Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Timber & Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

LEXMARK INTERNATIONAL, INC. *v.* STATIC CONTROL COMPONENTS, INC.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

No. 12–873. Argued December 3, 2013—Decided March 25, 2014

Petitioner Lexmark sells the only style of toner cartridges that work with the company's laser printers, but "remanufacturers" acquire and refurbish used Lexmark cartridges to sell in competition with Lexmark's own new and refurbished ones. Lexmark's "Prebate" program gives customers a discount on new cartridges if they agree to return empty cartridges to the company. Each Prebate cartridge has a microchip that disables the empty cartridge unless Lexmark replaces the chip. Respondent Static Control, a maker and seller of components for the remanufacture of Lexmark cartridges, developed a microchip that mimicked Lexmark's. Lexmark sued for copyright infringement, but Static Control counterclaimed, alleging that Lexmark engaged in false or misleading advertising in violation of §43(a) of the Lanham Act, 15 U. S. C. §1125(a), and that its misrepresentations had caused Static Control lost sales and damage to its business reputation. The District Court held that Static Control lacked "prudential standing" to bring the Lanham Act claim, applying a multifactor balancing test the court attributed to *Associated Gen. Contractors of Cal., Inc.* v. *Carpenters*, 459 U. S. 519. In reversing, the Sixth Circuit relied on the Second Circuit's "reasonable interest" test.

Held: Static Control has adequately pleaded the elements of a Lanham Act cause of action for false advertising. Pp. 6–22.

(a) The question here is whether Static Control falls within the class of plaintiffs that Congress authorized to sue under §1125(a). To decide that question, this Court must determine the provision's meaning, using traditional principles of statutory interpretation. It is misleading to label this a "prudential standing" question. Lexmark

bases its "prudential standing" arguments on *Associated General Contractors,* but that case rested on statutory considerations: The Court sought to "ascertain," as a statutory-interpretation matter, the "scope of the private remedy created by" Congress in §4 of the Clayton Act, and the "class of persons who [could] maintain a private damages action under" that legislatively conferred cause of action, 459 U. S., at 529, 532. And while this Court may have placed the "zone of interests" test that Static Control relies on under the "prudential" rubric in the past, see, *e.g., Elk Grove Unified School Dist.* v. *Newdow*, 542 U. S. 1, 12, it does not belong there any more than *Associated General Contractors* does. Rather, whether a plaintiff comes within the zone of interests requires the Court to determine, using traditional statutory-interpretation tools, whether a legislatively conferred cause of action encompasses a particular plaintiff's claim. See, *e. g., Steel Co.* v. *Citizens for Better Environment*, 523 U. S. 83, 97, and n. 2. Pp. 6–9.

(b) The §1125(a) cause of action extends to plaintiffs who fall within the zone of interests protected by that statute and whose injury was proximately caused by a violation of that statute. Pp. 10–18.

(1) A statutory cause of action is presumed to extend only to plaintiffs whose interests "fall within the zone of interests protected by the law invoked." *Allen* v. *Wright*, 468 U. S. 737, 751. "[T]he breadth of [that] zone . . . varies according to the provisions of law at issue." *Bennett* v. *Spear*, 520 U. S. 154, 163. The Lanham Act includes a detailed statement of its purposes, including, as relevant here, "protect[ing] persons engaged in [commerce within the control of Congress] against unfair competition," 15 U. S. C. §1127; and "unfair competition" was understood at common law to be concerned with injuries to business reputation and present and future sales. Thus, to come within the zone of interests in a §1125(a) false-advertising suit, a plaintiff must allege an injury to a commercial interest in reputation or sales. Pp. 10–13.

(2) A statutory cause of action is also presumed to be limited to plaintiffs whose injuries are proximately caused by violations of the statute. See, *e.g., Holmes* v. *Securities Investor Protection Corporation*, 503 U. S. 258, 268–270. This requirement generally bars suits for alleged harm that is "too remote" from the defendant's unlawful conduct, such as when the harm is purely derivative of "misfortunes visited upon a third person by the defendant's acts." *Id.,* at 268–269. In a sense, all commercial injuries from false advertising are derivative of those suffered by consumers deceived by the advertising. But since the Lanham Act authorizes suit only for commercial injuries, the intervening consumer-deception step is not fatal to the proximate-cause showing the statute requires. Cf. *Bridge* v. *Phoenix Bond*

& Indemnity Co., 553 U. S. 639, 656. Thus, a plaintiff suing under §1125(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 plaintiff. Pp. 13–15.

(3) Direct application of the zone-of-interests test and the proximate-cause requirement supplies the relevant limits on who may sue under §1125(a). These principles provide better guidance than the multifactor balancing test urged by Lexmark, the direct-competitor test, or the reasonable-interest test applied by the Sixth Circuit. Pp. 15–18.

(c) Under these principles, Static Control comes within the class of plaintiffs authorized to sue under §1125(a). Its alleged injuries—lost sales and damage to its business reputation—fall within the zone of interests protected by the Act, and Static Control sufficiently alleged that its injuries were proximately caused by Lexmark's misrepresentations. Pp. 18–22.

697 F. 3d 387, affirmed.

SCALIA, J., delivered the opinion for a unanimous Court.

SUPREME COURT OF THE UNITED STATES

No. 12–873

LEXMARK INTERNATIONAL, INC., PETITIONER *v.* STATIC CONTROL COMPONENTS, INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

[March 25, 2014]

JUSTICE SCALIA delivered the opinion of the Court.

This case requires us to decide whether respondent, Static Control Components, Inc., may sue petitioner, Lexmark International, Inc., for false advertising under the Lanham Act, 15 U. S. C. §1125(a).

I. Background

Lexmark manufactures and sells laser printers. It also sells toner cartridges for those printers (toner being the powdery ink that laser printers use to create images on paper). Lexmark designs its printers to work only with its own style of cartridges, and it therefore dominates the market for cartridges compatible with its printers. That market, however, is not devoid of competitors. Other businesses, called "remanufacturers," acquire used Lexmark toner cartridges, refurbish them, and sell them in competition with new and refurbished cartridges sold by Lexmark.

Lexmark would prefer that its customers return their empty cartridges to it for refurbishment and resale, rather than sell those cartridges to a remanufacturer. So Lexmark introduced what it called a "Prebate" program,

which enabled customers to purchase new toner cartridges at a 20-percent discount if they would agree to return the cartridge to Lexmark once it was empty. Those terms were communicated to consumers through notices printed on the toner-cartridge boxes, which advised the consumer that opening the box would indicate assent to the terms—a practice commonly known as "shrinkwrap licensing," see, *e.g., ProCD, Inc.* v. *Zeidenberg*, 86 F. 3d 1447, 1449 (CA7 1996). To enforce the Prebate terms, Lexmark included a microchip in each Prebate cartridge that would disable the cartridge after it ran out of toner; for the cartridge to be used again, the microchip would have to be replaced by Lexmark.

Static Control is not itself a manufacturer or remanufacturer of toner cartridges. It is, rather, "the market leader [in] making and selling the components necessary to remanufacture Lexmark cartridges." 697 F. 3d 387, 396 (CA6 2012) (case below). In addition to supplying remanufacturers with toner and various replacement parts, Static Control developed a microchip that could mimic the microchip in Lexmark's Prebate cartridges. By purchasing Static Control's microchips and using them to replace the Lexmark microchip, remanufacturers were able to refurbish and resell used Prebate cartridges.

Lexmark did not take kindly to that development. In 2002, it sued Static Control, alleging that Static Control's microchips violated both the Copyright Act of 1976, 17 U. S. C. §101 *et seq.*, and the Digital Millennium Copyright Act, 17 U. S. C. §1201 *et seq.* Static Control counterclaimed, alleging, among other things, violations of §43(a) of the Lanham Act, 60 Stat. 441, codified at 15 U. S. C. §1125(a). Section 1125(a) provides:

> "(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or

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