

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

COOK DRILLING CORP.,	:	
Plaintiff,	:	
	:	
v.	:	CIVIL ACTION
	:	
HALCO AMERICA, INC., HALCO GROUP	:	NO. 01-2940
LIMITED and TOOL SALES & SERVICE CO., INC.,	:	
Defendants.	:	

Memorandum and Order

YOHN, J.

January __, 2002

Presently before the court is defendants’ motion to dismiss the complaint pursuant to Fed. R. Civ. P. 12(b)(6) and 12(b)(1). For the reasons that follow, the motion will be granted.

Background¹

Cook Drilling Corporation (“Cook”) is a company engaged in the commercial rock drilling business. As a means of conducting the large scale boring operations that are the crux of its enterprise, Cook uses various specialized implements, including air hammers. It is around such a tool that this dispute revolves.

Some time during or prior to the spring of 1998, Cook determined that it would be advisable to purchase a large diameter “down the hole” (“DTH”) air hammer. Norman A. Cook

¹ Because this is a motion to dismiss, the facts set forth in this section are taken from plaintiff’s complaint. *See, e.g., In re Warfarin Sodium Antitrust Litig.*, 214 F.3d 395, 398 (3d Cir. 2000) (holding that the district court erred in considering “facts beyond the corners of the complaints”).

(“Norman”), president of Cook, had several telephone conversations and meetings during that spring with Thomas McKelvey, a sales representative for Tool Sales & Service Company (“TSS”), regarding the purchase of such a hammer. Complaint ¶ 12. At times, Norman and McKelvey were joined by Edward Dolby, a sales representative for Halco America, Inc.—the American distributor of DTH hammers manufactured by Halco Group Limited (“Halco UK”), a British corporation—who provided technical data and performance information. *Id.* As these discussions progressed, it became apparent that Halco UK offered a product line that met Cook’s requirements, *id.* ¶ 13, and at the request of TSS, Halco America provided Cook with the specifications for these hammers. *Id.* Cook received additional technical specifications from Halco UK directly. *Id.*

Although Halco UK’s products were more expensive than its competitors’, its hammers featured “carbursed drill bits, which provide extra wear resistance in abrasive conditions,” as indicated by Halco UK’s website. *Id.* ¶ 14. This characteristic figured prominently in Cook’s decision to buy a Halco tool. *Id.* Also contributing to Cook’s decision were its past experiences using small diameter Halco DTH hammers and its observation of a large diameter Halco DTH hammer being used in connection with a state road project. *Id.* ¶¶ 15-16.

In May, 1998, Cook ordered an 18 inch Halco Model C1800 hammer from TSS. *Id.* ¶ 17. However, TSS was unable to warrant the bits for this hammer against damage and shankage² because the bit diameter exceeded that recommended for use in the C1800. *Id.* This

² Shankage, Cook explains, refers to “a situation where the bit is too large for the drill size and breaks off.” Complaint ¶ 17.

problem, TSS explained, could be rectified (i.e., the bits could be warranted) if Cook bought the larger, 24 inch C2400 model. *Id.* Accordingly, on October 9, 1998, Cook agreed to purchase from TSS a Halco Model C2400 DTH hammer and bit for \$153,640. *Id.* ¶ 18. Although the parties set November 5, 1998 as the delivery date, TSS was unable to deliver the hammer until December 1, 1998. *Id.* ¶¶ 19-21. Cook explained that because of the delay it no longer had a specific need for the hammer, but agreed to store it with the understanding that if a need for the hammer arose in the future, Cook would pay for it at that time. *Id.*

On May 30, 1999, Cook transported the hammer to West Virginia for use in connection with a bridge project.³ *Id.* ¶ 22. After 280 feet of drilling, however, the tool became jammed in the hole in which it was operating, and the boom of the crane that Cook had rented was damaged in the effort to extract it. *Id.* ¶ 23. Then, on June 3, 1999, the bit broke into two pieces after drilling a single hole, *id.* ¶ 24, forcing Cook's entire operation into idleness until June 12, 1999, when a TSS technician replaced the bit with a single piece bit. *Id.* The technician instructed Cook to reuse the existing retaining pins⁴ because the technician had neglected to bring new pins. *Id.* Despite these efforts, the hammer jammed again on July 21, 1999. *Id.* ¶ 26. Upon extracting it, Cook discovered excessive wear on the bit, contrary to Halco's claims regarding its durability. *Id.* It also found that the retaining pins had disintegrated. *Id.* Due to the significant bit wear, Cook was forced on August 27, 1999 to remove the bit from the hammer and ship it off site for retooling. *Id.* ¶ 27. The bit was returned nearly a month later. *Id.* On October 7, 1999,

³ Although Cook never so specifies, it is reasonable—indeed, necessary—to infer that upon using the hammer in West Virginia, Cook purchased it from TSS.

⁴ Cook does not specify the function of retaining pins in a DTH hammer.

the hammer ceased functioning due to a cracked head valve, and after regaining functionality, the valve broke again on November 3, 1999 and yet again on November 11, 1999. *Id.* ¶¶ 28-29. The hammer failed twice more between November 14, 1999 and November 19, 1999, by which point it had become inoperable. *Id.* ¶¶ 30-31. After this final failure, Cook requested that NUMA, an independent manufacturer of large diameter hammers, disassemble and inspect the hammer. *Id.* ¶ 40. That group found that the necessary manufacturing tolerances had not been adhered to, and that the clearances between the internal moving parts of the tool were not concentric, as they were supposed to be. *Id.* Cook engineers also found designations that indicated that the hammer had in fact been manufactured by Holte Manufacturing, an unrelated manufacturer of DTH hammers, and further found that the hammer's design diverged from the specifications provided by Halco America and Halco UK. *Id.* ¶ 41.

On June 14, 2001, Cook filed the instant suit against Halco UK, Halco America and TSS. It advances five substantive counts, sounding in breach of warranty, breach of contract, common law fraud, common law unfair competition and a violation of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a),⁵ respectively. The sixth and final count of the complaint is for attorney

⁵ That provision provides:

(a) Civil action

(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 any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

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

fees. The essence of the Lanham Act claim is that defendants' misrepresentation of the Holte hammer as a Halco product was confusing and is likely to confuse others in the industry. Cook asserts that as a consequence of this false representation it suffered a total of \$599,981 in pecuniary losses in the form of repair, delay, and alternative equipment costs. Complaint ¶¶ 34-39. It also seeks consequential damages totaling \$250,000 for injuries to its reputation and goodwill, in addition to interest and costs.

Defendants move to dismiss the complaint, and they advance two arguments in support of this motion. The first, raised by all three defendants, is that Cook lacks prudential standing to assert a claim pursuant to § 43(a) of the Lanham Act. Defendants contend that because Cook is not a competitor of defendants' (i.e., does not manufacture, sell or distribute DTH hammers), it is not a legitimate plaintiff under § 43(a). Accordingly, they assert, Cook's § 43(a) claim should be dismissed pursuant to Fed. R. Civ. P. 12(b)(6). Because plaintiff's only federal claim should be dismissed, defendants continue, there is no basis for federal subject matter jurisdiction over its remaining claims, and these should be dismissed pursuant to Fed. R. Civ. P. 12(b)(1). The second argument in favor of dismissal is raised only by Halco UK, which asserts that the court lacks personal jurisdiction over it. Because I conclude that defendants' first contention is meritorious, I will not address the merits of Halco UK's jurisdictional argument.

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1).

Standard of Review

The purpose of a Rule 12(b)(6) motion is to test the legal sufficiency of the complaint. *Holder v. City of Allentown*, 987 F.2d 188, 194 (3d Cir. 1993). Accordingly, the court “must accept as true all of the factual allegations in the complaint as well as the reasonable inferences that can be drawn from them.” *Doe v. Delie*, 257 F.3d 309, 313 (3d Cir. 2001) (citing *Moore v. Tartler*, 986 F.2d 682, 685 (3d Cir. 1993)). After so doing, the court must deny the motion unless “it is clear that no relief could be granted under any set of facts that could be proved consistent with the allegations.” *Doe*, 257 F.3d at 313 (citing *Hishon v. King & Spalding*, 467 U.S. 69, 73 (1984)). This does not mean, however, that the court must accept as true “unsupported conclusions and unwarranted inferences.” *Schuylkill Energy Res., Inc. v. Pennsylvania Power & Light Co.*, 113 F.3d 405, 417 (3d Cir. 1997). Indeed, as indicated by our court of appeals, “courts have an obligation in matters before them to view the complaint as a whole and to base rulings not upon the presence of mere words but, rather, upon the presence of a factual situation which is or is not justiciable. [They] do draw on the allegations of the complaint, but in a realistic, rather than a slavish, manner.” *City of Pittsburgh v. West Penn Power Co.*, 147 F.3d 256, 263 (3d Cir. 1998).

Discussion

Legal Background

There are two varieties of standing restrictions: constitutional and prudential. The constitutional standing inquiry stems from the case or controversy requirement of U.S. Const. art. III § 2, and in order to satisfy this test, a litigant must demonstrate that she has

suffered an injury in fact that is “fairly traceable” to the defendant’s conduct and that is likely to be redressed by the relief sought. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992). Prudential standing requirements, by contrast, are “‘judicially self-imposed limits on the exercise of federal jurisdiction,’” *Bennett v. Spear*, 520 U.S. 154, 162 (1997) (quoting *Allen v. Wright*, 468 U.S. 737, 751 (1984)), and are “‘founded in concern about the proper—and properly limited—role of the courts in a democratic society.’” *Id.* (quoting *Warth v. Seldin*, 422 U.S. 490, 498 (1975)). As is relevant to the present matter, prudential standing doctrine “limit[s] access to the federal courts to those litigants best suited to assert a particular claim.” *Joint Stock Soc’y v. UDV N. Am., Inc.*, 266 F.3d 164, 179 (3d Cir. 2001). While the instant defendants do not contest Cook’s constitutional standing to assert its Lanham Act claim, they do argue that Cook fails to satisfy the requirements for prudential standing under § 43(a). Defendants’ Memorandum in Support of Motion to Dismiss (“Defs.’ Memo”) at 3-4.

The Third Circuit first addressed the question of what showing must be made by a plaintiff asserting prudential standing under § 43(a) of the Lanham Act, albeit in general terms, in *Thorn v. Reliance Van Co.*, 736 F.2d 929 (3d Cir. 1984). As stated subsequently by the court of appeals:

We defined [in *Thorn*] the “dispositive question” of a party’s prudential standing as “whether the party has a reasonable interest to be protected against false advertising.” [*Thorn*, 736 F.2d at 933] (quoting *Smith v. Montoro*, 648 F.2d 602, 608 (9th Cir.1981)) (quoting 1 R. Callmann, *Unfair Competition, Trademarks and Monopolies*, § 18.2(b) at 625 (3d ed.1967)). While we never precisely defined the critical term “reasonable interest,” we noted that *Thorn*’s allegations of injury—notably the loss of his investment due to the defendant’s false advertising campaign—were “sufficient[ly] direct” to satisfy any prudential standing considerations. *Id.*

Conte Bros. Auto., Inc. v. Quaker State-Slick 50, Inc., 168 F.3d 221, 230-31 (3d Cir. 1998).

Indeed, the sole question before the court in *Thorn* was whether the plaintiff, a 45% shareholder in a corporation that allegedly had been harmed by the defendant's violations of § 43(a), had prudential standing to sue under that section. The defendant contended that it was necessary, in order to have standing under § 43(a), for a plaintiff to be in direct economic competition with the party against whom he brings suit. The court of appeals disagreed, holding that on its face § 43(a) permits non-competitors to sue if they "believe they are somehow damaged by the [defendant's] false representations." 736 F.2d at 931. The court noted that another court of appeals previously had held that § 43(a)'s scope is constrained by a congressional intent—evidenced in § 45 of the Lanham Act—to limit the Act's protection to plaintiffs alleging a commercial harm, as opposed to the sort of injury that would accrue to consumers who are misled by a defendant's misrepresentations. *Id.* at 932 (citing *Colligan v. Activities Club of New York, Ltd.*, 442 F.2d 686 (2d Cir. 1971)). However, the *Thorn* court distinguished the facts then at bar from those addressed in *Colligan*, holding that *Thorn*, while not a competitor of the defendant, was not a consumer either, as was the *Colligan* plaintiff. *Id.* at 932-33. His status as a near-majority investor in the corporation that allegedly was harmed directly by the defendant's misrepresentations conferred upon him a "sufficient direct injury" so as to render him within the ambit of § 43(a). *Id.* In the words of the *Conte Bros.* court, *Thorn* was a "surrogate" for a direct competitor, and thus possessed the "reasonable interest" necessary to satisfy prudential standing concerns.⁶ 165 F.3d at 231.

⁶ Quoting the *Restatement of Unfair Competition*, the Third Circuit subsequently provided further insight into the rationale underlying *Thorn*. See *Serbin v. Ziebart Int'l Corp.*, 11 F.3d 1163, 1177 (3d Cir. 1993) ("[T]he *Thorn* plaintiff, as the major shareholder in a firm allegedly driven into bankruptcy by a principal competitor's false advertising, was a particularly appropriate standard bearer for the 'commercial interests' of the bankrupt firm. 'The absence of

The Third Circuit next applied *Thorn*'s "reasonable interest" test in a significant way in *Serbin*, a case cited at length by the instant parties. In that case, our court of appeals was confronted squarely with the question it did not answer in *Thorn*, namely whether consumers possess a reasonable interest to be protected against false advertising, and thus have prudential standing to sue pursuant to § 43(a). In holding in the negative, the court confirmed that "[t]he Lanham Act is primarily intended to protect commercial interests," and that "section 43(a) of the statute provides a private remedy to a commercial plaintiff who meets the burden of proving that its commercial interests have been harmed by a competitor's false advertising." *Serbin*, 11 F.3d at 1177 (quoting *Sandoz Pharmaceuticals Corp. v. Richardson-Vicks, Inc.*, 902 F.2d 222, 230 (3d Cir. 1990)). Accordingly, while the court affirmed the continuing vitality of *Thorn*'s core holding—that § 43(a) is not to be construed "as limiting the class of false advertising plaintiffs to those in direct competition"—it explicitly excluded consumers, as non-commercial plaintiffs, from this class. *Id.* at 1176-77.

Serbin thus clarified the question of what parties are proper plaintiffs under § 43(a). It stopped short, however, of articulating a workable, generally applicable standard for resolving this question in future cases. It was this task that was undertaken by the court of appeals in *Conte Bros.* See 168 F.3d at 230-35. In that case, the plaintiffs were "a putative nationwide class of retail sellers of motor oil and other engine lubricants that purportedly compete[d] with Slick 50, a Teflon-based engine lubricant manufactured by [defendants]." 165

a less remote party with an interest in challenging the false representation may account for the Third Circuit's decision" (quoting *Restatement of the Law: Unfair Competition, Tentative Draft No. 1* (Apr. 12, 1988) 59, reprinted in *Restatement of the Law: Unfair Competition, Tentative Draft Nos. 1, 2 and 3* (1992))).

F.3d at 223-24. In other words, whereas the defendants manufactured engine lubricant, the plaintiffs sold the same type of product, though not the defendants' brand. The retailers alleged that the defendants "falsely advertised that the addition of Slick 50 would reduce the friction of moving parts, decrease engine wear, and improve engine performance efficiency." *Id.* at 224. The issue confronting the court of appeals was whether the district court had properly dismissed the case pursuant to Fed. R. Civ. P. 12(b)(6) on the ground that the plaintiffs had not satisfied the prudential standing requirements pertaining to § 43(a). *Id.* at 224.

The Third Circuit began its analysis by recognizing that at the time "there exist[ed] no single overarching test for determining the standing to sue" under § 43(a). The court then considered and rejected a bipartite approach adopted by the Ninth Circuit. Under this standard, a distinction was drawn between the "false association" and "false advertising" prongs of § 43(a), with a "discernibly competitive injury" necessarily alleged by a plaintiff bringing a claim under the latter prong, but not under the former. 165 F.3d at 232 (quoting *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1109 (9th Cir. 1992)). The court instead adopted the test for antitrust standing articulated by the Supreme Court in *Associated Gen. Contractors of California, Inc. v. California State Council of Carpenters*, 459 U.S. 519 (1983). That test consists of five factors, and it is these considerations that govern Cook's standing to advance its § 43(a) claim.

As indicated in *Conte Bros.*, the court must consider the following:

- (1) The nature of the plaintiff's alleged injury: Is the injury "of a type that Congress sought to redress in providing a private remedy for violations of 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.

165 F.3d at 233 (citing *Associated Gen. Contractors*, 459 U.S. at 538-44).

Application of the Conte Bros. Test to This Case

As for the first *Conte Bros.* factor—whether the plaintiff’s asserted injury is “of a type the Congress sought to redress,” *Conte Bros.*, 165 F.3d at 233—the Lanham Act has two foci. First, it is aimed at vindicating “commercial interests [that] have been harmed by a competitor’s false advertising.” *Id.* at 234 (quoting *Granite State Ins. Co. v. Aamco Transmissions, Inc.*, 57 F.3d 316, 321 (3d Cir. 1995)). Second, the Act is a means of “secur[ing] to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not.” *Id.* (quoting S. Rep. No. 79-1333 (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274, 1275).

In *Conte Bros.*, however, the Third Circuit found that the rectification of the injury asserted by the plaintiff class furthered neither of these purposes. *See id.* Regarding the first, the court of appeals recognized that although the harm asserted by the retailers was commercial, *see id.*, it was not competitive in nature. That is, although the retailers asserted that the defendants’ misrepresentations resulted in pecuniary losses for their business enterprises (thereby rendering the injury commercial), the plaintiffs did not contend that they incurred such losses because those representations impugned them as vendors of engine additive or, conversely, touted the virtues of any competing retailer. *See id.* Regarding the Act’s second purpose, the plaintiffs in *Conte Bros.* did not provide “any indication that [their] good will or reputation ha[d]

been harmed directly or indirectly.” *Id.* As the Third Circuit put it: “plaintiffs d[id] not allege that defendants ran advertisements that said ‘don’t buy engine additive at Conte Brothers . . . instead, buy Slick 50 directly from the manufacturer.’” *Id.* (quoting *Conte Bros. Auto., Inc. v. Quaker State-Slick 50, Inc.*, 992 F. Supp. 709, 715 (D.N.J. 1998)). The court concluded that both of these characteristics of the harm asserted by the retailers disfavored prudential standing.

As applied to the instant matter, this factor weighs against a finding of standing. As in *Conte Bros.*, while the harm alleged by Cook is commercial, *see* Complaint ¶¶ 34-39, it is not competitive. Indeed, Cook does not contend that defendants’ alleged misrepresentation regarding the manufacture of the DTH hammer either directly or indirectly impugned Cook as a commercial driller, or extolled the virtues of a different commercial driller. Instead, the crux of Cook’s claim is that “[s]ince the hammer was painted in the industry-recognized Halco colors, Cook believed it was a Halco hammer and was confused when it discovered the Holte name stamped on the hammer. Such a practice is likely to confuse others in the industry.” *Id.* ¶ 78. Indeed, the object of defendants’ alleged misrepresentation had nothing to do with any drilling company, but rather with the source of the hammer. As such, any injury suffered by Cook as a consequence of this deception was noncompetitive.

As for the second aim of the Lanham Act, I note that the complaint asserts that “[u]ltimately [Cook’s] reputation and goodwill are impacted.” *Id.* ¶ 79. However, the negative reputational effect alleged by Cook to have been occasioned by defendants’ misrepresentation is not of the sort “‘that Congress sought to redress’ by enacting the Lanham Act.” *Conte Bros.*, 165 F.3d at 234 (quoting *Associated Gen.*, 459 U.S. at 538). To reiterate, the Lanham Act is focused on “‘secur[ing] to the business community the advantages of reputation and good will by

preventing their diversion from those who have created them to those who have not.” *Id.*

(citation omitted) (emphasis added). Stated differently, the operative congressional concern was not with remedying reputational harms per se, but rather with addressing the deliberate transference by means of misrepresentation of the good will and reputation earned by a party. *See id.* 165 F.3d at 234. A paradigmatic example such diversion of reputation/good will is the hypothetical directive discussed in *Conte Bros.*: “don’t buy engine additive at Conte Brothers . . . instead, buy Slick 50 directly from the manufacturer.” *Id.*

There is an element of the variety of reputational harm that Congress sought to redress by enacting the Lanham Act that is missing from Cook’s allegation, namely the diversion of its good will to another, undeserving party. Indeed, distilled to its essence, Cook’s allegation is that its reputation will suffer as a consequence of defendants’ deception, not that it will suffer and that defendants’ reputations will be bolstered. The injury alleged by Cook, then, is distinguishable from that for which § 43(a) was intended as a remedy. When coupled with the non-competitive nature of Cook’s harm, this consideration weighs especially heavily against a conclusion that Cook has prudential standing under § 43(a).

As for the second *Conte Bros.* factor, the directness or indirectness of the asserted injury,⁷ the issue is “whether the defendants’ conduct has had a direct effect on either the plaintiffs or the market in which they participate.” *Joint Stock Soc’y*, 266 F.3d at 181. I conclude that Cook alleges pecuniary harm that stems fairly directly from defendants’ misrepresentation, but that the connection between this false representation and the asserted

⁷ The analysis of this factor in *Conte Bros.* was largely condensed with that of the third factor, the proximity or remoteness of the asserted injury. For purposes of the instant analysis, however, I will address them separately. *See Joint Stock Soc’y*, 266 F.3d at 181.

injury to Cook’s reputation and goodwill is “not direct enough to weigh in favor of prudential standing under the Lanham Act.” *Id.* at 182. Regarding the pecuniary injuries alleged by Cook, it asserts that it “suffered a commercial injury as a result of the false representations of TSS, Halco America, and Halco UK because it incurred repair costs, delay costs [and] alternative equipment costs” Complaint ¶ 80. While the precise causative link between the alleged misrepresentation and these injuries is not spelled out in the portion of the complaint addressing § 43(a), it is reasonable to infer that Cook is asserting that because of defendants’ false representation, it bought a hammer of inferior quality, that this tool broke repeatedly whereas a Halco hammer would not have, and that these breakages resulted in the aforementioned financial losses.⁸ While not perfectly direct,⁹ this is a fairly direct injury, and as such it weighs moderately in favor of finding standing under § 43(a).

Any injury to Cook’s reputation or goodwill, however, is more attenuated. Again, Cook does not allege that defendants made any statement regarding either it or any other commercial drilling company. Accordingly, it is reasonable to infer that such harm could have resulted only from something akin to the following causal chain: defendants falsely represented the make of the DTH hammer; Cook consequently bought an inferior product; that tool broke

⁸ Cook delineates precisely this causative chain in count IV of its complaint. *See* Complaint ¶¶ 73-74.

⁹ An example of a perfectly direct injury would be “one competitor’s . . . making false statements about his own goods and thus inducing customers to switch from a competitor.” *Proctor & Gamble Co. v. Amway Corp.*, 242 F.3d 539, 563 (5th Cir. 2001). In that illustration, there are no intervening causative steps between the representation and the harm; the statement is made, and the reaction (customers switching their allegiance) harms the plaintiff. In this case, defendants made their alleged misrepresentation, Cook purchased the inferior hammer, the hammer malfunctioned, and Cook consequently suffered harm. Thus, there are two intervening steps between the misrepresentation and the pecuniary injury sustained.

where the product Cook intended to purchase would not have; as a result, Cook performed inadequately during the West Virginia bridge project; its customers and/or competitors learned of its deficient performance; and its good will and reputation consequently suffered. This causal chain is significantly longer than that associated with Cook's asserted pecuniary harm, and is even lengthier than that addressed by the Third Circuit in *Joint Stock Soc'y*.¹⁰ Thus, as in that case, this consideration counsels against a finding of prudential standing under § 43(a). When this indirect causal relationship is amalgamated with the moderately direct causal link between defendants' alleged misrepresentation and the pecuniary harm asserted by Cook, it becomes apparent that the second *Conte Bros.* factor weighs weakly in favor of prudential standing.

The third factor evaluated in *Conte Bros.* was the proximity or remoteness of the plaintiff to the alleged injurious conduct. As stated in *Joint Stock Soc'y*,

[the court's] task here is to determine whether there is "an identifiable class of persons whose self-interest would normally motivate them to vindicate the public interest" by bringing an enforcement action. *AGC*, 459 U.S. at 542; *accord Conte Bros.*, 165 F.3d at 234. The existence of such a class "diminishes the justification for allowing a more remote party . . . to perform the office of a private attorney general." *AGC* 459 U.S. at 542.

266 F.3d at 182.

In *Conte Bros.*, the Third Circuit held that manufacturers of competing engine additives constituted such a class. In this case, defendants' alleged misrepresentation harmed at

¹⁰ In *Joint Stock Soc'y* the plaintiffs complained "that the defendants' false designation of origin and false advertising have made the American market less profitable for importers of Russian vodka; that this has made distributors less willing to import [plaintiff's] product; and that this has contributed to Joint Stock's failure to send any vodka to the United States." 266 F.3d at 182.

Notably, the tie between Cook's alleged pecuniary injuries and defendants' alleged misrepresentation is more direct than that featured in *Joint Stock Soc'y* because there are no third parties involved in the causal chain.

least two groups more directly than it injured Cook. These are 1) vendors of DTH hammers in competition with TSS; and 2) manufacturers of DTH hammers that are sold in the United States in competition with Halco UK. Indeed, whereas Cook allegedly was injured financially because the false representation led to the sale of an inferior hammer which malfunctioned, thereby causing Cook harm, these parties were injured by the sale itself, as such necessarily decreased their sales and share of the DTH hammer market respectively. Accordingly, it would be more appropriate for a member of one of these groups to serve as a “private attorney general.”

Associated Gen. Contractors, 459 U.S. at 542. Indeed, as recognized by the court of appeals in *Joint Stock Soc’y*, it is an implicit premise of both *Associated Gen. Contractors* and *Conte Bros.* “that a direct competitor will usually have a stronger commercial interest than a non-competitor.” 266 F.3d at 183 n.10. This proposition certainly holds true in this case, and the third *Conte Bros.* factor consequently weighs against standing under § 43(a).

The fourth factor to be considered by the court is the speculativeness of the damages¹¹ claim. As applied in *Conte Bros.*, this consideration includes the avoidability of the damages allegedly suffered. *See* 165 F.3d at 235. In this case, Cook’s alleged damages are not speculative. They are concrete, quantifiable pecuniary losses stemming in a sufficiently direct manner, *see supra*, from defendants’ asserted misrepresentation. Moreover, although some allegations in the complaint arguably indicate that at least some of these harms could have been avoided through a careful inspection of the hammer before it was used,¹² the injuries allegedly

¹¹ Because this factor explicitly focuses on damages, the court will not consider the speculativeness of the asserted reputational harm suffered by Cook.

¹² Specifically, Cook alleges that “[d]uring one of the many repairs of the hammer for the failures of the air distribution tubes, Cook’s foreman . . . discovered that certain components of

sustained by Cook were less obviously avoidable than were those at issue in *Conte Bros.* In that case, the engine additive retailers could have prevented any pecuniary loss simply by stocking Slick 50. *See id.* at 235. Here, by contrast, Cook contends that to discover the hammer's actual manufacturer, and thereby avert the injuries ultimately suffered, it necessarily would have circumvented defendants' efforts to disguise the same. As stated, no such effort would have been necessary for the plaintiff class in *Conte Bros.* to avoid the harms it allegedly suffered. Accordingly, I will consider this factor as favoring prudential standing under § 43(a).

The fifth and final *Conte Bros.* factor focuses on the risk of duplicative damages or complexity in apportioning damages. This factor weighs against prudential standing in this case. The problem for Cook is that, based on its allegations, the direct competitors of TSS and Halco UK were injured more directly by defendants' alleged misrepresentation than was Cook, and have the right to sue for the harm(s) suffered. Adding Cook to the list of legitimate Lanham Act plaintiffs, then, unquestionably would heighten the risk of duplicative damages. Notably, it was precisely this consideration that led to the *Conte Bros.* court's "disinclin[ation] to grant standing to remote parties along the vertical distribution chain." *Joint Stock Soc'y*, 266 F.3d at 185 (characterizing the *Conte Bros.* holding); *Conte Bros.*, 165 F.3d at 235 ("[R]ecognizing the right of every potentially injured party in the distribution chain to bring a private damages action would subject defendant firms to multiple liability for the same conduct and would result in administratively complex damages proceedings."). This circumstance was manifest in *Joint Stock Soc'y* also, and the presence of multiple parties with greater "proximity to the allegedly

the hammer were stamped with the name 'Holte.'" Complaint ¶ 51. Thus, it is at least questionable whether Cook could have made this discovery before using the hammer.

unlawful conduct” in that case led that court to conclude that the fifth *Conte Bros.* factor weighed against prudential standing. 266 F.3d at 184-85. I conclude similarly.

In sum, of the five *Conte Bros.* factors, only one weighs fully in favor of prudential standing under § 43(a). This is the nonspeculative nature of the damages allegedly suffered by Cook. Another factor, the directness of Cook’s asserted losses, counsels weakly in favor of standing. The other three considerations—whether the harm asserted is of the sort that the Lanham Act is intended to remedy, the remoteness of the injury sustained, and the risk of duplicative damages—weigh heavily against prudential standing. When synthesized, these conclusions create a picture of a party that, while allegedly harmed, was injured in a way to which § 43(a) does not speak,¹³ and is far from the optimal plaintiff under that section. Indeed, the Lanham Act is intended as an instrument for remedying concrete, competitive injuries suffered directly by parties who are proximate to a commercial misrepresentation; for a plaintiff asserting prudential standing under § 43(a), it is insufficient merely to have been concretely and directly injured, without more. For these reasons, I conclude that Cook lacks prudential standing to advance the § 43(a) claim articulated in count V of its complaint. This claim accordingly will be dismissed with prejudice pursuant to Fed. R. Civ. P. 12(b)(6).

Cook’s § 43(a) claim was the only hook on which original federal jurisdiction hung in this case.¹⁴ Although it is not the case, as defendants claim, that its dismissal leaves the

¹³ This, of course, is not to say that the state law theories advanced by Cook are similarly ill-suited as a means of recovery. Indeed, as defendants note, there currently are actions pending in the Courts of Common Pleas of Allegheny and Bucks counties in which Cook will have the opportunity to raise the full panoply of state law claims advanced in this suit.

¹⁴ Cook itself so states. *See* Opposition to Motion to Dismiss Complaint ¶ 4. Indeed, jurisdiction pursuant to 28 U.S.C. § 1332 is lacking, as both Cook and TSS have their

court without any possible basis for entertaining the remainder of Cook's claims,¹⁵ I decline to exercise my discretion to retain them. *See* 28 U.S.C. § 1367(c)(3); *Zapach v. Dismuke*, 134 F. Supp.2d 682, 697-98 (E.D. Pa. 2001). Accordingly, counts I - IV and VI of the complaint will be dismissed pursuant to Fed. R. Civ. P. 12(b)(1) for lack of subject matter jurisdiction and without prejudice to Cook's right to pursue its various state law theories of relief in a forum enjoying jurisdiction over them.

An appropriate order follows.

principle places of business in Pennsylvania, *see id.* ¶¶ 1, 4, thereby rendering them citizens of this state, 28 U.S.C. § 1332(c)(1), and rendering diversity incomplete.

¹⁵ I am afforded discretion by 28 U.S.C. § 1367(c)(3) to retain jurisdiction over state law claims, initially brought pursuant to the court's supplemental jurisdiction, when the federal claim on which original jurisdiction was based has been dismissed.

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

COOK DRILLING CORP.,
Plaintiff,

v.

HALCO AMERICA, INC., HALCO GROUP
LIMITED and TOOL SALES & SERVICE CO., INC.,
Defendants.

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CIVIL ACTION

NO. 01-2940

Order

And now, this ____ day of January, 2002, upon consideration of plaintiff's complaint (Doc. #1), defendants' motion to dismiss pursuant to Fed. R. Civ. P. 12(b)(6) and 12(b)(1) (Doc. # 11), defendants' memorandum of law in support thereof (Doc. #12), plaintiff's opposition thereto and memorandum of law in support thereof (Doc. # 19) and defendants' reply thereto (Doc. # 21), it is hereby ORDERED that defendants' motion is GRANTED. Count V of the complaint is DISMISSED WITH PREJUDICE. The remaining counts of the complaint are DISMISSED WITHOUT PREJUDICE to plaintiff's right to advance them in a forum enjoying jurisdiction over them.

William H. Yohn, Jr., Judge