No. 12-873

In the Supreme Court of the United States

LEXMARK INTERNATIONAL, INC.,
Petitioner,

v.

STATIC CONTROL COMPONENTS, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

DRI – THE VOICE OF THE DEFENSE BAR'S *AMICUS CURIAE* BRIEF IN SUPPORT OF PETITIONER

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INTEREST OF AMICUS CURIAE DRI[1]

Amicus curiae DRI—the Voice of the Defense Bar, is a 22,500-member international association of defense lawyers who represent individuals, corporations, insurance carriers, and local governments involved in civil litigation. DRI has long been a voice for a fair and just system of civil litigation, seeking to ensure that it operates to effectively, expeditiously, and economically resolve disputes for litigants. To that end, DRI participates as amicus curiae in cases that raise issues of importance to its membership and to the judicial system. This is such a case.

DRI's interest in this case stems from its members' need to advise clients when to bring or defend against suits under the false advertising provision of the Lanham Act (15 U.S.C. § 1125(a)(1)(B)) and from their representation of clients engaged in litigation under the Act. DRI members' extensive litigation experience counsels that, when a legal test – in this case, for standing under the Lanham Act – amounts to a standard that includes undefined terms or when it involves the consideration of multiple factors, the outcome is less predictable and thus, the job of advising or defending clients increases in difficulty. By contrast, a bright line rule, such as the categorical test, which limits standing for bringing false advertising claims to

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[1] Pursuant to Rule 37.6, amicus certifies that no counsel for a party authored this brief in whole or in part and that no person or entity, other than amicus, its members, or its counsel, has made a monetary contribution to the preparation or submission of this brief. The parties have filed written consent to the filing of amicus briefs pursuant to Rule 37.

actual competitors, results in more predictability and consistency of outcomes. DRI believes that a categorical test will cut down on the amount and length of litigation, render the outcome more predictable, and help assure that like cases are treated alike. Here, a bright-line rule limiting standing to competitors is also the most consistent with the purpose of the Lanham Act, which is to prevent unfair competition. See 15 U.S.C. § 1127.

SUMMARY OF THE ARGUMENT

Currently, the federal circuit courts of appeals have adopted one of three different tests for standing under the Lanham Act, 15 U.S.C. §§ 1051 *et seq*. Under the categorical test, "simple claims of false representations in advertising are actionable under section 43(a) [15 U.S.C. § 1125(a)(1)(B)] when brought by competitors of the wrongdoer . . . .." *Waits v. Frito-Lay, Inc.,* 978 F.2d 1093, 1108 (9th Cir. 1992). In DRI's experience, the strength of the categorical test is that it represents a straightforward rule that is easier to apply than the multi-factor or reasonable interest tests. The categorical test will therefore produce clear holdings and predictable results. Additionally, because the categorical test limits standing to direct competitors, it also most directly accomplishes what Congress intended in passing the Act, that is, to protect a litigant against unfair competition. See 15 U.S.C. § 1127; *U-Haul Int'l, Inc. v. Jartran, Inc*., 681 F.2d 1159, 1162 (9th Cir.1982); *Stanfield v. Osborne Indus., Inc*., 52 F.3d 867, 873 (10th Cir. 1995); *Conte Bros. Auto., Inc. v. Quaker State-Slick 50, Inc*., 165 F.3d 221, 236 (3d Cir. 1998); *Famous Horse Inc. v. 5th Ave. Photo Inc*., 624 F.3d 106, 111 (2d Cir. 2010); *Frisch's Restaurants,*

Inc. v. Elby's Big Boy of Steubenville, Inc., 670 F.2d 642, 646 (6th Cir. 1982). The categorical test also properly limits standing under the Lanham Act to direct competitors so as not to subsume state tort law. Without such a limitation, the Lanham Act may quickly become a federal statute creating the tort of misrepresentation. *Waits*, 978 F.2d at 1108, quoting *Halicki v. United Artists Communications, Inc*., 812 F.2d 1213, 1214 (9th Cir.1987).

In contrast to the straightforward categorical approach, some circuits apply the "reasonable interest" test to establish standing, under which "a plaintiff must demonstrate a 'reasonable interest to be protected' against the advertiser's false or misleading claims, and a 'reasonable basis' for believing that this interest is likely to be damaged by the false or misleading advertising." *Ortho Pharm. Corp. v. Cosprophar, Inc*., 32 F.3d 690, 694 (2d Cir. 1994), quoting *PPX Enters., Inc. v. Audiofidelity, Inc*., 746 F.2d 120, 125 (2d Cir.1984) and *Coca-Cola Co. v. Tropicana Prods., Inc*., 690 F.2d 312, 316 (2d Cir.1982). Further, "[t]he 'reasonable basis' prong embodies a requirement that the plaintiff show both likely injury and a causal nexus to the false advertising." (*Id*.)

The reasonable interest test is the most problematic because its terms are amorphous and malleable. In addition, it allows standing to expand beyond direct competitors, contrary to the purpose of the Lanham Act. No clear definition of what constitutes a reasonable interest, reasonable basis, or sufficient causal nexus exists, thus leaving district courts with little guidance in rendering their decisions, and producing unpredictable outcomes. Finally, when the

standard is malleable and affords broad discretion, the costs and difficulties of litigation increase.

Finally, several circuits have adopted a multi-factor test based on the test for antitrust standing set forth in *Associated Gen. Contractors of California, Inc. v. California State Council of Carpenters*, 459 U.S. 519, 103 S.Ct. 897, 74 L.Ed.2d 723 (1983). See *Conte*, 165 F.3d 221; *Ford v. NYLCare Health Plans of Gulf Coast, Inc.*, 301 F.3d 329, 337 (5th Cir. 2002), citing *Procter & Gamble Co. v. Amway Corp.*, 242 F.3d 539, 562-63 (5th Cir. 2001) ("Although technically distinct, these five factors can be distilled into an essential inquiry, i.e., whether, in light of the competitive relationship between the parties, there is a sufficiently direct link between the asserted injury and the alleged false advertising.")

When the Eleventh Circuit applied this multi-factor test in *Phoenix of Broward, Inc. v. McDonald's Corp.*, 489 F.3d 1156, 1163 (11th Cir. 2007), however, it held that a direct competitor did not have standing under the Act. The decision underscores the unpredictability inherent in a multi-factor standard that was intended to be applied in antitrust cases, not in the context of the Lanham Act. Employing such a "flexible approach" here grants courts overly broad discretion to allow a wider class of plaintiffs to bring suit – plaintiffs who are beyond the scope of the Lanham Act's purpose of protecting against unfair competition. Additionally, a standard like the multi-factor test increases the length and cost of litigation.

Thus, DRI urges this Court to adopt the categorical test, which will cut down on the amount and length of

litigation, render the outcome more predictable, and help assure that like cases are treated alike.

ARGUMENT I

The categorical test produces clear holdings and predictable results and best accomplishes the Lanham Act's purpose of protecting against unfair competition.

Under the categorical test, "simple claims of false representations in advertising are actionable under section 43(a) when brought by competitors of the wrongdoer . . . ." *Waits*, 978 F.2d at 1109, citing *U-Haul*, 681 F.2d at 1162. To establish standing, a plaintiff must show: (1) a commercial injury based upon a misrepresentation about a product; and (2) that the injury is "competitive," or harmful to the plaintiff's ability to compete with the defendant. *Jack Russell Terrier Network of N. Ca. v. Am. Kennel Club, Inc.*, 407 F.3d 1027, 1037 (9th Cir. 2005), citing *Barrus v. Sylvania*, 55 F.3d 468, 470 (9th Cir. 1995). See also *Bernard v. Donat*, 11-CV-03414-RMW, 2012 WL 525533 (N.D. Cal. Feb. 16, 2012) ("The focus of the 'competitive injury' inquiry is whether the statements in issue tended to divert business from the plaintiff to the defendant."). When a plaintiff competes directly with a defendant, "a misrepresentation will give rise to a presumed commercial injury that is sufficient to establish standing." *TrafficSchool.com, Inc. v. Edriver Inc.*, 653 F.3d 820, 827 (9th Cir. 2011). The presumption arises from the fact that "[c]ompetitors vie for the same dollars from the same consumer group, and a misleading ad can upset their relative

competitive positions." (*Id*. (internal citation and punctuation omitted)).

In addition to the Ninth Circuit, this test has been adopted by the Seventh and Tenth Circuits. See *L.S. Heath & Son, Inc. v. AT & T Info. Sys., Inc*., 9 F.3d 561, 575 (7th Cir. 1993) (In order to have standing to allege a false advertising claim, the plaintiff must assert a discernible competitive injury); *Stanfield*, 52 F.3d at 873 ("A false advertising claim implicates the Lanham Act's purpose of preventing unfair competition. Thus, to have standing for a false advertising claim, the plaintiff must be a competitor of the defendant and allege a competitive injury.")

A. The categorical test will produce clear holdings and predictable results.

In DRI's experience, the strength of the categorical test is that it represents a straightforward rule that is easier to apply than the multi-factor and reasonable interest tests (discussed below) and it produces clear holdings and thus predictable results. Gerald P. Meyer, Standing Out: A Commonsense Approach to Standing for False Advertising Suits Under Lanham Act Section 43(a), 2009 U. Ill. L. Rev. 295, 313 (2009).; Vincent N. Palladino, Lanham Act "False Advertising" Claims: What Is A Plaintiff to Do?, 101 Trademark Rep. 1601, 1640 (2011). When the law is clear, plaintiffs are less inclined to bring frivolous claims and more likely to seek settlement. Meyer, 2009 U. Ill. L. Rev. at 313. Thus, the amount and length of litigation, along with concomitant costs, are reduced. *MindGames, Inc. v. W. Pub. Co., Inc*., 218 F.3d 652, 657 (7th Cir. 2000).

A rule like the categorical test "singles out one or a few facts and makes it or them conclusive of legal liability; a standard permits consideration of all or at least most facts that are relevant to the standard's rationale. A speed limit is a rule; negligence is a standard." (*Id.* at 657). Balancing tests and totality-of-the-circumstances tests also constitute standards that allow for "the decrease of errors of under- and over-inclusiveness by giving the decisionmaker more discretion than do rules," Kathleen M. Sullivan, The Justices of Rules and Standards, 106 Harv. L. Rev. 22, 58-59 (1992). But they do so at a significant litigation cost. Such tests, like all standards, tend to be "vague and open-ended[,] they make business planning difficult, invite the sometimes unpredictable exercise of judicial discretion, and are more costly to adjudicate." *MindGames*, 218 F.3d at 657. "Standards allow the decisionmaker to take into account all relevant factors or the totality of the circumstances. Thus, the application of a standard in one case ties the decisionmaker's hand in the next case less than does a rule – the more facts one may take into account, the more likely that some of them will be different the next time." Sullivan, 106 Harv. L. Rev. 22, 59 (1992). On the other hand, a rule, like the categorical test under consideration here, "once formulated, afford[s] decisionmakers less discretion than do standards." (*Id*. at 57). "Rules aim to confine the decisionmaker to facts, leaving irreducibly arbitrary and subjective value choices to be worked out elsewhere." (*Id*. at 58).

It is the view of amicus curiae DRI and those who favor rules that "rules are fairer than standards," because "rules require decisionmakers to act consistently, treating like cases alike." (*Id*. at 62). Of

perhaps greater importance to those in the business community whom DRI members advise, "rules afford certainty and predictability to private actors, enabling them to order their affairs productively." (*Id*.). Conversely, "[s]tandards produce uncertainty, thereby chilling socially productive behavior." (*Id*.). As an added benefit, "rules promote economies for the legal decisionmaker by minimizing the elaborate, time-consuming, and repetitive application of background principles to facts." (*Id*. at 63). Even the Sixth Circuit has recognized that "[r]ules are the normal method used in a jurisprudence of judicial restraint; broad standards and balancing tests are the usual mechanism of a jurisprudence that allows individual judges to choose for themselves the preferred result in each case and to give expression to their feelings, intuition, and sense of justice." *Bittinger v. Tecumseh Products Co*., 123 F.3d 877, 881 (6th Cir. 1997). Thus, another advantage of the categorical test is that it does not depend on the preferences of individual judges.

Based on the extensive litigation experience of its members, amicus curiae DRI believes that the categorical test for determining standing under the Lanham Act, which limits standing to direct competitors, is the most in line with the Act's purpose of protecting against unfair competition. See 15 U.S.C. § 1127. This straightforward categorical test is easy to apply. It will therefore lead to more predictable results and decrease the amount and cost of litigation. Conversely, if a test has undefined and malleable terms, as does the reasonable interest test, or if a test requires the consideration of multiple factors, outcomes will be less predictable. Litigation costs will increase using such an approach both because the test will

require a broader factual inquiry and because the uncertainty it creates will mean more litigation to resolve the issue. It will therefore be harder for DRI members to advise their clients on whether to bring or defend against a suit. And the cost and time required to litigate the standing issue will likely increase.

B. The categorical test best accomplishes the Lanham Act's purpose of protecting against unfair competition.

Because the categorical test limits standing to direct competitors, it also most directly accomplishes what Congress intended in passing the Act, that is, protecting against unfair competition. See 15 U.S.C. § 1127. Congress intended to allow false advertising suits by competitors "to stop the kind of unfair competition that consists of lying about goods or services, when it occurs in interstate commerce." *U-Haul*, 681 F.2d at 1162. See also *Proctor & Gamble Co. v. Haugen*, 222 F.3d 1262, 1272 (10th Cir. 2000), citing 5 McCarthy on Trademarks and Unfair Competition § 27:7 (4th ed.) ("As a general matter, the drafters and promoters of the original [Lanham Act], sought to create a general federal law of unfair competition to protect competing companies in the wake of the Supreme Court's decision in *Erie R. Co. v. Tompkins*, 304 U.S. 64 (1938), which was thought to have eliminated the existing body of federal unfair competition law.") It follows that "[t]he Lanham Act incorporates prudential restrictions on standing that ensure that only persons whom Congress intended to protect by passing the Lanham Act have standing to sue under it." *Harold H. Huggins Realty, Inc. v. FNC, Inc.,* 634 F.3d 787, 796 (5th Cir. 2011). Thus, although

the categorical approach is narrow, it ensures that standing is limited to direct competitors, who are best suited to bring false advertising claims. Meyer, 2009 U. Ill. L. Rev. at 313. In this case in particular, the Sixth Circuit found that, "Static Control's claim . . . for false advertising . . . would fail under this stricter standard, because Static Control and Lexmark are not actual competitors." *Static Control Components, Inc. v. Lexmark Int'l, Inc.*, 697 F.3d 387, 410 (6th Cir. 2012), cert. granted, 133 S. Ct. 2766 (U.S. 2013).

The categorical test also properly limits standing under the Lanham Act to competitors so as not to subsume state tort law. Without such a limitation, the Lanham Act is likely to quickly become a federal statute creating the tort of misrepresentation. *Waits*, 978 F.2d at 1108, quoting *Halicki,* 812 F.2d at 1214. But the Lanham Act was "not designed to cure all conceivable commercial evils," and plaintiffs that are denied standing have other state law remedies in tort or contract. *Halicki,* 812 F.2d at 1215, citing *Alfred Dunhill Limited v. Interstate Cigar Company, Inc.*, 499 F.2d 232 (2nd Cir.1974). See also Meyer, 2009 U. Ill. L. Rev. at 312-13.

Because the Lanham Act was not meant to preempt state law causes of action, an over-inclusive approach to standing is contrary to its purpose and violates principles of federalism. Diane Taing, Competition for Standing: Defining the Commercial Plaintiff Under Section 43(a) of the Lanham Act, 16 Geo. Mason L. Rev. 493, 510-511 (2009); Meyer, 2009 U. Ill. L. Rev. at 314. See *Alden v. Maine*, 527 U.S. 706, 748 (1999) ("Although the Constitution grants broad powers to Congress, our federalism requires that Congress treat

the States in a manner consistent with their status as residuary sovereigns and joint participants in the governance of the Nation."); *United States v. Lopez*, 514 U.S. 549, 581 (1995) ("States may perform their role as laboratories for experimentation to devise various solutions where the best solution is far from clear."); *F.E.R.C. v. Mississippi*, 456 U.S. 742, 788 (1982) ("Courts and commentators frequently have recognized that the 50 States serve as laboratories for the development of new social, economic, and political ideas.")

Additionally, over-enforcement of the Act through a more inclusive test for standing will have a chilling effect on the amount and quality of information available in the marketplace. Acting on the advice of counsel, businesses will be disinclined to put out any message that could be construed as false advertising out of a desire to avoid litigation. The end result will be less specific and less helpful information for consumers. See Kevin M. Lemley, Resolving the Circuit Split on Standing in False Advertising Claims and Incorporation of Prudential Standing in State Deceptive Trade Practices Law: The Quest for Optimal Levels of Accurate Information in the Marketplace, 29 U. Ark. Little Rock L. Rev. 283, 288 (2007) ("Every section 43(a) lawsuit will threaten the defendant's ability to supply information to the market, and if section 43(a) is too expansive, firms can stifle their competitors' ability to supply information to the market"; overenforcement thus results in "a net reduction of information in the market, causing it to fall below optimal levels.")

ARGUMENT II

The Reasonable Interest Test Is The Most Malleable And Thus Produces The Most Unpredictable Outcomes.

Under the "reasonable interest" test, to establish standing, "a plaintiff must demonstrate a 'reasonable interest to be protected' against the advertiser's false or misleading claims, and a 'reasonable basis' for believing that this interest is likely to be damaged by the false or misleading advertising." *Ortho*, 32 F.3d at 694, quoting *PPX Enters*, 746 F.2d at 125 and *Coca-Cola*, 690 F.2d at 316. Further, "[t]he 'reasonable basis' prong embodies a requirement that the plaintiff show both likely injury and a causal nexus to the false advertising." (*Id*.).

The reasonable interest test is "a flexible approach," under which a plaintiff "need not demonstrate that it is in direct competition with the defendant or that it has definitely lost sales because of the defendant's advertisements." *(Id.*, quoting *Coca-Cola Co*., 690 F.2d at 316). Additionally, "[t]he likelihood of injury and causation will not be presumed, but must be demonstrated in some manner." (*Id*.). The Second Circuit has also "tended to require a more substantial showing where the plaintiff's products are not obviously in competition with defendant's products, or the defendant's advertisements do not draw direct comparisons between the two." (*Id*.).

This test has been adopted in the First and Second Circuits and by the Sixth Circuit in this case. See *Camel Hair & Cashmere Inst. of Am., Inc. v. Associated*

Dry Goods Corp., 799 F.2d 6 (1st Cir. 1986) (A nonprofit corporation formed by clothing manufacturers to promote the use of camel hair and cashmere fibers, though not itself injured by defendant clothing marketers' alleged mislabeling as to percentage of cashmere in their products, could bring an action seeking preliminary injunction against marketers under the Lanham Act on behalf of its members); *Ortho*, 32 F.3d at 691-92 (The plaintiffs products were not obviously in competition with the defendant's where one is a drug requiring a doctor's prescription and the other is a cosmetic available in a pharmacy, and therefore, because the plaintiff failed to submit proof demonstrating that consumers viewed the defendant's cosmetics as a comparable substitute for the plaintiff's drugs, the plaintiff lacked standing to bring a false advertising claim under the Lanham Act); *Famous Horse*, 624 F.3d 106 (The plaintiff, operator of chain of discount brand-name clothing stores, had standing to sue supplier who sold counterfeit Rocawear brand jeans, even though the plaintiff did not own the Rocawear trademark, because the parties were "in essence competitors," and because the plaintiff alleged that its reputation as a discount store was harmed because consumers believed that it sold Rocawear jeans at inflated prices and because consumers would believe that the plaintiff sold counterfeit clothes); *Static Control*, 697 F.3d at 411 (Where parties are not direct competitors, plaintiff component manufacturer has standing to sue because it had "alleged a cognizable interest in its business reputation and sales" to remanufacturers of toner cartridges "and sufficiently alleged that these interests were harmed" by defendant printer and toner manufacturer's statements to the

remanufacturers that plaintiff "was engaging in illegal conduct.")

The reasonable interest test is the most problematic because its terms are amorphous and malleable. Defining "reasonable" when applying the reasonable interest test is an imprecise science. When it adopted the multi-factor test, the Third Circuit recognized that, having previously applied a reasonable interest test, its "decisions have carried forward this prudential 'reasonable interest' requirement and have grappled with defining the term with greater precision." *Conte*, 165 F.3d at 231. The circuits employing the reasonable interest test are still grappling with the meaning of "reasonable"; no clear definition of what constitutes a reasonable interest, reasonable basis, or sufficient causal nexus exists, thus leaving district courts with little guidance in rendering their decisions. Gregory Apgar, Prudential Standing Limitations on Lanham Act False Advertising Claims, 76 Fordham L. Rev. 2389, 2424 (2008).

Moreover, because this test does not require that plaintiffs be competitors, contrary to Congress's express intent, "persons remote from the anticompetitive injury and the commercial activity giving rise to the injury may nevertheless have standing to sue for false advertising based on a derivative claim of harm." Taing, 16 Geo. Mason L. Rev. at 510. Finally, the reasonable interest test allows noncompetitors to sue even where other parties are better suited to bring the claim. Meyer, 2009 U. Ill. L. Rev. at 318. The reasonable interest test is thus overboard, conferring standing beyond the purpose of the Lanham Act and increasing the burden on the

federal court system. Taing, 16 Geo. Mason L. Rev. at 510; Meyer, 2009 U. Ill. L. Rev. at 318.

Additionally, "the lack of a clear standard leads to unpredictable outcomes." Taing, 16 Geo. Mason L. Rev. at 502. Like the multi-factor *Associated General Contractors* test, the reasonable interest test gives "much discretion" to judges and the use of both standards has great potential to vary from one court to another because courts will arrive at varying definitions of "reasonable" or place a different emphasis on each factor of the *Associated General Contractors* test. Peter S. Massaro, Filtering Through a Mess: A Proposal to Reduce the Confusion Surrounding the Requirements for Standing in False Advertising Claims Brought Under Section 43(A) of the Lanham Act, 65 Wash. & Lee L. Rev. 1673, 1700 (2008). Moreover, "an easily malleable standard" "create[s] a high risk that courts would make Section 43(a) standing determinations based not on prudential standing principles, but rather on whether the merits of the plaintiff's claim align with their ideological preferences." (*Id*. at 1702, citing Richard J. Pierce, Jr., Is Standing Law or Politics?, 77 N.C. L. Rev. 1741, 1749 (1999)).

In addition, when the standard is this malleable, the costs and difficulties of litigation increase. The relevant evidence under this expansive test may be much broader with the concomitant costs of discovery similarly rising. If this were necessary to achieve the correct outcome under the Lanham Act, the additional time and cost might be justified. But it is not necessary and in fact may result in both over- and under-inclusive enforcement of the Act.

ARGUMENT III

The *Associated General Contractors* Test Is Less Predictable Because The Factors Are Vague And It Does Not Ensure That Direct Competitors Have Standing

In contrast to the straightforward categorical approach to standing under the Lanham Act and the amorphous and open-ended reasonable interest test, several circuits apply a multi-factor test based on the test for antitrust standing set forth in *Associated Gen. Contractors*, 459 U.S. 519. In applying this test to standing under the Lanham Act, the court considers:

(1) The nature of the plaintiff's alleged injury: Is the injury "of a type that Congress sought to redress" by enacting the Lanham Act?

(2) The directness or indirectness of the asserted injury.

(3) The proximity or remoteness of the party to the alleged injurious conduct.

(4) The speculativeness of the damages claim.

(5) The risk of duplicative damages or complexity in apportioning damages.

Conte, 165 F.3d at 233-234.

In *Conte*, retail sellers of motor oil and other engine lubricants sued manufacturers of a competing product called Slick 50, alleging false advertising under the Lanham Act. Reversing the district court, the Third Circuit held that the retailers lacked prudential standing because they did not suffer a competitive harm and they were remote from the injury in contrast to the manufacturers whose products competed with Slick 50. *Conte*, 165 F.3d at 234-236. In addition to the Third Circuit, this approach has been followed in the Fifth Circuit, *Ford,* 301 F.3d at 337, citing *Procter & Gamble* 242 F.3d at 562-63 ("Although technically distinct, these five factors can be distilled into an essential inquiry, i.e., whether, in light of the competitive relationship between the parties, there is a sufficiently direct link between the asserted injury and the alleged false advertising."), and the Eleventh Circuit, *Phoenix*, 489 F.3d at 1163.

When the Eleventh Circuit applied the *Associated General Contractors*/*Conte* multi-factor test in *Phoenix*, however, it held that a direct competitor did not have standing under the Act. This surprising outcome seems contrary to Congressional intent. And it underscores the unpredictability inherent in a multi-factor standard – especially one intended to be applied in antitrust cases as opposed to claims of false advertising under the Lanham Act. Indeed, "including factors on damages in the analysis, such as factors (4) and (5), is nonsensical in actions [under the Lanham Act] for injunctive relief." Meyer, 2009 U. Ill. L. Rev. at.

In *Phoenix*, a Burger King franchisee, Phoenix of Broward, Inc., brought a false-advertising class action

against McDonald's Corp., alleging that McDonalds made false statements that all players of its various promotional games had fair and equal chances to win high-value prizes. But, "[w]hile the games were still underway, the FBI informed McDonald's that there were problems with the random distribution of its game pieces. In spite of this alleged knowledge, McDonald's continued to advertise that customers had a fair and equal opportunity to win the offered prizes, including the high-value prizes." *Phoenix*, 489 F.3d at 1160.

Applying the *Associated General Contractors/Conte* test, the court found that two factors (type of injury alleged and proximity to allegedly harmful conduct) favored standing, but the rest did not. *Phoenix*, 489 F.3d at 1168-1171. In concluding that the fifth factor, risk of duplicative damages, weighed against standing, the Court explained:

> If we were to hold that Phoenix has prudential standing to bring the instant claim, then every fast food competitor of McDonald's asserting that its sales had fallen by any amount during the relevant time period would also have prudential standing to bring such a claim. And if every fast food competitor had standing to bring such a claim, regardless of the amount in controversy, regardless of the amount of lost sales or market share directly attributable to the falsity of the advertisement, and regardless of the impact on the competitor's goodwill or reputation (as the advertisements made no mention of any competitor), the impact on the federal courts would be substantial.

> Furthermore, apportioning damages among these competitors would be a highly complex endeavor.

(*Id*. at 1172).

The Eleventh Circuit's reasoning in *Phoenix* "would prevent any party from having standing to sue another party for false advertising whenever those parties compete in a large market or whenever the defendant's false advertisements affect a large number of similarly situated parties." Meyer, 2009 U. Ill. L. Rev. at 324. See also Massaro, 65 Wash. & Lee L. Rev. at 1676 ("[i]f rulings like the one against the Burger King franchisee become common, Section 43(a)'s protection against false advertising effectively will become a dead letter.")

The multi-factor *Associated General Contractors* test, in DRI's view, is certainly preferable to the reasonable interest standard, but as noted above, it was designed for antitrust law, not the Lanham Act, and has its shortcomings when applied to cases of false advertising. Additionally, scholars have criticized the factors as "'nebulous' and 'difficult' to interpret," Meyer, 2009 U. Ill. L. Rev. at 322, and noted that it is not clear how the factors should be weighed, Massaro, 65 Wash. & Lee L. Rev. at 1696. Given that Congress intended the Lanham Act to prevent against unfair competition, the consideration of superfluous factors in this context renders suspect "the process, the outcome or both." Palladino, 101 Trademark Rep. at 1638-39.

Additionally, employing such a "flexible approach" results in courts having overly broad discretion to allow a wider class of plaintiffs to bring suit, contrary to

Congressional intent. Apgar, 76 Fordham L. Rev. at 2422. The undesirable result, in DRI's view, is that "indirect competitors can acquire standing if they can show the requisite harm or likelihood of such harm," while, as demonstrated by *Phoenix*, even a direct competitor may not. Taing, 16 Geo. Mason L. Rev. at 506. Additionally, using a standard like the multi-factor test makes business planning difficult and is more costly to adjudicate. *MindGames*, 218 F.3d at 657. Accordingly, the straightforward categorical approach with its ease of application and predictable outcome is preferable.

CONCLUSION

For the foregoing reasons, the decision of the court of appeals should be reversed and remanded for consideration of the issue of Lanham Act standing under the categorical test.

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