

1 UNITED STATES DISTRICT COURT
2 EASTERN DISTRICT OF WASHINGTON

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4
5 MELVIN OTT,

6 Plaintiff,

7 v.

8
9 INGENIX, INC.,

10 Defendant.

No. CV-07-201-FVS

ORDER

11
12 **THIS MATTER** came before the Court for oral argument on September
13 26, 2008, based upon the defendant's motion to dismiss the plaintiff's
14 Lanham Act claim. The defendant was represented by Barbara Duffy; the
15 plaintiff by George Ahrend.

16 **BACKGROUND**

17 Ingenix, Inc., is in the business of helping state agencies
18 develop fee schedules. For a period of time, Ingenix employed Melvin
19 Ott, Ph.D., as its "Director of Research and Database." Eventually,
20 Dr. Ott left his job with Ingenix on amicable terms and began acting
21 as a paid consultant to the company. While Dr. Ott was acting as a
22 consultant, Ingenix submitted bids to agencies in several states in
23 response to the agencies' requests for proposals regarding the
24 development of fee schedules. Ingenix listed Dr. Ott as a consultant
25 in its bids. He alleges that he allowed Ingenix to include his name
26 in the bids only on the condition that the company hire him as a

1 consultant in the event that one of its bid was accepted. As it
2 turned out, the State of Montana awarded a project to Ingenix, but the
3 company did not hire Dr. Ott to work on it. This action followed.

4 **LANHAM ACT**

5 Dr. Ott alleges that Ingenix violated 15 U.S.C. § 1125(a)(1)(A)
6 by falsely representing to the State of Montana that he would act as a
7 consultant to the company in the event that a state agency hired the
8 company to provide services to the state. Section 1125(a)(1)(A)
9 states in pertinent part:

10 1) Any **person** who, on or **in connection with** any goods or
11 **services**, or any container for goods, **uses in commerce** any
12 word, term, name, symbol, or device, or any combination
13 thereof, or any false designation of origin, false or
14 misleading description of fact, or **false or misleading**
15 **representation of fact**, which --

16 (A) **is likely** to cause confusion, or to cause mistake,
17 or **to deceive** as to the affiliation, connection, or
18 association of such person with another person, or as to the
19 origin, **sponsorship, or approval of his or her** goods,
20 **services**, or commercial activities by another person, . . .

21
22 shall be liable in a civil action by any person who believes
23 that he or she is or is likely to be damaged by such act.

24 (Emphasis added.) During oral argument, Dr. Ott described his claim
25 in more detail. He said he is alleging that (1) Ingenix (2) in
26 connection with a proposal to provide services to the State of Montana
(3) used in commerce (4) a false representation of fact, that was (5)
likely to deceive Montana authorities (6) concerning his sponsorship
or approval of Ingenix's proposal. Dr. Ott argued that the preceding
allegations are sufficient to state a claim for relief under §
1125(a)(1)(A). As authority, he cited the *Restatement (Third) of*

1 *Unfair Competition* § 4 (1995).

2 **STANDING**

3 Dr. Ott alleges that Ingenix deceived Montana authorities; but as
4 Ingenix observed during oral argument, the State of Montana is not
5 seeking damages. Instead, it is Dr. Ott who is seeking damages based
6 upon Ingenix's alleged deception. In view of this circumstance, the
7 Court must determine whether he is the proper party to seek relief
8 under the Lanham Act. In other words, does he have standing to bring
9 a claim under § 1125(a)? See *Procter & Gamble Co. v. Amway Corp.*, 242
10 F.3d 539, 560 (5th Cir.2001).¹ "Standing has constitutional and
11 prudential components." *Id.* At least three circuits have held that
12 the doctrine of prudential standing applies to actions brought under
13 the Lanham Act. *Phoenix of Broward, Inc. v. McDonald's Corp.*, 489
14 F.3d 1156, 1163 (11th Cir.2007), *cert. denied*, --- U.S. ----, 128
15 S.Ct. 1647, 170 L.Ed.2d 385 (2008); *Procter & Gamble*, 242 F.3d at 562;
16 *Conte Bros. Auto., Inc. v. Quaker State-Slick 50, Inc.*, 165 F.3d 221,
17 230 (3d Cir.1998). Although the Ninth Circuit has not employed the
18 doctrine of prudential standing in the context of § 1125(a), the Ninth
19 Circuit has held that a person seeking relief under § 1125(a) must
20 have standing to bring the claim. "[D]ifferent causes of action
21 alleged pursuant to the different subsections of 15 U.S.C. § 1125(a)

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23 ¹This is a question which the Court must consider despite
24 the fact that the parties did not discuss it in their memoranda.
25 *Bernhardt v. County of Los Angeles*, 279 F.3d 862, 868 (9th
26 Cir.2001) ("[f]ederal courts are required *sua sponte* to examine
jurisdictional issues such as standing" (emphasis in original;
internal punctuation and citation omitted)).

1 have different standing requirements." *Jack Russell Terrier Network*
2 *of N. Cal. v. American Kennel Club, Inc.*, 407 F.3d 1027, 1037 (9th
3 Cir.2005) ("*Jack Russell*"). Section 1125(a)(1)(B) is typically
4 referred to as the "false advertising" prong. *See, e.g., Barrus v.*
5 *Sylvania*, 55 F.3d 468, 470 (9th Cir.1995). Under § 1125(a)(1)(B), a
6 plaintiff must demonstrate "(1) a commercial injury based upon a
7 misrepresentation about a product; and (2) that the injury is
8 'competitive,' or harmful to the plaintiff's ability to compete with
9 the defendant." *Jack Russell*, 407 F.3d at 1037. Dr. Ott is not
10 relying upon § 1125(a)(1)(B). He is relying upon § 1125(a)(1)(A),
11 which is typically referred to as the "false association" prong. *See,*
12 *e.g., Barrus*, 55 F.3d at 469. Under § 1125(a)(1)(A), a plaintiff
13 "need only allege commercial injury **based upon the deceptive use of a**
14 **trademark or its equivalent** to satisfy standing requirements." *Jack*
15 *Russell*, 407 F.3d at 1037 (emphasis added). The standard for false
16 association claims is less demanding than the one that governs false
17 advertising claims. Even so, Dr. Ott cannot satisfy it. At oral
18 argument, he stated unequivocally that he is not alleging that his
19 professional identity is the equivalent of a trademark. Absent
20 evidence that Ingenix's deception involved a trademark or its
21 equivalent, Dr. Ott's alleged injury is insufficient to establish
22 standing under § 1125(a)(1)(A).

23 **RESTATEMENT (THIRD) OF UNFAIR COMPETITION**

24 For essentially the same reason that Dr. Ott lacks standing, his
25 reliance upon § 4 of the Restatement is misplaced. Comment f to § 4
26 describes the types of conduct which that section addresses. "This

1 Section affords protection," says comment f, "against both direct
2 diversions of trade and harm to reputation and good will."

3 *Restatement, supra*, § 4 cmt. f. Diversion-of-trade and harm-to-
4 reputation appear to be distinct concepts. Regarding the former,
5 comment f states:

6 If the person falsely associated with the actor or with the
7 actor's goods or services **is in competition** with the actor,
8 reliance on the misrepresentation by prospective purchasers
9 may divert trade from that person to the actor. Subsequent
dissatisfaction with the actor's goods or services may also
result in harm to the other's reputation and good will.

10 *Id.* (emphasis added). Dr. Ott was not competing with Ingenix for the
11 Montana project. To the contrary, he was willing, even eager, to help
12 Ingenix obtain the project as long as Ingenix utilized his services.
13 Consequently, he is not alleging a competitive injury. Nor is he
14 alleging harm to his reputation: a point that he emphasized during
15 oral argument. *Cf. Flynn v. AK Peters, Ltd.*, 377 F.3d 13, 18 (1st
16 Cir.2004) (robotics scientist alleged that publisher's decision to
17 list her as a coauthor of a revised edition of a book was likely to
18 cause confusion among her peers and consumers). Absent either a
19 competitive injury or an injury to his reputation, his claim does not
20 fall within the scope of § 4 of the Restatement.

21 This reading of the Restatement is consistent with the manner in
22 which the Ninth Circuit interprets the Lanham Act. Among other
23 things, the Lanham Act covers certain false representations that are
24 likely to deceive consumers with respect to a person's sponsorship or
25 approval of services. 15 U.S.C. § 1125(a)(1)(A). The deception that
26 this section prohibits is deception which injures the person's

1 commercial interests. See *Waits v. Frito-Lay*, 978 F.2d 1093, 1107-10
2 (9th Cir.1992), cert. denied, 506 U.S. 1080, 113 S.Ct. 1047, 122
3 L.Ed.2d 355 (1993). Ingenix may have deceived the State of Montana,
4 but Dr. Ott has failed to offer evidence from which a rational jury
5 could find that the deception damaged his business reputation or
6 otherwise hindered his ability to compete in the marketplace.

7 **IT IS HEREBY ORDERED:**

8 1. Ingenix's motion for summary judgment on Dr. Ott's Lanham Act
9 claim (**Ct. Rec. 11**) is **granted**. This claim is dismissed with
10 prejudice because he lacks standing to bring it.

11 2. The Court declines to exercise supplemental jurisdiction over
12 Dr. Ott's state-law claims. 28 U.S.C. § 1367(c). They are dismissed
13 without prejudice.

14 3. Ingenix's motion for partial summary judgment on Dr. Ott's
15 state-law claims (**Ct. Rec. 27**) is **denied** because those claims are no
16 longer before the Court.

17 **IT IS SO ORDERED.** The District Court Executive is hereby
18 directed to file this order, enter judgment accordingly, furnish
19 copies to counsel, and close the case.

20 **DATED** this 30th day of September, 2008.

21
22 s/ Fred Van Sickle
Fred Van Sickle
23 Senior United States District Judge
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