, the Court noted that the Lanham Act includes in its statement of purposes, "protect[ing] persons engaged in [commerce within the control of Congress] against unfair competition," and that "unfair competition" is concerned with injuries to business reputation and sales. Thus, the Court concluded that Static Control's alleged injuries fall within the zone of interests protected by the Act.

In analyzing the second prong of the new test, the Court noted that a §1125(a) plaintiff must show that its injury flows directly from the deception caused by the defendant's advertising, e.g., when the deception causes consumers to withhold trade from the plaintiff. Here, the Court determined that Static Control sufficiently alleged that its injuries were proximately caused by Lexmark's misrepresentations. Thus, the Court held that Static Control comes within the class of plaintiffs authorized to sue under Section 1125(a), and thus has standing to bring its false advertising claims against Lexmark.