Lexmark: Standing under the Clayton & Lanham Acts

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Factors related to antitrust standing have dubious bearing on injunctive relief.

A recent opinion reverses a denial of standing under Lanham Act § 43(a) but affirms denial under Clayton Act § 4. Static Control Components, Inc. v. Lexmark Intern., Inc., 697 F.3d 387, 395 (6th Cir. 2012). Although Lexmark, the defendant, has petitioned for certiorari, the facts in the case illustrate why "any person" need not mean the same thing under both acts.

Static Control (or SCC) is a manufacturer of component parts used by third parties to recharge spent Lexmark cartridges. SCC does not recharge cartridges itself, but it sought antitrust recovery for injuries arising from Lexmark's wide-ranging campaign to deter others from doing so. SCC also claimed that alleged misrepresentations violated Lanham § 43(a).

Clayton §4(a), 15 U.S.C. § 15(a), reads, "Any person who shall be injured… by reason of anything forbidden in the antitrust laws may" recover treble damages, costs, attorney fees and simple interest.

Lanham Act § 43(a), 15 U.S.C. 43(a)(1), provides "Any person who… uses in commerce… any misleading representation of fact… shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act." Subsection (A) focuses on misrepresentations related to source or sponsorship, and (B) forbids other misrepresentations concerning "his or her or another person's … commercial activities."

Clayton Act recovery turns on "(1) the causal connection between the antitrust violation

and harm to the plaintiff…; (2)… the status of the plaintiff as consumer or competitor in the relevant market; (3) the directness or indirectness of the injury…; (4) the potential for duplicative recovery or complex apportionment of damages; and (5) the existence of more direct victims of the alleged antitrust violation." Assoc. Gen. Contractors of Cal., Inc. v. Cal. State Council of Carpenters, 459 U.S. 519, 537–45 (1983) (AGC). Concern about factors beyond causation should be expected. It is difficult to apportion damages when allegedly injured parties may be able to shift losses to others. Moreover, it is one thing to award treble damages and another to award them multiple times.

Applying the *AGC* factors, the *Lexmark* district court determined that SCC lacked antitrust standing. It then denied standing under § 43(a) "because Static Control lacked antitrust standing, holding that '[m]ultiple courts have held that the factors' for antitrust standing are the same." 697 F.3d at 409 (citation omitted). On appeal, the Sixth Circuit affirms the antitrust but not the 43(a) ruling. *Id*. at 406, 411.

Regarding § 43(a), "Static Control alleges that Lexmark 'falsely informed customers that SCC's products infringe Lexmark's purported intellectual property,' and [claimed] that license agreements prohibit remanufacturing…, when no license agreements actually exist,' causing Static Control's customers to believe that [it] is engaging in illegal conduct." 697 F.3d at 409. The court also mentions that a jury had determined that firms refilling Lexmark cartridges did not infringe its patents by using SCC -supplied products. *Id*. at 414.

Frisch's Rests., Inc. v. Elby's Big Boy of Steubenville, Inc., 670 F.2d 642, 649–50 (6th Cir.), cert. denied, 459 U.S. 916 (1982), addressed § 43(a)(1)(A) rather than § 43(a)(1(B). Despite that, the court agrees "with the Third Circuit's… rejecting a distinction between these two types of claims for purposes of standing." On that basis, it finds SCC's allegations "sufficient to state a claim under the Lanham Act." *Id*. at 411 (citation omitted).

Before doing so, however, *Lexmark* summarizes the law of other circuits; "The Seventh, Ninth, and Tenth use a categorical test, permitting Lanham Act suits only by an actual competitor making an unfair-competition claim. These circuits, however… do not require direct competition for claims of false association. " *Id*. at 410 (citations omitted). Moreover, it says, "The Third, Fifth, Eighth, and Eleventh Circuits all reference antitrust standing or the *AGC* factors…." *Id*. (citations omitted). Yet, *Frisch's*, following the Second Circuit, held, "a Lanham Act claimant need not demonstrate actual losses… only a likelihood of injury and causation." *Id*. (internal quotation marks and citation omitted).

After noting that the Second Circuit has modified its approach, but without indicating the significance, the court rejects Lexmark's plea. It is unclear whether SCC's being neither competitor nor customer might warrant an allegedly more stringent standing test. In any event, "even if we were to prefer the approach taken by our sister circuits, we cannot overturn a prior published decision of this court absent inconsistent Supreme Court precedent or an en banc reversal." *Id*. at 411. (The latter was denied on Oct. 26, 2012.)

Presumably the Sixth Circuit would agree with the Federal Circuit that good faith allegations of patent infringement are privileged. *See, e.g.*, Pre-Litigation Hardball after Dominant Semiconductors. No privilege should apply to allegations made subsequent to a jury's determination of noninfringement, but the timing of Lexmark's challenged claims is unclear.

Since 1988, false claims about others' as well as claims about one's own products have been actionable. *See, e.g.*, Restatement (Third) of Unfair Competition § 2, *cmt*. c. Recovery for sales lost because of unprivileged false claims might call for application of the *AGC* factors. But harm to SCC seems clearer than harm to its customers. The latter seem more akin to parties found to lack § 43 standing in Conte Bros. Automotive, Inc. v.

Quaker State-Slick 50, Inc., 165 F.3d 221, 233-35 (3d Cir. 1998), the first case to apply the AGC factors.

Damages, much less *treble* damages, aside, to require SCC to demonstrate actual, much less unique, harm to obtain injunctive relief would defeat a major aim of § 43(a). *See* Restatement, § 2, *cmt*. b. (historical development of actions for deceptive marketing). It is difficult to see why the *AGC* factors should have any bearing where there is no risk of multiple awards for the same conduct.

Should certiorari be granted, the Court might reduce apparent disagreements. It would be more helpful were it to reaffirm the function of § 43(a) and to clarify the distinction between standing for damages and for injunctive relief. But it is difficult to see how Lexmark would be ahead.