

ALERTS

Intellectual Property Law Alert - Who Can Assert A False Advertising Claim?

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Section 43(a) of the Lanham Act* provides a federal statutory cause of action against false or misleading commercial representations, which includes claims made in advertising, that cause commercial harm. Who could bring an action under this provision differed depending on the different tests applied by different federal circuits. In some circuits only an actual competitor could bring a suit under this provision.

On March 25, 2014, the Supreme Court clarified the test that should be applied to determine if a party has standing to bring an action under Section 43(a) of the Lanham Act in *Lexmark International, Inc. v. Static Control Components, Inc.* No. 12-873. The court held that a plaintiff suing under Section 43(a) "ordinarily must show that its economic or reputational injury flows directly from the deception wrought by the defendant's advertising; and that occurs when deception of consumers causes them to withhold trade from the plaintiffs." The court held that Static Control had standing to assert a Section 43(a) claim even though it was not a direct competitor of Lexmark.

The case at issue involved a dispute over refurbished toner cartridges. Lexmark sells the only style of toner cartridges that work with its laser printers, but also has a program to allow customers to return empty cartridges for refurbishing and a discount. The Lexmark cartridges had a microchip that disabled the empty cartridge unless replaced by Lexmark. Static Control developed a microchip that mimicked the Lexmark chip and allowed it to refurbish the cartridges. Lexmark sued Static for copyright infringement and Static counterclaimed, alleging Lexmark engaged in false and misleading advertising and those misrepresentations had caused Static Control lost sales and damage to its business reputation. The district court, applying a multifactor balancing test, held that Static Control lacked standing to bring the Lanham Act claim. The sixth circuit, applying a different test, reversed the district court's dismissal. The Supreme Court granted certiorari to decide the appropriate analytical framework for determining a party's standing to maintain an action for false advertising under the Lanham Act. The court affirmed the judgment of the sixth circuit, that Static Control had standing to sue under the Lanham Act.

The test established by the Supreme Court focuses on the sufficiency of the pleadings and not whether the parties are direct competitors. As such, to bring, or be subject to, a Lanham Act claim for false or misleading advertising the pleadings a plaintiff must assert an injury to a commercial interest in sales or business reputation proximately caused by the defendant's misrepresentations.

*15 U.S.C. Section 1125(a)

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