APPENDIX

APPENDIX A

PUBLISHED

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 18-2183

(Filed Feb. 2, 2021)

BELMORA LLC,

Plaintiff – Appellee,

v.

BAYER CONSUMER CARE AG, a Swiss Corporation; BAYER HEALTHCARE LLC, a Delaware Limited Liability Company,

Defendants – Consolidated Plaintiffs – Appellants,

v.

BELMORA LLC, a Virginia Limited Liability Company; JAMIE BELCASTRO, an individual,

Consolidated Defendants – Appellees,

and

DOES, 1 – 10, inclusive,

Consolidated Defendants.

UNITED STATES OF AMERICA

Amicus Supporting Appellant.

No. 18-2232

BELMORA LLC,

Plaintiff – Appellant,

v.

BAYER CONSUMER CARE AG, a Swiss Corporation; BAYER HEALTHCARE LLC, a Delaware Limited Liability Company,

Defendants – Consolidated Plaintiffs – Appellees,

v.

BELMORA LLC, a Virginia Limited Liability Company; JAMIE BELCASTRO, an individual,

Consolidated Defendants – Appellants,

and

DOES, 1 – 10, inclusive,

Consolidated Defendants.

Appeals from the United States District Court for the Eastern District of Virginia, at Alexandria. Claude M. Hilton, Senior District Judge. (1:14-cv-00847-CMH-JFA)

Argued: October 26, 2020 Decided: February 2, 2021

Before AGEE, FLOYD, and THACKER, Circuit Judges.

Affirmed in part, vacated in part, and remanded with instructions by published opinion. Judge Floyd wrote the opinion, in which Judge Agee and Judge Thacker joined.

ARGUED: Jessica Andrea Ekhoff, PATTISHALL, MCAULIFFE, NEWBURY, HILLIARD & GERALDSON LLP, Chicago, Illinois, for Appellants/Cross-Appellees. Lewis Yelin, UNITED STATES DEPARTMENT OF JUSTICE, Washington, D.C., for Amicus United States of America. Joel Geoffrey MacMull, MANDELBAUM SALSBURG, PC, New York, New York; Ronald David Coleman, DHILLON LAW GROUP, New York, New York, for Appellees/Cross-Appellants. **ON BRIEF:** Phillip Barengolts, Bradley L. Cohn, PATTISHALL, MCAULIFFE, NEWBURY, HILLIARD & GERALDSON LLP, Chicago, Illinois; Robert J. Shaughnessy, WILLIAMS & CONNOLLY LLP, Washington, D.C., for Appellants/Cross-Appellees. Craig C. Reilly, LAW OFFICES OF CRAIG C. REILLY, Alexandria, Virginia, for Appellees/Cross-Appellants. Joseph H. Hunt, Assistant Attorney General, Mark R. Freeman, Civil Division, UNITED STATES DEPARTMENT OF JUSTICE, Washington, D.C.; Thomas S. Krause, Solicitor, Christina J. Hieber, Associate Solicitor, Mary Beth Walker, Associate Solicitor, Benjamin T. Hickman, Associate Solicitor, UNITED STATES PATENT AND TRADEMARK OFFICE, Alexandria, Virginia; G. Zachary Terwilliger, United States Attorney, OFFICE OF THE

UNITED STATES ATTORNEY, Alexandria, Virginia, for Amicus United States of America.

FLOYD, Circuit Judge:

This appeal arises out of an action brought by Bayer Consumer Care AG (Bayer) alleging that Belmora LLC (Belmora) engaged in unfair competition in violation of § 43(a) of the Lanham Act. The district court held that Bayer's § 43(a) claims were time-barred. Because the Lanham Act does not include a limitations period for § 43(a) claims, the district court borrowed the statute of limitations from the most analogous state law, declining to apply the equitable doctrine of laches to those claims.

For the reasons set forth below, we conclude that laches, rather than a statute of limitations, is the appropriate defense to Bayer's § 43(a) claims. We also conclude that the district court failed to consider whether Bayer's related state-law claims were subject to tolling. Accordingly, we vacate the district court's judgment on Bayer's § 43(a) and related state-law claims and remand for further proceedings consistent with this opinion. We affirm the district court's judgment in all other respects.

I.

A.

Since the 1970s, Bayer's Mexican affiliate has sold naproxen sodium pain relievers under the trademark "FLANAX" in Mexico and other parts of Latin America. Bayer, a Swiss entity, owns a Mexican registration for the FLANAX mark.[1] Bayer neither owns an American registration for the mark nor sells pain relievers under the FLANAX name in the United States. Rather, Bayer's American sister company, Bayer Healthcare LLC (BHC), sells naproxen sodium pain relievers in the United States under the "ALEVE" name.[2]

Bayer's FLANAX is a top-selling pain reliever in Mexico. The drug is therefore well known among consumers in the United States who have spent time in Mexico and other parts of Latin America.

Given the familiarity with FLANAX among a large subset of consumers in the United States, Belmora saw an opportunity to sell naproxen sodium pain relievers under the FLANAX name to American consumers. To that end, Belmora began selling naproxen

1 Bayer's Mexican affiliate, which is not a party to this case, distributes FLANAX in that country through a licensing agreement with Bayer.

2 BHC is also a party to this case. Bayer and BHC are separate entities asserting slightly different claims. But because any distinction between the two entities is irrelevant to our analysis in this opinion, we refer to Bayer and BHC collectively as "Bayer," unless otherwise noted.

sodium pain relievers under the FLANAX name in the United States in 2004.

Belmora's early marketing materials targeted Hispanic American consumers familiar with FLANAX. Belmora's founder, Jamie Belcastro, described the company's business model as "provid[ing] a user-friendly menu of . . . drug products for common ailments to U.S. residents of Hispanic background." J.A. 85. Belmora also associated its FLANAX pain relievers with Bayer's FLANAX sold in Mexico. For example, a telemarketer script identified Belmora as "the direct producers of FLANAX" in the United States and described its product as "a very well-known medical product in the Latino American market [that is] sold successfully in Mexico." J.A. 94. Belmora's packaging used a color scheme, font size, and typeface similar to Bayer's FLANAX packaging.

On October 6, 2003, Belmora petitioned the U.S. Patent and Trademark Office (PTO) to register the FLANAX mark. On February 27, 2004, Bayer filed a competing application with the PTO to register the mark.[3] The PTO published Belmora's application for opposition on August 3, 2004. On September 19, 2004, the PTO sent a letter to Bayer suspending its application, citing Belmora's earlier application. The PTO issued the registration to Belmora on February 1, 2005.

On June 29, 2007, Bayer petitioned the U.S. Trademark Trial and Appeal Board (TTAB) to cancel

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[3] In actuality, Bayer's predecessor-in-interest filed the application. Bayer acquired the rights to the mark in September 2005.

Belmora's registration. Bayer's petition sought cancellation under § 14(3) of the Lanham Act, alleging that Belmora misrepresented the source of its goods bearing the FLANAX mark.[4] The parties litigated the matter before the TTAB for nearly seven years. On April 17, 2014, the TTAB granted Bayer's petition and canceled Belmora's registration. The TTAB concluded that the evidence "readily establish[ed] blatant misuse of the FLANAX mark [by Belmora] in a manner calculated to trade in the United States on the reputation and goodwill of [Bayer's] mark created by its use in Mexico." J.A. 90. Specifically, the TTAB found that Belmora (1) knew that the FLANAX mark was in use in Mexico when it adopted the mark in the United States, (2) copied Bayer's packaging, and (3) "repeatedly invoked" the reputation of Bayer's product in its marketing materials. J.A. 91–93.

B.

On June 9, 2014—less than two months after the TTAB issued its ruling—Bayer sued Belmora in the Central District of California. The complaint asserted claims for false association and false advertising under § 43(a) of the Lanham Act. The complaint also asserted

[4] Bayer's cancellation petition also asserted the following claims: (1) likelihood of confusion under § 2(d) of the Lanham Act, (2) a claim under Article *6bis* of the Paris Convention, and (3) fraud. The TTAB dismissed those claims with prejudice.

three related claims under California law for unfair competition and false advertising.[5]

Meanwhile, Belmora sought review of the TTAB decision in the Eastern District of Virginia pursuant to 15 U.S.C. § 1071(b). The Central District of California transferred Bayer's suit to the Eastern District of Virginia pursuant to 28 U.S.C. § 1404(a), where it was consolidated with Belmora's action. Belmora moved to dismiss Bayer's § 43(a) claims under Federal Rule of Civil Procedure 12(b)(6) and moved for judgment on the pleadings as to Bayer's § 14(3) claim litigated in the TTAB proceedings. The district court granted Belmora's motion. Bayer appealed.

We vacated the district court's dismissal and remanded for further proceedings. *Belmora LLC v. Bayer Consumer Care AG* (*Belmora I*), 819 F.3d 697, 715 (4th Cir. 2016), *cert. denied*, 137 S. Ct. 1202 (2017). On remand, Belmora filed an answer to Bayer's complaint and brought seven counterclaims. Both parties moved for summary judgment. Bayer sought summary judgment on each of Belmora's counterclaims and affirmance of the TTAB decision. Belmora sought summary judgment on Bayer's § 43(a) and related state-law claims, arguing that those claims were barred by the statute of limitations and laches. In response to Belmora's motion, Bayer argued that laches, not a statute

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[5] BHC joined Bayer as a plaintiff in the Central District of California action. Bayer alone brought the § 43(a) false association claim. Both Bayer and BHC brought the § 43(a) false advertising claim and the state-law claims.

of limitations, governed its § 43(a) claims. Bayer also argued that its state-law claims were subject to tolling.

The district court granted both parties' motions. As to Belmora's motion, the court concluded that Bayer's claims were time-barred, reasoning that Bayer had "misse[d] the statute of limitations by almost a decade" on its § 43(a) claims, implicitly rejecting Bayer's laches arguments. J.A. 888. The district court further concluded that Bayer's state-law claims were time-barred but did not address Bayer's contention that its cancellation petition with the TTAB tolled those claims. As to Bayer's motion, the district court concluded that Belmora failed to marshal evidence to support each of its counterclaims. This cross-appeal followed.

II.

We review the district court's summary judgment rulings de novo. *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 170 (4th Cir. 2006). "Summary judgment is appropriate when there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law." *Ray Cmmc'ns, Inc. v. Clear Channel Commc'ns, Inc.*, 673 F.3d 294, 299 (4th Cir. 2012) (citing Fed. R. Civ. P. 56(a)).

Because the district court "disposed of cross-motions for summary judgment, 'we consider each motion separately on its own merits to determine whether either of the parties deserves judgment as a matter of law.' " *Defenders of Wildlife v. N.C. Dep't of Transp.*, 762

F.3d 374, 392 (4th Cir. 2014) (quoting *Bacon v. City of Richmond*, 475 F.3d 633, 638 (4th Cir. 2007)). "In considering each motion, we 'resolve all factual disputes and any competing, rational inferences in the light most favorable to the party opposing that motion.'" *Id.* (quoting *Rossignol v. Voorhaar*, 316 F.3d 516, 523 (4th Cir. 2003)).

III.

On appeal, Bayer contends that the district court erred in concluding that its § 43(a) and related state-law claims were time-barred. In its cross-appeal, Belmora argues that the district court erred in holding that its counterclaims failed as a matter of law. Belmora also contends that the district court erred in affirming the TTAB decision.

A.

We begin with Bayer's claims under § 43(a) of the Lanham Act. "While much of the Lanham Act addresses the registration, use, and infringement of trademarks and related marks, § 43(a) . . . goes beyond trademark protection." *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 28–29 (2003). That provision "sets forth unfair competition causes of action for false association and false advertising." *Belmora I*, 819 F.3d at 706; *see also Advanced Res. Int'l, Inc. v. Tri-Star Petrol. Co.*, 4 F.3d 327, 334 (4th Cir. 1993) ("The typical § 43(a) Lanham Act claim is brought by a plaintiff who is in competition with the defendant, and charges the defendant with using a mark . . . so similar to that of the plaintiff's that the public may be confused as to the source of the good or service."). Here, Bayer asserts that Belmora's use of the FLANAX mark in the United States amounts to false association and false advertising in violation of § 43(a).

Because the Lanham Act does not contain an explicit limitations period for § 43(a) claims, the district court "follow[ed] the traditional practice of borrowing the most analogous statute of limitations from state law." J.A. 887. The district court concluded that the statute of limitations began running on Bayer's claims as early as September 19, 2004—the date on which the PTO suspended Bayer's competing application to register the FLANAX mark. And because Bayer filed its complaint in the Central District of California in June 2014, the district court held that Bayer "misse[d] the statute of limitations by almost a decade." J.A. 888. Bayer contends that the district court erred by reading a limitations period into the Lanham Act where none exists for § 43(a) claims. Bayer argues that laches, rather than a statute of limitations, is the appropriate defense to its claims.

1.

Before proceeding further, we pause to clarify which circuit's law guides our inquiry into whether Bayer's § 43(a) claims are time-barred. Bayer's claims arrived in the Eastern District of Virginia following a transfer of venue from the Central District of California pursuant to 28 U.S.C. § 1404(a). Accordingly, both parties invite us to apply the law of the transferor court—here, the law of the Ninth Circuit—to resolve the matter.

A transfer under § 1404(a) from one federal district court to another results in nothing more than "a change of courtrooms." *Van Dusen v. Barrack*, 376 U.S. 612, 639 (1964). Thus, in diversity cases, the transferee court applies the state law that the transferor court would have applied absent the transfer. *Id.* Otherwise, "initiating a transfer under § 1404(a) [would] change[ ] the state law applicable to a diversity case," *Ferens v. John Deere Co.*, 494 U.S. 516, 526 (1990), which would violate the federalism principles underlying *Erie Railroad Co. v. Tompkins*, 304 U.S. 64 (1938).

That rationale collapses in federal question cases that require a transferee court to do nothing more than interpret federal law. Unlike state law, federal law is a "single body of law," which each federal court "has an obligation to . . . independently" interpret. *In re Korean Air Lines Disaster of Sept. 1, 1983*, 829 F.2d 1171, 1175–76 (D.C. Cir. 1987), *aff'd on other grounds sub nom. Chan v. Korean Air Lines, Ltd.*, 490 U.S. 122 (1989) (quoting *H.L. Green Co. v. MacMahon*, 312 F.2d 650, 652 (2d Cir. 1962)). And "every Circuit . . . has concluded that when one district court transfers a case to another, the norm is that the transferee court applies its own Circuit's cases on the meaning of federal law." *AER Advisors, Inc. v. Fidelity Brokerage Servs., LLC*, 921 F.3d 282, 288 (1st Cir. 2019); *accord Bradley v.*

United States, 161 F.3d 777, 782 n.4 (4th Cir. 1998) (declining to "apply the law of another circuit simply because the case was transferred from the other circuit").

This appeal requires us to decide whether to apply a statute of limitations borrowed from the most analogous state law or instead some other "timeliness rule[ ] drawn from federal law" to claims under § 43(a) of the Lanham Act, which does not expressly contain a limitations period for those claims. *DelCostello v. Int'l B'hood of Teamsters*, 462 U.S. 151, 162 (1983). Whether to read a limitations period into a federal law is a garden-variety question of federal statutory interpretation. *See Menowitz v. Brown*, 991 F.2d 36, 40 (2d Cir. 1993) (per curiam) ("Whether or not courts apply a state limitations period to a federal claim, 'the choice of a limitations period for a federal cause of action is itself a question of federal law.' " (quoting *DelCostello*, 462 U.S. at 159 n.13)). Because § 43(a) is part of a single body of federal law, we apply Fourth Circuit law to interpret it.

2.

We turn to the primary issue raised in this appeal: whether a statute of limitations or some other timeliness rule applies to Bayer's § 43(a) claims. *See* 15 U.S.C. § 1125(a). "As is often the case in federal law," the Lanham Act does not expressly incorporate a limitations period for § 43(a) claims. *DelCostello*, 462 U.S. at

158.[6] In the absence of an express limitations period, we typically hold "that Congress intended that the courts apply the most closely analogous statute of limitations under state law." *Id.* But "state statutes of limitations can be unsatisfactory vehicles for the enforcement of federal law." *Id.* at 161; *see also Reed v. United Transp. Union*, 488 U.S. 319, 324 (1989) (describing the "closely circumscribed exception to the general rule that statutes of limitations are to be borrowed from state law"). In those circumstances, courts "decline[] to borrow state statutes" and "instead use[] timeliness rules drawn from federal law—either express limitations periods from related federal statutes, or such alternatives as laches." *DelCostello*, 462 U.S. at 162.

We conclude that § 43(a) is one such federal law for which a state statute of limitations would be an unsatisfactory vehicle for enforcement. Rather, the affirmative defense of laches, which applies to claims that are equitable in nature, *see White v. Daniel*, 909 F.2d 99, 102 (4th Cir. 1990), "provides a closer analogy than available state statutes," *DelCostello*, 462 U.S. at 172.

The text of § 43(a) supports this conclusion. *See Broughman v. Carver*, 624 F.3d 670, 675 (4th Cir. 2010) ("Because Congress' intent 'can most easily be seen in the text of the Acts it promulgates,' we begin with an

[6] Unlike § 43(a) claims, infringement claims are expressly subject to "equitable principles, including laches, estoppel, and acquiescence." 15 U.S.C. § 1115(b)(9); *see Ray Commc'ns, Inc.*, 673 F.3d at 300 (applying laches to an infringement claim).

examination of the statute's 'plain text.'" (quoting *United States v. Wills*, 234 F.3d 174, 178 (4th Cir. 2000))). The Lanham Act provides that § 43(a) claims for damages are "subject to the principles of equity," 15 U.S.C. § 1117(a), and that courts may grant injunctive relief to remedy § 43(a) violations "according to the principles of equity," *id.* § 1116(a). Other circuits have similarly emphasized "the equitable character of § 43(a) actions" in applying a laches defense to § 43(a) claims. *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 836–37 (9th Cir. 2002); *see Santana Prods., Inc. v. Bobrick Washroom Equip., Inc.*, 401 F.3d 123, 135 (3d Cir. 2005); *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813, 822 (7th Cir. 1999).

Accordingly, considering "the federal policies at stake and the practicalities of litigation," *Reed*, 488 U.S. at 324 (quoting *DelCostello*, 462 U.S. at 172), we hold that laches is the appropriate defense to § 43(a) claims. Laches is "an equitable defense" that "is distinct from the statute of limitations." *Jarrow*, 304 F.3d at 835. Laches "generally applies to preclude relief for a plaintiff who has unreasonably 'slept' on his rights." *PBM Prods., LLC v. Mead Johnson & Co.*, 639 F.3d 111, 121 (4th Cir. 2011) (applying laches to a § 43(a) claim).[7]

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[7] In addition to properly applying laches to a set of § 43(a) claims, the *PBM Products, LLC* court disposed of a second set of § 43(a) claims as barred per se by the analogous state statute of limitations. 639 F.3d at 121. That determination directly conflicts with a prior precedential decision of this Court, which acknowledged that Lanham Act claims are not controlled by any statute of limitations. *See What-A-Burger of Va., Inc. v. Whataburger, Inc. of Corpus Christi, Tx.*, 357 F.3d 441, 449 (4th Cir. 2004) ("Because

The district court held that Bayer's § 43(a) claims were barred by the most analogous state-law statute of limitations. The district court therefore judged the timeliness of Bayer's § 43(a) claims under an incorrect legal standard. Accordingly, we vacate the portion of the district court's order granting summary judgment on Bayer's § 43(a) claims and remand for the court to determine whether those claims are barred by laches and to make any further factual findings necessary to support that determination. *See White*, 909 F.2d at 102 (observing that a laches finding "depends upon the particular circumstances of the case").

3.

On remand, the statute of limitations from the most analogous state law will continue to play an important role in the district court's laches analysis.

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the Lanham Act does not include a limitations period, courts use the doctrine of laches to address the inequities created by a trademark owner who, despite having a colorable infringement claim, allows a competitor to develop its products around the mark and expand its business, only then to lower the litigation boom."). While *What-A-Burger* dealt with an infringement claim, as we have explained above, the text of § 43(a) similarly does not allow courts to borrow a state statute of limitations to bar a plaintiff's claims. Without any other means of reconciling the two decisions, we are bound to apply the principles correctly espoused in *What-A-Burger*. *See McMellon v. United States*, 387 F.3d 329, 333–34 (4th Cir. 2004) (en banc) ("[W]hen there is an irreconcilable conflict between opinions issued by three-judge panels of this court, the first case to decide the issue is the one that must be followed, unless and until it is overruled by this court sitting en banc or by the Supreme Court.").

Laches is presumed to bar § 43(a) claims filed outside the analogous limitations period. *See PBM Prods., LLC*, 639 F.3d at 121; *accord Jarrow*, 304 F.3d at 837; *Hot Wax, Inc.*, 191 F.3d at 822. But "whether a Lanham Act claim has been brought within the analogous state statute of limitations is not the sole indicator of whether laches may be applied in a particular case." *Hot Wax, Inc.*, 191 F.3d at 821–22.

Should the district court conclude that the presumption applies to Bayer's § 43(a) claims, the district court should consider the following factors to determine if Bayer can overcome the presumption: (1) whether Bayer knew of Belmora's adverse use of the FLANAX mark, (2) whether Bayer's delay in challenging that use "was inexcusable or unreasonable," and (3) whether Belmora "has been unduly prejudiced" by Bayer's delay. *See Ray Commc'ns, Inc.*, 673 F.3d at 300.[8]

B.

In addition to its § 43(a) claims, Bayer brought unfair competition and false advertising claims under California law. At summary judgment, Bayer argued

[8] In addition to applying the statute-of-limitations presumption as a threshold inquiry, other circuits also import the presumption into the analysis of the laches factors. *See*, *e.g.*, *Jarrow*, 304 F.3d at 838–39 (observing that "[t]he reasonableness of the plaintiff's delay is considered in light of the time allotted by the analogous limitations period"). But doing so inappropriately double counts the presumption. We therefore conclude that the district court should apply the factors independent of the presumption in order to determine if the presumption can be rebutted.

that the filing of its cancellation petition with the TTAB tolled the statute of limitations applicable to those claims.[9] The district court held that Bayer's state-law claims were time-barred but never addressed Bayer's tolling arguments or made any factual findings to determine whether Bayer's claims were subject to tolling. Thus, the absence of fact-finding on the tolling question by the district court deprives us of the ability to conduct appellate review on the current record. Accordingly, we vacate the portion of the district court's order granting summary judgment on Bayer's state-law claims and remand for the district court to determine in the first instance whether those claims are subject to tolling and to make any further factual findings necessary to support that determination.

C.

We next turn to Belmora's seven counterclaims. Belmora brought the following counterclaims against Bayer: (1) trademark infringement in violation of §§ 15 and 33(b) of the Lanham Act, (2) common-law trademark infringement, (3) unfair competition and false designation of origin in violation of § 43(a) of the Lanham Act and common law, (4) importation of unauthorized goods in violation of § 526 of the Tariff Act of 1930,

[9] Bayer invokes "two distinct types of tolling: (1) tolling based on Bayer's filing of the petition to cancel Belmora's FLANAX registration[ ] and (2) equitable tolling under California law." Bayer Resp. Br. at 11–12. Given the absence of fact-finding below, we do not reach the merits of either theory of tolling.

(5) importation of infringing goods in violation of § 42 of the Lanham Act, (6) monopolization in violation of § 2 of the Sherman Act, and (7) tortious interference with contract or prospective economic advantage. The district court concluded that Belmora failed to offer evidence to support each of its counterclaims. We have little difficulty affirming that conclusion.

1.

We begin with Belmora's first five counterclaims, which seek to hold Bayer liable for secondary trademark infringement. Belmora contends that Bayer's Mexican FLANAX product has unlawfully crossed the border and is available for sale in the so-called "gray market" in the United States. *See* Belmora Opening Br. at 50–55. Belmora seeks to hold Bayer liable for allegedly turning a blind eye to the unlawful importation and sale of its product. Each of these five counterclaims rests on a slightly different factual and legal basis, but Belmora's theory of liability rises and falls on its ability to prove that Bayer (1) "intentionally induce[d] another to infringe" Belmora's mark or (2) "continue[d] to supply its product to one whom it kn[ew] or ha[d] reason to know [was] engaging in trademark infringement." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).

The district court concluded that Belmora failed to show that Bayer "has induced others to sell [FLANAX] in the U.S., or that it has continued to supply the product to a party with knowledge or reason to know that party was selling it in the U.S." J.A. 892. The district court further concluded that "Belmora has no evidence linking Bayer to the importation of Mexican FLANAX into the U.S.," and that Belmora failed to marshal any evidence showing "when, how, where, or what Bayer allegedly imported, or to whom it provided assistance." J.A. 892–93. On appeal, Belmora argues that it introduced sufficient evidence showing that Bayer was "willfully blind" to the unlawful sale and importation of its Mexican product in the United States. Belmora Opening Br. at 52–55. We disagree.

Given the widespread availability of Bayer's FLANAX product in Mexico, it is small wonder that the product has occasionally made its way across the border. Like the district court, we conclude that Belmora has offered no evidence to show that Bayer had anything to do with the importation or sales of its Mexican FLANAX product in the United States. Nor has Belmora shown that Bayer was willfully blind to the unlawful importation and sales of FLANAX. In support of its argument, Belmora cites to the deposition testimony of Bayer's Rule 30(b)(6) witness denying knowledge of the unlawful importation and sales of FLANAX or of a policy to combat the problem. But that testimony does not suffice to create a genuine dispute on the issue of Bayer's willful blindness. *See Louis Vuitton S.A. v. Lee*, 875 F.2d 584, 590 (7th Cir. 1989) (describing willful blindness as a "fail[ure] to inquire further" for fear "of what the inquiry would yield"); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986) (holding that "[t]he mere existence of a scintilla of evidence" is insufficient to survive summary judgment). Accordingly, we affirm the district court's grant of summary judgment to Bayer on Belmora's first five counterclaims.

2.

In its sixth counterclaim, Belmora alleges that Bayer violated § 2 of the Sherman Act by allegedly using its monopoly power to exert pressure on Bionpharma Inc. (Bionpharma)—the sole authorized source of naproxen sodium liquidgels with whom Bayer has an exclusivity agreement—not to sell naproxen sodium liquidgels to Belmora. To succeed on its § 2 claim, Belmora must show "(1) that [Bayer] possesses monopoly power in the relevant market and (2) that [Bayer] willfully acquired or maintained that power 'as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident.'" *Cavalier Tel., LLC v. Verizon Va., Inc.*, 330 F.3d 176, 183 (4th Cir. 2003) (quoting *Eastman Kodak Co. v. Image Tech. Servs., Inc.*, 504 U.S. 451, 481 (1992)). The district court concluded that Belmora failed to offer sufficient evidence establishing a relevant product market.

"Proof of a relevant market is a threshold for a Sherman Act § 2 claim." *Consul, Ltd. v. Transco Energy Co.*, 805 F.2d 490, 493 (4th Cir. 1986). Belmora "bears the burden of proof on the issue of the relevant product and geographic markets." *Satellite Television & Associated Res., Inc. v. Cont'l Cablevision of Va., Inc.*, 714 F.2d

351, 355 (4th Cir. 1983). Belmora defines the relevant product market as one for "branded naproxen sodium." J.A. 292–93. To support its definition of the relevant product market, Belmora proffered the report and testimony of Gordon Rausser, Ph.D., its expert witness on economic and antitrust matters.

We agree with the district court that Rausser's report does not adequately establish a relevant product market. *See Mil. Servs. Realty, Inc. v. Realty Consultants of Va., Ltd.*, 823 F.2d 829, 832 (4th Cir. 1987) (affirming the district court's grant of summary judgment when the plaintiff's expert did not "adequately identify the relevant market"). Critically, Rausser's report does not opine that "branded naproxen sodium" constitutes a relevant product market. Rausser admitted during his deposition that he did not "identify the relevant market that Bayer . . . allegedly monopolized or threatened to monopolize." J.A. 364. We therefore affirm the district court's grant of summary judgment to Bayer on Belmora's sixth counterclaim.

3.

Belmora's final counterclaim alleges tortious interference with contract or prospective economic advantage. As with Belmora's sixth counterclaim, the seventh counterclaim rests on Belmora's allegation that Bayer allegedly abused its market power through its exclusivity agreement with Bionpharma and pressured Bionpharma not to sell naproxen sodium liquidgels to Belmora. Belmora contends that it was unable to obtain the liquidgels as a result and, consequently, lost out on opportunities to fill orders with potential retail customers.

To succeed on a claim for tortious interference with contract or prospective economic advantage, Belmora must show (1) "the existence of a business relationship or expectancy, with a probability of future economic benefit," (2) that Bayer had "knowledge of the relationship or expectancy," (3) "that it was reasonably certain that absent intentional misconduct, [Belmora] would have continued in the relationship or realized the expectancy," and (4) "that [Belmora] suffered damages from the interference." *Com. Funding Corp. v. Worldwide Sec. Servs. Corp.*, 249 F.3d 204, 213 (4th Cir. 2001) (applying Virginia law). The district court concluded that the seventh counterclaim "fail[ed] for a few reasons," finding "no evidence that Bayer knew about the supposed orders, or was aware of Belmora's interest in entering the naproxen sodium liquidgel category." J.A. 896.

We agree. Belmora has failed to show that Bayer knew of Belmora's business expectancy at the time it engaged in the alleged interfering conduct—here, when it entered into the exclusivity agreement with Bionpharma. Bayer entered into that agreement in late 2016. And Belmora did not begin discussing sales with potential retail customers until 2017. Belmora cannot establish that Bayer knew of Belmora's retail orders when it engaged in the allegedly interfering conduct, because Bayer entered into the exclusivity agreement with Bionpharma *before* Belmora began discussing orders with potential retail customers. Belmora therefore has failed to offer evidence establishing that Bayer had knowledge of its business expectancy. Accordingly, we affirm the district court's grant of summary judgment to Bayer on Belmora's seventh counterclaim.

D.

Finally, we turn to Belmora's § 1071(b) challenge to the TTAB decision. The TTAB ordered the cancellation of Belmora's registration, ruling that Belmora misrepresented the source of its goods in violation of § 14(3) of the Lanham Act. The TTAB found that Belmora knew that the FLANAX mark was in use in Mexico when it adopted the mark in the United States, copied Bayer's packaging, and "repeatedly invoked" the reputation of Bayer's product in its marketing materials. J.A. 91–93. Belmora submitted new evidence before the district court not previously submitted before the TTAB, but the court concluded that Belmora's new evidence did not bear on any disputed factual questions. The court therefore affirmed the TTAB decision under the deferential substantial evidence standard of review. Belmora argues that the district court erred by failing to conduct a de novo review of the entire record.

We recently considered the appropriate standard of review governing § 1071(b) actions in *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150 (4th Cir. 2014). In that case, we explained that a district court in a § 1071(b) action "reviews the record de novo and acts as the finder of fact." *Id.* at 155. And although the parties may admit the PTO record, "the parties have an unrestricted right to submit further evidence as long as it is admissible under the Federal Rules of Evidence and Civil Procedure." *Id.* Accordingly, "where new evidence is presented to the district court on a disputed fact question," the district court must conduct a de novo review of the entire record, including the evidence before the TTAB and any new evidence submitted by a party. *Kappos v. Hyatt*, 566 U.S. 431, 444 (2012) (explaining that a district court "cannot meaningfully defer to the PTO's factual findings if the PTO considered a different set of facts").[10]

Thus, we have rejected an "impermissible hybrid review" in § 1071(b) actions when a party submits new evidence not previously presented to the TTAB. *Swatch AG*, 739 F.3d at 156. In *Swatch AG*, the district court purported to apply a "'unique standard of review,' acting in part as an appellate body" and sitting in a "dual capacity." *Id.* at 156. We held that the district court's standard of review was "in tension with the statute and directly conflict[ed] with the requirements of *Kappos.*" *Id.* We nonetheless affirmed the district court's conclusion, holding that "there [were] more than sufficient facts recited in its opinion to support its findings." *Id.*

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[10] In contrast, when no new evidence is submitted, "the district court must apply the court/agency standard of review to [the PTO's] fact finding." *Hyatt v. Kappos*, 625 F.3d 1320, 1334 (Fed. Cir. 2010) (en banc), *aff'd and remanded*, 566 U.S. 431 (2012).

So too here. To succeed on its § 14(3) claim, Bayer was required to show "blatant misuse of the mark by [Belmora] in a manner calculated to trade on the goodwill and reputation of [Bayer]." *Otto Int'l Inc. v. Otto Kern GmbH*, 83 U.S.P.Q.2d 1861, 1863 (T.T.A.B. 2007); *see also Belmora I*, 819 F.3d at 714 (noting that a § 14(3) "[p]etitioner must establish that the 'registrant deliberately sought to pass off its goods as those of [the] petitioner'" (quoting 3 J. Thomas McCarthy, Trademarks and Unfair Competition § 20:30 (4th ed. 2002)). The district court began by reciting the TTAB's findings that Belmora knew that the FLANAX mark was in use in Mexico when it adopted the mark in the United States, copied Bayer's packaging, and "repeatedly invoked" the reputation of Bayer's product in its marketing materials. J.A. 91–93. The district court further found that Belmora failed to submit "any credible new evidence" showing that (1) Belmora's founder "was unaware of Bayer's Mexican FLANAX when he adopted the mark for his own company," (2) the FLANAX packaging used by Bayer and Belmora "did not actually look the way the [TTAB] said [it] did," or (3) the "numerous examples" of the use of Bayer's "goodwill" by Belmora "were never published or used." J.A. 897.

The above facts in the district court's opinion support its conclusion that Belmora's use of the FLANAX mark violated § 14(3). While the district court purported to apply an "impermissible hybrid review," *Swatch AG*, 739 F.3d at 156, the court recited sufficient facts showing that Belmora "blatant[ly] misuse[d]" the mark “in a manner calculated to trade on [Bayer’s] goodwill and reputation,” *Otto Int’l Inc.*, 83 U.S.P.Q.2d at 1863. Accordingly, we affirm the district court’s grant of summary judgment to Bayer on its request for affirmance of the TTAB decision.

IV.

For the foregoing reasons, we affirm the district court’s grant of summary judgment in Bayer’s favor on Belmora’s counterclaims and its affirmance of the TTAB decision. We vacate the district court’s grant of summary judgment in Belmora’s favor on Bayer’s § 43(a) and related state-law claims. We remand the matter to the district court to determine in the first instance whether Bayer’s § 43(a) claims are barred by laches and whether Bayer’s related state-law claims are subject to tolling.

AFFIRMED IN PART, VACATED IN PART,
AND REMANDED WITH INSTRUCTIONS

APPENDIX B

<u>PUBLISHED</u>

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 15-1335

(Filed Mar. 23, 2016)

BELMORA LLC,

Plaintiff – Appellee,

v.

BAYER CONSUMER CARE AG, a Swiss Corporation; BAYER HEALTHCARE LLC, a Delaware Limited Liability Company,

Defendants – Consolidated Plaintiffs – Appellants,

v.

BELMORA LLC, a Virginia Limited Liability Company; JAMIE BELCASTRO, an individual; DOES, 1-10, inclusive,

Consolidated Defendants – Appellees,

and

MICHELLE K. LEE, Undersecretary for Intellectual Property and Director of the United States Patent and Trademark Office (Director),

Intervenor.

AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION,

Amicus Curiae.

Appeals from the United States District Court for the Eastern District of Virginia, at Alexandria. Gerald Bruce Lee, District Judge. (1:14-cv-00847-GBL-JFA)

Argued: October 27, 2015 Decided: March 23, 2016

Before AGEE, FLOYD, and THACKER, Circuit Judges.

Vacated and remanded by published opinion. Judge Agee wrote the opinion, in which Judge Floyd and Judge Thacker joined.

ARGUED: Bradley Louis Cohn, Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP, Chicago, Illinois, for Appellants. Martin Schwimmer, Leason Ellis LLP, White Plains, New York, for Appellee. Lewis Yelin, United States Department of Justice, Washington, D.C., for Intervenor. **ON BRIEF:** Phillip Barengolts, Andrew R.W. Hughes, Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP, Chicago, Illinois; Robert J. Shaughnessy, Eric C. Wiener, Williams & Connolly LLP, Washington, D.C., for Appellants. Craig C. Reilly, Alexandria, Virginia; John L. Welch, WOLF, Greenfield & Sacks, P.C., Boston, Massachusetts; Lauren B. Sabol, Leason Ellis LLP, White Plains, New York; Rebecca Tushnet, Georgetown University Law Center, Washington, D.C., for Appellees. Mark R. Freeman, Civil Division, United States Department of Justice, Washington, D.C.; Dana J. Boente, United States Attorney, Benjamin C. Mizer, Principal Deputy Assistant Attorney General, Office of the United States Attorney, Washington, D.C.; Nathan K. Kelley, Solicitor, Christina J. Hieber, Associate Solicitor, Mary Beth Walker, Associate Solicitor, Benjamin T. Hickman, Associate Solicitor, United States Patent and Trademark Office, Alexandria, Virginia, for Intervenor. Sharon A. Israel, President, American Intellectual Property Law Association, Inc., Arlington, Virginia; Jennifer L. Kovalcik, Stites & Harbison, PLLC, Nashville, Tennessee, for Amicus Curiae.

AGEE, Circuit Judge:

In this unfair competition case, we consider whether the Lanham Act permits the owner of a foreign trademark and its sister company to pursue false association, false advertising, and trademark cancellation claims against the owner of the same mark in the United States. Bayer Consumer Care AG ("BCC") owns the trademark "FLANAX" in Mexico and has sold naproxen sodium pain relievers under that mark in Mexico (and other parts of Latin America) since the 1970s. Belmora LLC owns the FLANAX trademark in the United States and has used it here since 2004 in the sale of its naproxen sodium pain relievers. BCC and its U.S. sister company Bayer Healthcare LLC ("BHC," and collectively with BCC, "Bayer") contend that Belmora used the FLANAX mark to deliberately deceive Mexican-American consumers into thinking they were purchasing BCC's product.

BCC successfully petitioned the U.S. Trademark Trial and Appeal Board ("TTAB") to cancel Belmora's registration for the FLANAX mark based on deceptive use. Belmora appealed the TTAB's decision to the district court. In the meantime, BCC filed a separate complaint for false association against Belmora under § 43 of the Lanham Act, 15 U.S.C. § 1125, and in conjunction with BHC, a claim for false advertising. After the two cases were consolidated, the district court reversed the TTAB's cancellation order and dismissed the false association and false advertising claims.

Bayer appeals those decisions. For the reasons outlined below, we vacate the judgment of the district court and remand this case for further proceedings consistent with this opinion.

I. Background

This appeal comes to us following the district court's grant of Belmora's Federal Rule of Civil Procedure 12(b)(6) motion to dismiss Bayer's complaint and Belmora's Rule 12(c) motion for judgment on the pleadings on the trademark cancellation claim. In both circumstances, we "assume all well-pled facts to be true and draw all reasonable inferences in favor of" Bayer as the plaintiff. Cooksey v. Futrell, 721 F.3d 226, 234 (4th Cir. 2013).[1]

A. The FLANAX Mark

BCC registered the trademark FLANAX in Mexico for pharmaceutical products, analgesics, and anti-inflammatories. It has sold naproxen sodium tablets under the FLANAX brand in Mexico since 1976. FLANAX sales by BCC have totaled hundreds of millions of dollars, with a portion of the sales occurring in Mexican cities near the United States border. BCC's FLANAX brand is well-known in Mexico and other Latin American countries, as well as to Mexican-Americans and other Hispanics in the United States, but BCC has never marketed or sold its FLANAX in the United States. Instead, BCC's sister company, BHC, sells naproxen sodium pain relievers under the brand ALEVE in the United States market.

Belmora LLC began selling naproxen sodium tablets in the United States as FLANAX in 2004. The following year, Belmora registered the FLANAX mark in the United States. Belmora's early FLANAX packaging (below, left) closely mimicked BCC's Mexican FLANAX packaging (right), displaying a similar color scheme, font size, and typeface.

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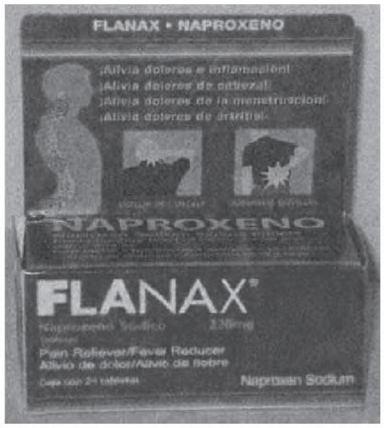
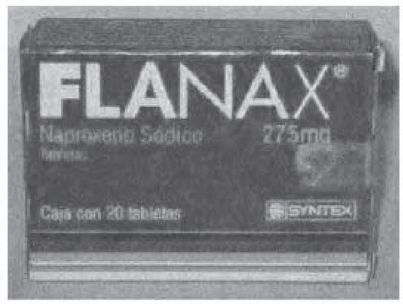
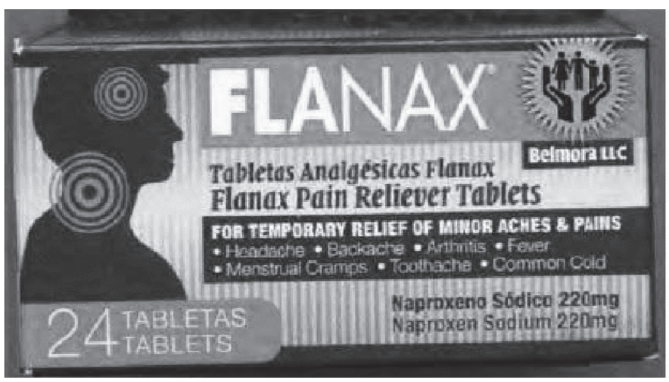
[1] We have omitted internal quotation marks, alterations, and citations here and throughout this opinion, unless otherwise noted.





J.A. 145. Belmora later modified its packaging (below), but the color scheme, font size, and typeface remain similar to that of BCC's FLANAX packaging.



<u>Id.</u>

In addition to using similar packaging, Belmora made statements implying that its FLANAX brand was the same FLANAX product sold by BCC in Mexico. For example, Belmora circulated a brochure to prospective distributors that stated,

> For generations, Flanax has been a brand that Latinos have turned to for various common ailments. Now you too can profit from this highly recognized topselling brand among Latinos. Flanax is now made in the U.S. and continues to show record sales growth everywhere it is sold. Flanax acts as a powerful attraction for Latinos by providing them with products they know, trust and prefer.

J.A. 196. Belmora also employed telemarketers and provided them with a script containing similar statements. This sales script stated that Belmora was "the direct producers of FLANAX in the US" and that "FLANAX is a very well known medical product in the Latino American market, for FLANAX is sold successfully in Mexico." Id. Belmora's "sell sheet," used to solicit orders from retailers, likewise claimed that "Flanax products have been used [for] many, many years in Mexico" and are "now being produced in the United States by Belmora LLC." Id.

Bayer points to evidence that these and similar materials resulted in Belmora's distributors, vendors, and marketers believing that its FLANAX was the same as or affiliated with BCC's FLANAX. For instance, Belmora received questions regarding whether it was legal for FLANAX to have been imported from Mexico. And an investigation of stores selling Belmora's FLANAX "identified at least 30 [purchasers] who believed that the Flanax products . . . were the same as, or affiliated with, the Flanax products they knew from Mexico." J.A. 416.

B. Proceedings Below

1.

In 2007, BCC petitioned the TTAB to cancel Belmora's registration for the FLANAX mark, arguing that Belmora's use and registration of the FLANAX mark violated Article 6bis of the Paris Convention "as made applicable by Sections 44(b) and (h) of the Lanham Act." J.A. 89. BCC also sought cancellation of Belmora's registration under § 14(3) of the Lanham Act because Belmora had used the FLANAX mark "to misrepresent the source of the goods . . . [on] which the mark is used." Id.; see also Lanham Act § 14(3), 15 U.S.C. § 1064(3).

The TTAB dismissed BCC's Article 6bis claim, concluding that Article 6bis "is not self-executing" and that § 44 of the Lanham Act did not provide "an independent basis for cancellation." J.A. 95. However, the TTAB allowed Bayer's § 14(3) claim to proceed. In 2014, after discovery and a hearing, the TTAB ordered cancellation of Belmora's FLANAX registration, concluding that Belmora had misrepresented the source of the FLANAX goods and that the facts "d[id] not present a close case." J.A. 142. The TTAB noted that Belmora 1) knew the favorable reputation of Bayer's FLANAX product, 2) "copied" Bayer's packaging, and 3) "repeatedly invoked" that reputation when marketing its product in the United States. J.A. 143-45.

2.

Shortly after the TTAB's ruling, Bayer filed suit in the Southern District of California, alleging that 1) BCC was injured by Belmora's false association with its FLANAX product in violation of Lanham Act § 43(a)(1)(A), and 2) BCC and BHC were both injured by Belmora's false advertising of FLANAX under § 43(a)(1)(B). The complaint also alleged three claims under California state law.

Belmora meanwhile appealed the TTAB's cancellation order and elected to proceed with the appeal as a civil action in the Eastern District of Virginia.[2] It argued that the TTAB erred in concluding that Bayer "had standing and/or a cause of action" under § 14(3) and in finding that Belmora had misrepresented the source of its goods. J.A. 218. Belmora also sought a declaration that its actions had not violated the false association and false advertising provisions of Lanham Act § 43(a), as Bayer had alleged in the California district court proceeding. Bayer filed a counterclaim challenging the TTAB's dismissal of its Paris Convention treaty claims.

The California case was transferred to the Eastern District of Virginia and consolidated with Belmora's pending action. Belmora then moved the district court

[2] A party to a cancellation proceeding who is dissatisfied with the TTAB's decision may either "appeal to" the U.S. Court of Appeals for the Federal Circuit, 15 U.S.C. § 1071(a), or elect to "have remedy by a civil action" in the district court, id. § 1071(b). Belmora chose the latter option.

to dismiss Bayer's § 43(a) claims under Rule 12(b)(6) and for judgment on the pleadings under Rule 12(c) on the § 14(3) claim. On February 6, 2015, after two hearings, the district court issued a memorandum opinion and order ruling in favor of Belmora across the board.

The district court acknowledged that "Belmora's FLANAX . . . has a similar trade dress to Bayer's FLANAX and is marketed in such a way that capitalizes on the goodwill of Bayer's FLANAX." J.A. 475. It nonetheless "distilled" the case "into one single question":

> Does the Lanham Act allow the owner of a foreign mark that is not registered in the United States and further has never used the mark in United States commerce to assert priority rights over a mark that is registered in the United States by another party and used in United States commerce?

J.A. 476. The district court concluded that "[t]he answer is no" based on its reading of the Supreme Court's decision in Lexmark International, Inc. v. Static Control Components, Inc., 134 S. Ct. 1377 (2014). J.A. 476. Accordingly, the district court dismissed Bayer's false association and false advertising claims for lack of standing. At the same time, it reversed the TTAB's § 14(3) cancellation order.

Bayer filed a timely notice of appeal, and we have jurisdiction under 28 U.S.C. § 1291. The U.S. Patent and Trademark Office ("USPTO") intervened to defend the TTAB's decision to cancel Belmora's registration and to argue that the Lanham Act conforms to the United States' commitments in Article 6bis of the Paris Convention.[3]

II. Discussion

We review de novo the district court's decision to dismiss a proceeding under Rules 12(b)(6) and 12(c), accepting as true all well-pleaded allegations in the plaintiff's complaint and drawing all reasonable factual inferences in the plaintiff's favor. Priority Auto Grp., Inc. v. Ford Motor Co., 757 F.3d 137, 139 (4th Cir. 2014); see also Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555-56 (2007). In ruling on a motion to dismiss, "a court evaluates the complaint in its entirety, as well as documents attached or incorporated into the complaint." E.I. du Pont de Nemours & Co. v. Kolon Indus., Inc., 637 F.3d 435, 448 (4th Cir. 2011).

A. False Association and False Advertising Under Section 43(a)

The district court dismissed Bayer's false association[4] and false advertising claims because, in its view,

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[3] The district court had agreed with the TTAB that Article does not create an independent cause of action for the cancellation of Belmora's FLANAX registration. Because Bayer appears to have abandoned its treaty claims on appeal and their resolution is not necessary to our decision, we do not address any issue regarding the Paris Convention arguments.

[4] As the district court pointed out, we have sometimes denominated Lanham Act § 43(a)(1)(A) claims as "false designation" claims. We think it preferable to follow the Supreme Court's

the claims failed to satisfy the standards set forth by the Supreme Court in Lexmark. At the core of the district court's decision was its conclusion that 1) Bayer's claims fell outside the Lanham Act's "zone of interests" – and are not cognizable – "because Bayer does not possess a protectable interest in the FLANAX mark in the United States," J.A. 485, and 2) that a "cognizable economic loss under the Lanham Act" cannot exist as to a "mark that was not used in United States commerce." J.A. 488-89.

On appeal, Bayer contends these conclusions are erroneous as a matter of law because they conflict with the plain language of § 43(a) and misread Lexmark.

1.

"While much of the Lanham Act addresses the registration, use, and infringement of trademarks and related marks, § 43(a) . . . goes beyond trademark protection." Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 28-29 (2003). Written in terms of the putative defendant's conduct, § 43(a) sets forth unfair competition causes of action for false association and false advertising:

> 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

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terminology in Lexmark and instead refer to such claims as those of "false association," although the terms can often be used interchangeably.

> any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which –
>
> > (A) [False Association:] 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
> >
> > (B) [False Advertising:] 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.

Lanham Act § 43(a)(1), 15 U.S.C. § 1125(a)(1). Subsection A, which creates liability for statements as to "affiliation, connection, or association" of goods, describes the cause of action known as "false association." Subsection B, which creates liability for "misrepresent[ing] the nature, characteristics, qualities, or geographic origin" of goods, defines the cause of action for "false advertising."

Significantly, the plain language of § 43(a) does not require that a plaintiff possess or have used a trademark in U.S. commerce as an element of the cause of action. Section 43(a) stands in sharp contrast to Lanham Act § 32, which is titled as and expressly addresses "infringement." 15 U.S.C. § 1114 (requiring for liability the "use in commerce" of "any reproduction, counterfeit, copy, or colorable imitation of a registered mark" (emphasis added)). Under § 43(a), it is the defendant's use in commerce – whether of an offending "word, term, name, symbol, or device" or of a "false or misleading description [or representation] of fact" – that creates the injury under the terms of the statute. And here the alleged offending "word, term, name, symbol, or device" is Belmora's FLANAX mark.

What § 43(a) does require is that Bayer was "likely to be damaged" by Belmora's "use[] in commerce" of its FLANAX mark and related advertisements. The Supreme Court recently considered the breadth of this "likely to be damaged" language in Lexmark, a false advertising case arising from a dispute in the used-printer-cartridge market. 134 S. Ct. at 1383, 1388. The lower courts in Lexmark had analyzed the case in terms of "prudential standing" – that is, on grounds that are "prudential" rather than constitutional. Id. at 1386. The Supreme Court, however, observed that the real question in Lexmark was "whether Static Control has a cause of action under the statute." Id. at 1387. This query, in turn, hinged on "a straightforward question of statutory interpretation" to which it applied "traditional principles" of interpretation. Id. at 1388. As a threshold matter, the Supreme Court noted that courts must be careful not to import requirements into this analysis that Congress has not included in the statute:

> We do not ask whether in our judgment Congress should have authorized Static Control's suit, but whether Congress in fact did so. Just as a court cannot apply its independent policy judgment to recognize a cause of action that Congress has denied, it cannot limit a cause of action that Congress has created merely because 'prudence' dictates.

Id. The Court concluded that § 43(a)'s broad authorization – permitting suit by "any person who believes that he or she is or is likely to be damaged" – should not be taken "literally" to reach the limits of Article III standing, but is framed by two "background principles," which may overlap. Id.

First, a plaintiff's claim must fall within the "zone of interests" protected by the statute. Id. The scope of the zone of interests is not "especially demanding," and the plaintiff receives the "benefit of any doubt." Id. at 1389. Because the Lanham Act contains an "unusual, and extraordinarily helpful" purpose statement in § 45, identifying the statute's zone of interests "requires no guesswork." Id. Section 45 provides:

> The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce

> against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

Lanham Act § 45, 15 U.S.C. § 1127.[5]

The Supreme Court observed that "[m]ost of the enumerated purposes are relevant to a false-association case," while "a typical false-advertising case will implicate only the Act's goal of 'protecting persons engaged in commerce within the control of Congress against unfair competition.'" Lexmark, 134 S. Ct. at 1389. The Court concluded "that to come within the zone of interests in a suit for false advertising under [§ 43(a)], a plaintiff must allege an injury to a commercial interest in reputation or sales." Id. at 1390.

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[5] In the same section, the Lanham Act defines "commerce" as "all commerce which may lawfully be regulated by Congress." Lanham Act § 45, 15 U.S.C. § 1127. We have previously construed this phrase to mean that the term is "coterminous with that commerce that Congress may regulate under the Commerce Clause of the United States Constitution." Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, 363-64 (4th Cir. 2003). "Commerce" in Lanham Act context is therefore an expansive concept that "necessarily includes all the explicitly identified variants of interstate commerce, foreign trade, and Indian commerce." Id. at 364 (citing U.S. Const. art. I, § 8, cl. 3); see also infra n.6.

The second Lexmark background principle is that "a statutory cause of action is limited to plaintiffs whose injuries are proximately caused by violations of the statute." Id. The injury must have a "sufficiently close connection to the conduct the statute prohibits." Id. In the § 43(a) context, this means "show[ing] economic or reputational injury flowing directly from the deception wrought by the defendant's advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff." Id. at 1391.

The primary lesson from Lexmark is clear: courts must interpret the Lanham Act according to what the statute says. To determine whether a plaintiff, "falls within the class of plaintiffs whom Congress has authorized to sue," we "apply traditional principles of statutory interpretation." Id. at 1387. The outcome will rise and fall on the "meaning of the congressionally enacted provision creating a cause of action." Id. at 1388.

We now turn to apply these principles to the case before us.

2.

a.

We first address the position, pressed by Belmora and adopted by the district court, that a plaintiff must have initially used its own mark in commerce within the United States as a condition precedent to a § 43(a) claim. In dismissing BCC's § 43(a) claims, the district court found dispositive that "Bayer failed to plead facts showing that it used the FLANAX mark in commerce in [the] United States." J.A. 487. Upon that ground, the district court held "that Bayer does not possess a protectable interest in the [FLANAX] mark." Id.

As noted earlier, such a requirement is absent from § 43(a)'s plain language and its application in Lexmark. Under the statute, the defendant must have "use[d] in commerce" the offending "word, term, name, [or] symbol," but the plaintiff need only "believe[ ] that he or she is or is likely to be damaged by such act." Lanham Act § 43(a), 15 U.S.C. § 1125(a).

It is important to emphasize that this is an unfair competition case, not a trademark infringement case. Belmora and the district court conflated the Lanham Act's infringement provision in § 32 (which authorizes suit only "by the registrant," and thereby requires the plaintiff to have used its own mark in commerce) with unfair competition claims pled in this case under § 43(a). Section 32 makes clear that Congress knew how to write a precondition of trademark possession and use into a Lanham Act cause of action when it chose to do so. It has not done so in § 43(a). See Russello v. United States, 464 U.S. 16, 23 (1983) ("[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.").

Given that Lexmark advises courts to adhere to the statutory language, "apply[ing] traditional principles of statutory interpretation," Lexmark, 134 S. Ct. at 1388, we lack authority to introduce a requirement into § 43(a) that Congress plainly omitted. Nothing in Lexmark can be read to suggest that § 43(a) claims have an unstated requirement that the plaintiff have first used its own mark (word, term, name, symbol, or device) in U.S. commerce before a cause of action will lie against a defendant who is breaching the statute.

The district court thus erred in requiring Bayer, as the plaintiff, to have pled its prior use of its own mark in U.S. commerce when it is the defendant's use of a mark or misrepresentation that underlies the § 43(a) unfair competition cause of action. Having made this foundational error, the district court's resolution of the issues requires reversal.[6]

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[6] Even though the district court's error in transposing § 43(a)'s requirements for a defendant's actions upon the plaintiff skews the entire analysis, the district court also confused the issues by ill-defining the economic location of the requisite unfair competition acts. As noted earlier, supra n.5, a defendant's false association or false advertising conduct under § 43(a) must occur in "commerce within the control of Congress." Such commerce is not limited to purchases and sales within the territorial limits of the United States as the district court seems to imply at times with regard to § 43(a) and § 14(3) claims. See J.A. 483, 506 (as to § 14(3), stating that "Bayer did not use the FLANAX mark in the United States"); J.A. 487 (as to § 43(a), stating that "Bayer failed to plead facts showing that it used the FLANAX mark in commerce in [the] United States"). Instead, as we explained in International Bancorp, Lanham Act "commerce" includes, among other things, "foreign trade" and is not limited to transactions solely within the borders of the United States. Int'l Bancorp, 329 F.3d at 364. Of course, any such "foreign trade" must satisfy the Lexmark

Admittedly, some of our prior cases appear to have treated a plaintiff's use of a mark in United States commerce as a prerequisite for a false association claim. See Lamparello v. Falwell, 420 F.3d 309, 313 (4th Cir. 2005) ("Both infringement [under § 32] and false designation of origin [under § 43(a)] have [the same] five elements."); People for the Ethical Treatment of Animals v. Doughney, 263 F.3d 359, 364 (4th Cir. 2001) (same); Int'l Bancorp, 329 F.3d at 361 n.2 ("[T]he tests for trademark infringement and unfair competition . . . are identical."); Lone Star Steakhouse & Saloon v. Alpha of Va., Inc., 43 F.3d 922, 930 (4th Cir. 1995) ("[T]o prevail under §§ 32(1) and 43(a) of the Lanham Act for trademark infringement and unfair competition, respectively, a complainant must demonstrate that it has a valid, protectible trademark[.]"). However, none of these cases made that consideration the ratio decidendi of its holding or analyzed whether the statute in fact contains such a requirement. See, e.g., 5 J. Thomas McCarthy, Trademarks and Unfair Competition § 29:4 (4th ed. 2002) (observing that International Bancorp merely "assumed that to trigger Lanham Act § 43(a), the plaintiff's mark must be 'used in commerce' "). Moreover, all of these cases predate Lexmark, which provides the applicable Supreme Court precedent interpreting § 43(a). See U.S. Dep't of Health & Human Servs. v. Fed. Labor Relations Auth., 983 F.2d 578, 581 (4th Cir. 1992) ("A decision by a panel of this court, or by the court sitting en banc, does not bind

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"zone of interests" and "proximate cause" requirements to be cognizable for Lanham Act purposes.

subsequent panels if the decision rests on authority that subsequently proves untenable.").

Although the plaintiffs' use of a mark in U.S. commerce was a fact in common in the foregoing cases, substantial precedent reflects that § 43(a) unfair competition claims come within the statute's protectable zone of interests without the preconditions adopted by the district court and advanced by Belmora. As the Supreme Court has pointed out, § 43(a) "goes beyond trademark protection." Dastar Corp., 539 U.S. at 29. For example, a plaintiff whose mark has become generic – and therefore not protectable – may plead an unfair competition claim against a competitor that uses that generic name and "fail[s] adequately to identify itself as distinct from the first organization" such that the name causes "confusion or a likelihood of confusion." Blinded Veterans Ass'n v. Blinded Am. Veterans Found., 872 F.2d 1035, 1043 (D.C. Cir. 1989); see also Kellogg Co. v. Nat'l Biscuit Co., 305 U.S. 111, 118-19 (1938) (requiring the defendant to "use reasonable care to inform the public of the source of its product" even though the plaintiff's "shredded wheat" mark was generic and therefore unprotectable); Singer Mfg. Co. v. June Mfg. Co., 163 U.S. 169, 203-04 (1896) (same, for "Singer" sewing machines).

Likewise, in a "reverse passing off" case, the plaintiff need not have used a mark in commerce to bring a § 43(a) action.[7] A reverse-passing-off plaintiff must

[7] Reverse passing off occurs when a "producer misrepresents someone else's goods or services as his own," in other words, when

prove four elements: "(1) that the work at issue originated with the plaintiff; (2) that origin of the work was falsely designated by the defendant; (3) that the false designation of origin was likely to cause consumer confusion; and (4) that the plaintiff was harmed by the defendant's false designation of origin." Universal Furniture Int'l, Inc. v. Collezione Europa USA, Inc., 618 F.3d 417, 438 (4th Cir. 2010). Thus, the plaintiff in a reverse passing off case must plead and prove only that the work "originated with" him – not that he used the work (which may or may not be associated with a mark) in U.S. commerce. Id.

The generic mark and reverse passing off cases illustrate that § 43(a) actions do not require, implicitly or otherwise, that a plaintiff have first used its own mark in United States commerce. If such a use were a condition precedent to bringing a § 43(a) action, the generic mark and reverse passing off cases could not exist.

In sum, the Lanham Act's plain language contains no unstated requirement that a § 43(a) plaintiff have used a U.S. trademark in U.S. commerce to bring a Lanham Act unfair competition claim. The Supreme Court's guidance in Lexmark does not allude to one, and our prior cases either only assumed or articulated as dicta that such a requirement existed. Thus, the

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the defendant is selling the plaintiff's goods and passing them off as originating with the defendant. Universal Furniture Int'l, Inc. v. Collezione Europa USA, Inc., 618 F.3d 417, 438 (4th Cir. 2010) (quoting Dastar Corp., 539 U.S. at 28 n.1).

district court erred in imposing such a condition precedent upon Bayer's claims.[8]

As Bayer is not barred from making a § 43(a) claim, the proper Lexmark inquiry is twofold. Did the alleged acts of unfair competition fall within the Lanham Act's protected zone of interests? And if so, did Bayer plead proximate causation of a cognizable injury? We examine the false association and false advertising claims in turn.

b.

i.

As to the zone of interests, Lexmark advises that "[m]ost of the [Lanham Act's] enumerated purposes are relevant to false-association cases." 134 S. Ct. at

[8] A plaintiff who relies only on foreign commercial activity may face difficulty proving a cognizable false association injury under § 43(a). A few isolated consumers who confuse a mark with one seen abroad, based only on the presence of the mark on a product in this country and not other misleading conduct by the mark holder, would rarely seem to have a viable § 43(a) claim.

The story is different when a defendant, as alleged here, has – as a cornerstone of its business – intentionally passed off its goods in the United States as the same product commercially available in foreign markets in order to influence purchases by American consumers. See M. Kramer Mfg. Co. v. Andrews, 783 F.2d 421, 448 (4th Cir. 1986) ("[E]vidence of intentional, direct copying establishes a prima facie case of secondary meaning sufficient to shift the burden of persuasion to the defendant on that issue."). Such an intentional deception can go a long way toward establishing likelihood of confusion. See Blinded Veterans, 872 F.2d at 1045 ("Intent to deceive . . . retains potency; when present, it is probative evidence of a likelihood of confusion.").

1389. One such enumerated purpose is "making actionable the deceptive and misleading use of marks" in "commerce within the control of Congress." Lanham Act § 45, 15 U.S.C. § 1127; see also Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 784 n.19 (1992) (Stevens, J., concurring) ("Trademark law protects the public by making consumers confident that they can identify brands they prefer and can purchase those brands without being confused or misled."). As pled, BCC's false association claim advances that purpose.

The complaint alleges Belmora's misleading association with BCC's FLANAX has caused BCC customers to buy the Belmora FLANAX in the United States instead of purchasing BCC's FLANAX in Mexico. For example, the complaint alleges that BCC invested heavily in promoting its FLANAX to Mexican citizens or Mexican-Americans in border areas.[9] Those

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[9] Bayer alleges in its complaint that:

> 11. [BCC] has sold hundreds of millions of dollars of its FLANAX medicines in Mexico. This includes substantial sales in major cities near the U.S.-Mexico border.
>
> 12. [BCC] has spent millions of dollars promoting and advertising the FLANAX brand in Mexico, including in major cities near the U.S.-Mexico border.
>
> 13. As a result of [BCC's] extensive sales and marketing, the FLANAX brand is extremely well known in Mexico and to Mexican-American consumers in the United States.
>
> . . . .
>
> 30. Defendants have marketed Belmora's FLANAX products by targeting Hispanic consumers likely to be familiar with [BCC's] FLANAX products and deliberately

consumers cross into the United States and may purchase Belmora FLANAX here before returning to Mexico. And Mexican-Americans may forego purchasing the FLANAX they know when they cross the border to visit Mexico because Belmora's alleged deception led them to purchase the Belmora product in the United States.

In either circumstance, BCC loses sales revenue because Belmora's deceptive and misleading use of FLANAX conveys to consumers a false association with BCC's product. Further, by also deceiving distributors and vendors, Belmora makes its FLANAX more available to consumers, which would exacerbate BCC's losses. See J.A. 196 (stating in a brochure for distributors that "Flanax is now made in the U.S." and "acts as a powerful attraction for Latinos"); J.A. 410 (noting a distributor's concern that the product "is legal to sell in the US"). In each scenario, the economic activity would be "within the control of Congress" to regulate. Lanham Act § 45, 15 U.S.C. § 1127.

We thus conclude that BCC has adequately pled a § 43(a) false association claim for purposes of the zone of interests prong. Its allegations reflect the claim furthers the § 45 purpose of preventing "the deceptive and misleading use of marks" in "commerce within the control of Congress."

> attempting to deceive those consumers into believing that Belmora's FLANAX products are the same thing as the FLANAX medicines they know and trust from Mexico.

J.A. 156, 159 (Compl. ¶¶ 11-13, 30).

ii.

Turning to Lexmark's second prong, proximate cause, BCC has also alleged injuries that "are proximately caused by [Belmora's] violations of the [false association] statute." 134 S. Ct. at 1390. The complaint can fairly be read to allege "economic or reputational injury flowing directly from the deception wrought by the defendant's" conduct. Id. at 1391. As previously noted, BCC alleges "substantial sales in major cities near the U.S.-Mexico border" and "millions of dollars promoting and advertising" its FLANAX brand in that region. J.A. 156 (Compl. ¶¶ 11-12). Thus, BCC may plausibly have been damaged by Belmora's alleged deceptive use of the FLANAX mark in at least two ways. As reflected in the zone of interests discussion, BCC FLANAX customers in Mexico near the border may be deceived into foregoing a FLANAX purchase in Mexico as they cross the border to shop and buy the Belmora product in the United States. Second, Belmora is alleged to have targeted Mexican-Americans in the United States who were already familiar with the FLANAX mark from their purchases from BCC in Mexico. We can reasonably infer that some subset of those customers would buy BCC's FLANAX upon their return travels to Mexico if not for the alleged deception by Belmora. Consequently, BCC meets the Lexmark pleading requirement as to proximate cause.

BCC may ultimately be unable to prove that Belmora's deception "cause[d] [these consumers] to withhold trade from [BCC]" in either circumstance, Lexmark, 134 S. Ct. at 1391, but at the initial pleading stage we must draw all reasonable factual inferences in BCC's favor. Priority Auto Grp., 757 F.3d at 139. Having done so, we hold BCC has sufficiently pled a § 43(a) false association claim to survive Belmora's Rule 12(b)(6) motion. The district court erred in holding otherwise.

c.

BCC and BHC both assert § 43(a)(1)(B) false advertising claims against Belmora. BHC's claim represents a "typical" false advertising case: it falls within the Act's zone of interests by "protecting persons engaged in commerce within the control of Congress against unfair competition." Lexmark, 134 S. Ct. at 1389 (quoting 15 U.S.C. § 1127). As a direct competitor to Belmora in the United States, BHC sufficiently alleges that Belmora engaged in Lanham Act unfair competition by using deceptive advertisements that capitalized on BCC's goodwill. See J.A. 163 (Compl. ¶ 54) (asserting that Belmora was deceptive with "claims in their marketing materials and communications with distributors"); Appellees' Br. 77 (acknowledging that "BHC is a competitor of Belmora's in the United States naproxen sodium market" and "can in theory bring a false advertising action against a competitor"). If not for Belmora's statements that its FLANAX was the same one known and trusted in Mexico, some of its consumers could very well have instead purchased BHC's ALEVE brand. These lost customers likewise satisfy Lexmark's second prong:

they demonstrate an injury to sales or reputation proximately caused by Belmora's alleged conduct.

BCC's false advertising claim is perhaps not "typical" as BCC is a foreign entity without direct sales in the territorial United States. Nonetheless, BCC's claim advances the Act's purpose of "making actionable the deceptive and misleading use of marks." Lanham Act § 45, 15 U.S.C. § 1127. As alleged, Belmora's advertising misrepresents the nature of its FLANAX product in that Belmora implies that product is the same as consumers purchased in Mexico from BCC and can now buy here.

To be sure, BCC's false advertising claim overlaps to some degree with its false association claim, but the two claims address distinct conduct within the two subsections of § 43(a). Belmora's alleged false statements go beyond mere claims of false association; they parlay the passed-off FLANAX mark into misleading statements about the product's "nature, characteristics, qualities, or geographic origin," all hallmarks of a false advertising claim. Lanham Act 43(a)(1)(B), 15 U.S.C. 1125(a)(1)(B).[10]

Belmora's alleged false statements intertwine closely with its use of the FLANAX mark. The FLANAX mark denotes history: Belmora claims its product has been "used [for] many, many years in

[10] Because each of these claims is anchored as a factual matter to the FLANAX mark's history "in the Latino American market," we disagree with Belmora's argument that the statements amount to mere puffery. See J.A. 160.

Mexico" and "Latinos have turned to" it "[f]or generations." J.A. 196. FLANAX also reflects popularity: Belmora says the product is "highly recognized [and] top-selling." Id. And FLANAX signifies a history of quality: Belmora maintains that Latinos "know, trust and prefer" the product. Id. Each of these statements by Belmora thus directly relates to the "nature, characteristics, qualities, or geographic origin" of its FLANAX as being one and the same as that of BCC. Lanham Act § 43(a)(1)(B), 15 U.S.C. § 1125(a)(1)(B). Because these statements are linked to Belmora's alleged deceptive use of the FLANAX mark, we are satisfied that BCC's false advertising claim, like its false association claim, comes within the Act's zone of interests. As we can comfortably infer that the alleged advertisements contributed to the lost border sales pled by BCC, the claim also satisfies Lexmark's proximate cause prong (for the same reasons discussed above regarding the false association claim).

d.

We thus conclude that the Lanham Act permits Bayer to proceed with its claims under § 43(a) – BCC with its false association claim and both BCC and BHC with false advertising claims. It is worth noting, as the Supreme Court did in Lexmark, that "[a]lthough we conclude that [Bayer] has alleged an adequate basis to proceed under [§ 43(a)], it cannot obtain relief without evidence of injury proximately caused by [Belmora's alleged misconduct]. We hold only that [Bayer] is entitled to a chance to prove its case." 134 S. Ct. at 1395.

In granting Bayer that chance, we are not concluding that BCC has any specific trademark rights to the FLANAX mark in the United States. Belmora owns that mark. But trademark rights do not include using the mark to deceive customers as a form of unfair competition, as is alleged here. Should Bayer prevail and prove its § 43(a) claims, an appropriate remedy might include directing Belmora to use the mark in a way that does not sow confusion. See Lanham Act § 34(a), 15 U.S.C. § 1116(a) (authorizing injunctions based on "principles of equity"). Of course, the precise remedy would be a determination to be made by the district court in the first instance upon proper evidence.[11] We leave any potential remedy to the district court's discretion should this case reach that point. We only note that any remedy should take into account traditional trademark principles relating to Belmora's ownership of the mark.

B. Cancellation Under Section 14(3)

The TTAB ordered the cancellation of Belmora's FLANAX trademark under § 14(3), finding that the

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[11] For example, a remedy might include altering the font and color of the packaging or the "ready remedy" of attaching the manufacturer's name to the brand name. Blinded Veterans, 872 F.2d at 1047. Another option could be for the packaging to display a disclaimer – to correct for any deliberately created actual confusion. See id. ("The district court could, however, require [Blinded American Veterans Foundation] to attach a prominent disclaimer to its name alerting the public that it is not the same organization as, and is not associated with, the Blinded Veterans Association.").

preponderance of the evidence "readily establishe[d] blatant misuse of the FLANAX mark in a manner calculated to trade in the United States on the reputation and goodwill of petitioner's mark created by its use in Mexico." J.A. 142. In reversing that decision and granting Belmora's motion for judgment on the pleadings, the district court found that BCC, as the § 14(3) complainant, "lack[ed] standing to sue pursuant to <u>Lexmark</u>" under both the zone of interests and the proximate cause prongs. J.A. 505. The district court also reversed the TTAB's holding that Belmora was using FLANAX to misrepresent the source of its goods "because Section 14(3) requires use of the mark in United States commerce and Bayer did not use the FLANAX mark in the United States." J.A. 505-06.

On appeal, Bayer argues that the district court erred in overturning the TTAB's § 14(3) decision because it "read a use requirement into the section that is simply not there." Appellants' Br. 49. For reasons that largely overlap with the preceding § 43(a) analysis, we agree with Bayer.

1.

Section 14(3) of the Lanham Act creates a procedure for petitioning to cancel the federal registration of a mark that the owner has used to misrepresent the source of goods:

> A petition to cancel a registration of a mark, stating the grounds relied upon, may . . . be filed as follows by any person who believes

> that he is or will be damaged . . . by the registration of a mark . . .
>
> > . . . .
> >
> > (3) At any time . . . if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used.

Lanham Act § 14(3), 15 U.S.C. § 1064(3). The petitioner must establish that the "registrant deliberately sought to pass off its goods as those of petitioner." See 3 McCarthy, § 20:30 (4th ed. 2002).

If successful, the result of a § 14(3) petition "is the cancellation of a registration, not the cancellation of a trademark." Id. § 20:40. Cancellation of registration strips an owner of "important legal rights and benefits" that accompany federal registration, but it "does not invalidate underlying common law rights in the trademark." Id. § 20:68; see also B & B Hardware Inc. v. Hargis Indus., Inc., 135 S. Ct. 1293, 1300 (2015).

To determine what parties § 14(3) authorizes to petition for cancellation, we again apply the Lexmark framework. The relevant language in § 14(3) closely tracks similar language from § 43(a) that the Supreme Court considered in Lexmark: "[A]ny person who believes that he is or will be damaged" by the mark's registration may petition for cancellation under § 14(3), just as "any person who believes that he or she is or is likely to be damaged" may bring an unfair competition action under § 43(a). The same two-prong inquiry from Lexmark provides the mode of analysis.

To determine if a petitioner falls within the protected zone of interests, we note that § 14(3) pertains to the same conduct targeted by § 43(a) false association actions – using marks so as to misrepresent the source of goods. Therefore, "[m]ost of the [Lanham Act's] enumerated purposes are relevant" to § 14(3) claims as well. See Lexmark, 134 S. Ct. at 1389. As for proximate cause, we once again consider whether the plaintiff has "show[n] economic or reputational injury flowing directly from the deception wrought by the defendant's [conduct]."[12] Id. at 1391. As with § 43(a), neither § 14(3) nor Lexmark mandate that the plaintiff have used the challenged mark in United States commerce as a condition precedent to its claim. See Empresa Cubana Del Tabaco v. Gen. Cigar Co., 753 F.3d 1270, 1278 (Fed. Cir. 2014) ("In the proceedings before the Board, however, Cubatabaco need not own the mark to cancel the Registrations under [Section 14(3)].").

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[12] The USPTO suggests that § 14(3) might require a lesser showing of causation because it sets forth an administrative remedy, whereas the Supreme Court based its Lexmark analysis on common law requirements for judicial remedies. See Empresa Cubana Del Tabaco v. Gen. Cigar Co., 753 F.3d 1270, 1275 (Fed. Cir. 2014) ("A petitioner is authorized by statute to seek cancellation of a mark where it has both a real interest in the proceedings as well as a reasonable basis for its belief of damage."). We need not resolve this issue for purposes of the current decision.

2.

Applying the framework from Lexmark, we conclude that the Lanham Act authorizes BCC to bring its § 14(3) action against Belmora. BCC's cancellation claim falls within the Lanham Act's zone of interests because it confronts the "deceptive and misleading use of marks." Lanham Act § 45, 15 U.S.C. § 1127. And BCC has also adequately pled a proximately caused injury to survive Belmora's Rule 12(c) motion for the same reasons previously discussed for the false association and false advertising claims. The district court thus erred in reversing the TTAB's decision cancelling the registration of Belmora's FLANAX mark.

III.

For the foregoing reasons, we conclude that Bayer is entitled to bring its unfair competition claims under Lanham Act § 43(a) and its cancellation claim under § 14(3). The district court's judgment is vacated and the case remanded for further proceedings consistent with this opinion.

VACATED AND REMANDED

APPENDIX C

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA

Alexandria Division

BELMORA, LLC., Plaintiff, v. BAYER CONSUMER CARE AG, *et al.*, Defendants-Consolidated Plaintiffs, v. BELMORA, LLC, JAMIE BELCASTRO, & DOES 1-10, INCLUSIVE, *et al.*, Consolidated Defendants.	)	Civil Action No. 1:14-cv-00847

MEMORANDUM OPINION

(Filed Sep. 6, 2018)

THIS MATTER comes before the Court on Plaintiff-Consolidated Defendant Belmora's Motion for Summary Judgment and Defendant-Consolidated Plaintiff Bayer's Motion for Summary Judgment.

This case arises from Bayer's claims that Belmora's FLANAX trademark should be cancelled because Belmora deceived customers into thinking that its FLANAX brand of pain relief medicine is the same FLANAX brand under which Bayer has sold pain relief medicine in Mexico for decades. The Trademark Trial and Appeal Board ("TTAB") cancelled Belmora's trademark. Judge Gerald Lee of the Eastern District of Virginia reversed the TTAB's decision, which the Fourth Circuit reviewed, vacated, and remanded. The case is now remanded to this Court. The parties seek review of the TTAB decision and bring additional causes of action.

I. Background

Belmora is a limited liability company formed in 2002. It is owned and operated by Jamie Belcastro. Belmora operates in the United States and sells over-the-counter pain relief products under the FLANAX brand name. Belmora began selling an analgesic naproxen sodium tablet in the United States as FLANAX in 2004. On October 6, 2003, Belmora filed an application with the United States Patent and Trademark Office ("PTO") to register the FLANAX mark for the analgesic tablets. The application was published for opposition on August 3, 2004, and the PTO issued the registration for the FLANAX mark on February 1, 2005.

Bayer Consumer Care AG, a Swiss Corporation, Bayer Healthcare LLC, a Delaware limited liability company, and predecessors have sold analgesics, pharmaceutical products, and anti-inflammatories in Mexico under the Mexican-registered trademark FLANAX since the 1970s. Bayer does not possess a trademark for FLANAX in the United States.

Bayer attempted to register FLANAX in the United States in 2004 but the PTO rejected the application based on Belmora's preexisting efforts to register the mark. Bayer has sold hundreds of millions of dollars of FLANAX products in Mexico. Bayer promotes FLANAX in Mexico, including in major cities near the United States-Mexico border. The FLANAX brand is well-known in Mexico and other Latin American countries, as well as to Mexican-Americans and other Hispanics in the United States, but was never marketed or sold in the United States. Bayer has never received approval from the FDA to market or sell FLANAX in the United States.

Belmora's early packaging closely mimicked Bayer's Mexican FLANAX packaging, including a similar color scheme, font size, and typeface.[1] Belmora has since changed its packaging, but this modified scheme remains similar to that of Bayer's FLANAX. In addition to similar packaging, Belmora made statements implying that its FLANAX brand was the same FLANAX product sold by Bayer in Mexico. Belmora's marketing messages often suggested a historical connection between its FLANAX and Latino customers.

As of the mid-2000s, no manufacturer had obtained FDA approval to produce naproxen sodium in liquidgel form. As a result, naproxen sodium liquidgels were not available to U.S. customers. In 2007, Banner

[1] The TTAB found that Belmora copied the logo and trade dress of Bayer's FLANAX. See Bayer Consumer Care AG v. Belmora LLC, 110 U.S.P.Q.2d 1623, 2014 WL 1679146, at *11 (T.T.A.B. 2014).

Pharmacaps ("Banner") received approval from the FDA to produce naproxen sodium liquidgels and entered into a supply agreement with Bayer. Bayer has since marketed Banner-manufactured naproxen sodium liquidgels to consumers under the ALEVE brand. In 2015, Banner sold its rights to the naproxen sodium liquidgels to Bionpharma. Bionpharma, as Banner's successor, was the only FDA approved source for naproxen sodium liquidgels. Bionpharma entered into a supply agreement with Bayer in January 2017. In addition to Bayer, Bionpharma supplies naproxen sodium liquidgels to national chains for private label sale.

Belmora alleges that a third party, PL Developments, agreed to package naproxen sodium liquidgels that Belmora would sell to consumers as a FLANAX branded product. As the only source of naproxen sodium liquidgels, PL Developments needed to obtain the liquidgels from Bionpharma. Belmora claims that when PL Developments approached Bionpharma and informed it that Belmora was the intended re-seller of the product, Bionpharma refused to supply the product.

Belmora also alleges that Bayer is involved in grey market product sales. Bayer de Mexico, which is not a party to this lawsuit, lawfully sells FLANAX-branded naproxen sodium products in Mexico. It licenses use of the FLANAX trademark from Bayer Consumer Care AG. As the basis for its trademark infringement, unfair competition, and Tariff Act counterclaims, Belmora alleges that Bayer is involved in the importation and sale of Mexican FLANAX in the United States.

PROCEDURAL HISTORY

On June 29, 2007, Bayer petitioned the TTAB to cancel Belmora's registration for the FLANAX mark. Bayer argued that Belmora's use and registration of the FLANAX mark violated Article 6bis of the Paris Convention as made applicable by sections 44(b) and (h) of the Lanham Act, in addition to violating § 14(3) of the Lanham Act. Under § 14(3) of the Lanham Act, Bayer argued that Belmora used the FLANAX mark to misrepresent the source of the goods on which the mark was used.

The TTAB dismissed Bayer's Article 6bis claim but allowed the § 14(3) claim to proceed. In 2014, after discovery and a hearing, the TTAB issued a ruling canceling Belmora's FLANAX registration pursuant to Section 14(3) of the Lanham Act, 15 U.S.C. § 1064(3). Bayer Consumer Care AG v. Belmora LLC, 2014 WL 1679146 (T.T.A.B. 2014). The TTAB concluded that Belmora had misrepresented the source of the FLANAX goods and that the facts "d[id] not present a close case." Id. at 32. The TTAB went on to say that Belmora 1) knew the favorable reputation of Bayer's FLANAX product, 2) "copied" Bayer's packaging, and 3) "repeatedly invoked" that reputation when marketing its product in the United States. Id. at 35

Following the TTAB's ruling, Bayer filed suit in the Southern District of California alleging violations of the Lanham Act as well as three claims under California state law. See Bayer Consumer Care AG v. Belmora, LLC, No. 3:14-cv-01395 (S.D. Cal.). Shortly after, Bayer filed a notice of voluntary dismissal because the "case was filed in the wrong district." (Dkt. 37 at 3 n.2). On June 9, 2014, Bayer refiled its complaint in the Central District of California.

Belmora appealed the TTAB's cancellation order and elected to proceed with the appeal as a civil action in the Eastern District of Virginia. Belmora argued that the TTAB erred in concluding that Bayer had standing and/or a cause of action under § 14(3) and in finding that Belmora had misrepresented the source of its goods. Belmora also sought a declaration that its actions had not violated the false association and false advertising provisions of Lanham Act § 43(a) as alleged in Bayer's California lawsuit. Bayer filed a counterclaim challenging the TTAB's dismissal of its Paris Convention treaty claims.

The Central District of California case was transferred and consolidated with Belmora's pending action in the Eastern District of Virginia. Belmora then moved to dismiss Bayer's § 43(a) and § 14(3) claims. On February 6, 2015, the district court issued an opinion granting Belmora's motion. The district court distilled the case into a single question of:

> Does the Lanham Act allow the owner of a foreign mark that is not registered in the United States and further has never used the mark in United States commerce to assert priority rights over a mark that is registered in the

> United States by another party and used in United States commerce?

Belmora LLC v. Bayer Consumer Care AG, 84 F.Supp.3d 490, 495 (E.D. Va., 2015).

The district court concluded that "[t]he answer is no" based on its reading of the Supreme Court's decision in Lexmark Int'l, Inc. v. Static Control Components, Inc., 134 S. Ct. 1377 (2014). The Court dismissed Bayer's false association and false advertising claims for lack of standing and reversed the TTAB's § 14(3) cancellation order.

Following the district court's ruling, Bayer filed a timely notice of appeal to the Fourth Circuit. The USPTO intervened to defend the TTAB's decision to cancel Belmora's registration. The Fourth Circuit vacated and remanded Judge Lee's decision, and found that in applying the Lexmark framework, Bayer has standing to bring its unfair competition claims under the Lanham Act § 43(a) and its cancellation claim under § 14(3). The Court ruled that "the Lanham Act authorizes [Bayer] to bring its § 14(3) action against Belmora" . . . and that "[Bayer's] cancellation claim falls within the Lanham Act's zone of interests because it confronts the 'deceptive and misleading use of marks'." Belmora LLC v. Bayer Consumer Care AG, 819 F.3d 697, 715 (4th Cir. 2016). The Court went on to say that "Bayer has also adequately pled a proximately caused injury to survive Belmora's Rule 12(c) motion" and that "the district court thus erred in reversing the

TTAB's decision cancelling the registration of Belmora's FLANAX mark." Id.

Following remand from the 4th Circuit this case came back to the Eastern District of Virginia, this time in front of this Court following Judge Lee's retirement. On return to district court Belmora filed counterclaims against Bayer's claims that were consolidated from the California case. The Court now considers both Belmora and Bayer's motions for summary judgment. Belmora asks the Court to grant summary judgment and dismiss Bayer's five (5) claims. Bayer asks the Court to grant summary judgment and dismiss Belmora's seven (7) counterclaims, in addition to affirming the TTAB decision cancelling Belmora's FLANAX trademark registration for misrepresentation.

Belmora brings counterclaims against Bayer for (1)Registered Trademark Infringement under §§ 15 and 33(b) of the Lanham Act, 15 U.S.C. §§ 1065 and 115(b); (2) Common Law Trademark Infringement; (3) Unfair Competition and False Designation of Origin in violation of the Lanham Act 15 U.S.C. § 1125(a) and common law; (4)Importation of Unauthorized Goods in violation of § 526 of the Tariff Act of 1930 (as amended, 19 U.S.C. § 1526); (5) Importation of Infringing Goods in violation of the Lanham Act 15 U.S.C. § 1124; (6) Monopolization under Section 2 of the Sherman Act; and (7) Tortious Interference with Contract or Prospective Economic Advantage. Bayer brings claims against Belmora for (1) unfair competition under § 43(A) of the Lanham Act; (2) false advertising under § 43(a) of the Lanham Act; (3) unfair competition under Cal.Bus. &

Prof. Code § 17200, et seq.; (4) false advertising under Cal.Bus. & Prof. Code § 17500, et seq.; and (5) unfair competition under the common law of California.

II. Standard of Review

With respect to both Belmora and Bayer's claims and counterclaims a summary judgment standard is appropriate. Under Federal Rule of Civil Procedure 56, a court should grant summary judgment if the pleadings and evidence show that there is no genuine dispute as to any material fact and that the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c); see Celotex Corp. v. Catrett, 477 U.S. 317, 322 (1986). In reviewing a motion for summary judgment, the court views the facts in the light most favorable to the non-moving party. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986). Once a motion for summary judgment is properly made, the opposing party has the burden to show that a genuine dispute of material fact exists. See Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 586-87 (1986).

TTAB DECISION

Section § 1071(b) of Title 15 of the Unites States Code permits a party dissatisfied with a TTAB decision to appeal to the United States Court of Appeals for the Federal Circuit or to bring a civil action in federal district court. See 15 U.S.C. § 1071(a), (b). In a 1071(b) action, the district court reviews the record *de novo* and acts as the finder of fact. However, in some situations consideration of the TTAB decision is permitted. Kappos v. Hyatt, 132 S.Ct. 1690, 1700 (2012), is instructive on this issue and is the primary case interpreting the patent and trademark civil action statutes. In Kappos, the Court adopted the Federal Circuit's rule that "the district court may, in its discretion, 'consider the proceedings before and findings of the Patent Office in deciding what weight to afford an applicant's newly-admitted evidence.'" Id. at 1700 (quoting Hyatt v. Kappos, 625 F.3d 1320, 1335 (Fed.Cir.2010)).

In sum, any new evidence submitted to the court on a disputed factual question is considered *de novo*, Hyatt II, 132 S. Ct. at 1700, while factual findings made by the Board which are untouched by new evidence presented to the court are reviewed under the substantial evidence standard mandated by the Administrative Procedure Act, Hyatt I, 625 F.3d at 1336.

III. Bayer's Claims

Bayer brings five (5) claims against Belmora. They include: 1) unfair competition under § 43(A) of the Lanham Act; (2) false advertising under § 43(a) of the Lanham Act; (3) unfair competition under Cal.Bus. & Prof. Code § 17200, et seq.; (4) false advertising under Cal.Bus. & Prof. Code § 17500, et seq.; and (5) unfair competition under the common law of California. The Court finds that each of these claims is barred by the applicable statute of limitations period for the reasons stated below.

Because the Lanham Act does not contain an express statute of limitations, the Court follows the traditional practice of borrowing the most analogous statute of limitations from state law. In this case, Bayer's Complaint was originally filed in federal court in California and was transferred to this district under § 1404(a). Transfers under § 1404(a) are merely accommodations to efficiency and convenience and do not affect substantive rights. Van Dusen v. Barrack, 376 U.S. 612 (1964). Accordingly, Bayer's claims are governed by California law.

The Court turns first to Bayer's unfair competition claim under § 43(a)(1)(a) (count I). The limitations period runs from the time the [claimant] knew or should have known about its Lanham Act claims. See, e.g., Karl Storz Endoscopy America v. Surgical Tech, 285 F.3d 848, 857 (9th Cir. 2002). Courts in the Ninth Circuit are split, however, over which "comparable" California statute applies to claims brought under the Lanham Act. One recent decision applied a three-year limitation based on the analogy to fraud. Small Axe Enters. v. Amscan, Inc., Case No. 16-CV-981, 2017 WL 1479236, at *4, 2017 U.S. Dist. LEXIS 62900, at *10 (S.D. Cal. Apr. 24, 2017). Other decisions apply California's four-year period for state trademark infringement and unfair competition claims. See, e.g., Internet Specialties W., Inc. v. Milon-DiGiorgio Enters., 559 F.3d 985, 990 n.2 (9th Cir. 2009).

Whether a three or four-year statute of limitations is applied in this case is immaterial. That is because Bayer's filing of this action misses the statute of limitations by almost a decade. There are at least six different dates that establish that Bayer knew or should have known of its Lanham Act rights. These include:

- The USPTO's issuance of a suspension letter on September 19, 2004 to Bayer's predecessor-in-interest citing Belmora's earlier '029 application;
- On May 16, 2005, the USPTO mailed Bayer's predecessor-in-interest an office action refusal of its '157 Application, citing Belmora's then-issued '440 Registration for the FLANAX mark.
- On June 13, 2006 Bayer's in-house counsel was aware of Belmora's use of the FLANAX mark in commerce as noted in Bayer's interrogatory responses;
- In February 2009 the USPTO registered Belmora's trademark for FLANAX;
- Email's between Bayer's in-house counsel on July 30, 2009; and
- On August 19, 2009 there was a TTAB deposition of Jamie Belcastro, at some point before which Bayer independently discovered a version of Exhibit B to their Complaint that contained the statements on which their Lanham Act claims are premised.

The Bayer Complaint was filed more than four years later then the time in which Bayer knew or should have known about its claims. Count I fails.

Bayer's claim for false advertising under § 43(a)(1)(b) (count II) is also barred under the statute of limitations. Federal courts apply California's three-year statute of limitations for fraud under Cal. Civ. Prooc. Code § 338(d). See Baby Trend, Inc. v. Playtex Prods., LLC, 2013 WL 4039451, 2013 U.S. Dist. LEXIS 113558 (C.D. Cal. 2013). For the same reasons set forth above, Bayer's second cause of action fails.

Turning to Bayer's California state law and common law claims for unfair competition and false advertising (counts III, IV, V), the Court finds that these claims fail. These claims are based on the same set of facts as Bayer's federal claims.

Bayer's third cause of action seeks relief for unfair competition under Cal. Bus. & Prof. Code § 17200. Under Cal. Bus. & Prof. Code § 17208, such an unfair competition claim is governed by a four-year statute of limitations. Bayer waited far more than four years after receiving notice – legal, constructive or actual – before seeking relief under this statute.

Similarly, Bayer's fourth cause of action, for false advertising under Cal. Bus. & Prof. Code § 17500 is also barred, being subject to a three-year statute of limitations. See Free Kick Master LLC v. Apple Inc., 2016 U.S. Dist. LEXIS 25478, at *22 (N.D. Cal. 2016).

Finally, while courts are in disagreement as to whether California's limitation period for common-law unfair competition claims is two years or four years, there is no dispute that any such claim accrued more than four years before Bayer filed its Complaint in 2014.

For these reasons, the Court finds that Bayer's claims fail.

IV. Belmora's Counterclaims

Belmora brings seven (7) counterclaims against Bayer. They are: (1) Registered Trademark Infringement under §§ 15 and 33(b) of the Lanham Act, 15 U.S.C. §§ 1065 and 115(b); (2) Common Law Trademark Infringement; (3) Unfair Competition and False Designation of Origin in violation of the Lanham Act 15 U.S.C. § 1125(a) and common law; (4) Importation of Unauthorized Goods in violation of § 526 of the Tariff Act of 1930 (as amended, 19 U.S.C. § 1526); (5) Importation of Infringing Goods in violation of the Lanham Act 15 U.S.C. § 1124; (6) Monopolization under Section 2 of the Sherman Act; and (7) Tortious Interference with Contract or Prospective Economic Advantage. The Court finds that Bayer is entitled to summary judgement on all of Belmora's counterclaims.

Belmora's first through fifth counterclaims – for trademark infringement, unfair competition, and Tariff Act violations – are based on the same set of allegations – that Bayer allegedly facilitated and is responsible for the unlawful importation and sale of its Mexican FLANAX in the United States.

To hold Bayer liable for trademark infringement or unfair competition (first, second, and third counterclaims), Belmora must show that Bayer used FLANAX in a manner likely to cause consumer confusion. Belmora, 819 F.3d at 708.

To hold Bayer contributorily liable, Belmora must show that Bayer intentionally induced others to sell Bayer's Mexican FLANAX in the U.S., or continued to supply its product to someone whom it knew or had reason to know was unlawfully selling it here. See Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 854 (1982).

Belmora has not presented any evidence that Bayer has offered Mexican FLANAX for sale in the U.S., that it has induced others to sell the product in the U.S., or that it has continued to supply the product to a party with knowledge or reason to know that party was selling it in the U.S. Belmora merely speculates that Bayer must have facilitated the sale of its Mexican FLANAX because Bayer lawfully sells FLANAX in Mexico and the product has made its way across the border. Mere speculation is insufficient to survive a motion for summary judgment. Counterclaims I, II, and III fail.

The Court now turns to the fourth and fifth counterclaims. To prevail under § 526 of the Tariff Act (fourth counterclaim), or § 1124 of the Lanham Act (fifth counterclaim), Belmora must show that Bayer imported foreign products bearing the FLANAX mark without Belmora's permission, or that Bayer knowingly or with willful blindness induced one or more third parties to import Bayer's Mexican FLANAX, or provided resources enabling them to do so. 19 U.S.C. § 1526; 15 U.S.C. § 1124.

As noted in the preceding section, Belmora has no evidence linking Bayer to the importation of Mexican FLANAX into the U.S. Belmora simply alleges without any evidence regarding when, how, where, or what Bayer allegedly imported, or to whom it provided assistance. Mere conjecture is insufficient to survive a motion for summary judgment. Counts IV and V fail.

Belmora's sixth counterclaim is for monopolization under Section 2 of the Sherman Act. This claim revolves around Belmora's inability to obtain a supply of naproxen sodium liquidgels from Bionpharma, the sole FDA-approved U.S. source. Belmora claims that Bayer has monopoly power in the market for branded naproxen sodium and asserted pressure on Bionpharma not to sell the liquidgels to Belmora. Based on these allegations, Belmora asserts that Bayer has monopolized and maintained its monopoly in the market for branded naproxen sodium in violation of Section 2.

To prevail on a claim for monopolization under Section 2, a plaintiff must prove (1) the defendant's "possession of monopoly power in the relevant market," and (2) the defendant's "willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident. United States v. Grinnell Corp., 384 U.S. 563, 570-71 (1966); Cavalier Telephone, LLC v. Verizon Va., Inc., 330 F.3d 176, 183 (4th Cir. 2003).

Monopoly power is the "power to control prices or exclude competition," United States v. E.I. du Pont de Nemours & Co., 351 U.S. 377, 391 (1956), and normally requires the defendant to possess a market share of 70% or more. R.J. Reynolds Tobacco Co. v. Philip Morris Inc., 199 F.Supp.2d 362, 394 (M.D.N.C. 2002), aff'd, 67 F. App'x 810 (4th Cir. 2003) (per curiam). Thus, to prove that the defendant possesses monopoly power, the plaintiff must prove that there is a relevant market in which they possess 70% or more market share. See, Berlyn Inc. v. Gazette Newspapers, Inc., 73 F.App'x 576, 582 (4th Cir. 2003).

Defining markets for antitrust analysis is an extremely complex task. Berlyn, Inc, v. Gazette Newspapers, Inc., 223 F.Supp.2d 718, 727 (D.Md.2002), aff'd, 73 F.App'x 576 (4th Cir. 2003). It is beyond the knowledge of a layperson to know whether a set of products compete with each other in a single market. That determination requires economic expertise. The Fourth Circuit has recognized that the proponent of an antitrust claim must present expert testimony to establish its proposed market definition and that, without such testimony, the claim fails for lack of competent evidence on an essential element. See, Military Servs. Realty, Inc. v. Realty Consultants of Va, Ltd., 823 F.2d 829, 832 (4th Cir 1987) (affirming summary judgment where plaintiff's experts could not "adequately identify the relevant market").

Here, Belmora alleges that the relevant market consists of "branded naproxen sodium." It alleges that this market only includes Bayer's Aleve and Belmora's

FLANAX, and excludes branded non-naproxen sodium products. Belmora's only economics expert, Dr. Rausser, stated that his opinions do not include any opinion about the identification of the relevant market in this case. He also stated that he was not aware of what definition of the relevant market Belmora offered in its counterclaim. In the absence of expert testimony establishing the relevant market, Count VI fails.

Belmora's seventh counterclaim alleges tortious interference with contract or prospective economic advantage. This claim rests on the same allegations as the Section 2 claim that because Belmora could not obtain naproxen sodium liquidgels from Bionpharma, Belmora was unable to fill and had to cancel retail orders for FLANAX product.

To assert a claim for tortious interference with a contract a party must (1) demonstrate the existence of a business relationship or expectancy, with a probability of future economic benefit; (2) prove [the defendant's] knowledge of the relationship or expectancy; (3) show that it was reasonably certain that absent intentional misconduct, the claimant would have continued in the relationship or realized the expectancy; and (4) show that it suffered damages from the interference. <u>Commerce Funding Corp. v. Worldwide Security Servs. Corp.</u>, 249 F.3d 204, 213 (4th Cir. 2001).

Count VII fails for a few reasons. First, there is no admissible evidence that Belmora had "orders" for FLANAX branded naproxen sodium liquidgels or a reasonable expectation of receiving any. Belmora's owner never had direct communications between Belmora and a prospective customer about orders, rather mere conversations with middlemen. Second, there is no evidence that Bayer knew about the supposed orders, or was aware of Belmora's interest in entering the naproxen sodium liquidgel category. Finally, there is no evidence that Bayer used "improper methods" to interfere with Belmora's prospective economic advantage. Improper methods include "violations of statutes [or] regulations," and "violence, threats, or intimidation." Commerce Funding, F.3d at 214. There is simply no evidence to adduce interference in this case. Claim VII fails.

V. TTAB Decision

On April 17, 2014, the TTAB ordered that Belmora's FLANAX trademark registration be cancelled based on misrepresentation of source in violation of § 14(3) of the Trademark Act. The Board made three findings that were critical to its decision.

First, the Board found that "[Belmora] was aware that the FLANAX trademark was in use in Mexico in association with naproxen sodium-based analgesics when it adopted the FLANAX mark in the United States." Ex. 8, p.22. Second, the Board found that Belmora copied Bayer's Mexican FLANAX packaging. Lastly, the Board found that "[Belmora's] owner and agents repeatedly invoked the reputation of [Bayer's] FLANAX mark when marketing [Belmora's] FLANAX products in the United States. Id. at 24.

Belmora has not adduced any new evidence that would require this Court to review the underlying evidence *de novo*. Belmora has not produced any credible new evidence that allow this Court to find that Mr. Belcastro was unaware of Bayer's Mexican FLANAX when he adopted the mark for his own company, that the parties' respective FLANAX packages did not actually look the way the Board said they did, or that the numerous examples of Belmora and its agents attempting to use Bayer's Mexican FLANAX goodwill were never published or used. Because Belmora has not offered any new evidence, and the Court finds that the Board's decision was not arbitrary, capricious, or otherwise not in accordance with law, this Court affirms the TTAB decision.

VI. Conclusion

For the reasons mentioned, the Court concludes that Bayer's claims against Belmora fail but the TTAB decision is affirmed. Belmora's counterclaims against Bayer also fail. Summary judgement is granted for both parties and this case will be dismissed. An appropriate order shall issue.

/s/ Claude M. Hilton
CLAUDE M. HILTON
UNITED STATES
DISTRICT JUDGE

Alexandria, Virginia
September 6, 2018

APPENDIX D

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

BELMORA, LLC., Plaintiff, v. BAYER CONSUMER CARE AG & BAYER HEALTHCARE LLC, Defendants-Consolidated Plaintiffs, v. BELMORA, LLC, JAMIE BELCASTRO, & DOES 1-10, INCLUSIVE, Consolidated Defendants.	)	Case No. 1:14-cv-00847-GBL-JFA

MEMORANDUM OPINION AND ORDER

(Filed Feb. 6, 2015)

THIS MATTER is before the Court on Belmora LLC's ("Belmora") Motion to Dismiss Bayer Consumer Care AG and Bayer Healthcare's Complaint ("Motion to Dismiss Complaint") (Doc. 36), Belmora's Motion to Dismiss Bayer CC AG's Counterclaim ("Motion to Dismiss Counterclaim") (Doc. 45), and Belmora's Motion for Judgment on the Pleadings (Doc. 55). This case arises from Bayer Consumer Care AG and Bayer Healthcare's (collectively "Bayer") claims that Belmora's

FLANAX trademark should be cancelled because Belmora deceives consumers into thinking that its FLANAX brand of pain relief medicine is the same FLANAX brand under which Bayer has sold pain relief medicine in Mexico for decades. The Trademark Trial and Appeal Board ("TTAB") cancelled Belmora's trademark. The parties seek review of that decision and bring additional causes of action.

There are six issues before the Court. The first issue is whether the Court should dismiss Count I of Bayer's Complaint, alleging that Belmora violated Section 43(a)(1)(A) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A), which prohibits the false designation of origin, because Bayer lacks standing to bring the statutory cause of action. The second issue is whether the Court should dismiss Count II of Bayer's Complaint, alleging that Belmora violated Section 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B), which prohibits false advertising, because Bayer lacks standing to bring the statutory cause of action. The third issue is whether the Court should dismiss Bayer's California state law claims. The fourth issue is whether the Court should dismiss Bayer's Article 6*bis* counterclaim and affirm the TTAB's dismissal of Bayer's Article 6*bis* claim because Section 44(b) of the Lanham Act, 15 U.S.C. § 1126(b), which implements the Paris Convention, does not protect foreign mark owners beyond the protections already afforded by the Lanham Act. The fifth issue is whether the Court should grant Belmora's Motion for Judgment on the Pleadings and affirm the TTAB's holding that Bayer had standing to bring a misrepresentation of source action under Section 14(3) of the Lanham Act, 15 U.S.C. § 1064(3), because Bayer is not within the class of plaintiffs Congress sought to protect under Section 14(3). The sixth issue is whether the Court should grant Belmora's Motion for Judgment on the Pleadings and affirm the TTAB's holding that Belmora misrepresented the source of FLANAX under Section 14(3) because there is a use requirement in a misrepresentation of source action.

This may be a case of first impression which presents novel questions about the reach of the Lanham Act. Belmora's FLANAX, trademarked and sold in the United States, has a similar trade dress to Bayer's FLANAX and is marketed in a way that capitalizes on the goodwill of Bayer's FLANAX, which is trademarked and sold in Mexico. The Court has grappled with whether Belmora's FLANAX mark deceives the public in a manner prohibited by the Lanham Act. The issues in this case can be distilled into one single question: Does the Lanham Act allow the owner of a foreign mark that is not registered in the United States and further has never used the mark in United States commerce to assert priority rights over a mark that is registered in the United States by another party and used in United States commerce? The answer is no. Accordingly, the TTAB's decision cancelling the registration of Belmora's FLANAX mark is REVERSED and Belmora's Motion to Dismiss Complaint, Motion to Dismiss Bayer's Counterclaim, and Motion for Judgment on the Pleadings are GRANTED.

The Court GRANTS Belmora's Motion to Dismiss Complaint for two reasons. First, the Court GRANTS

Belmora's Motion to Dismiss the false designation of origin claim because Bayer lacks standing to sue under Section 43(a)(1)(A) of the Lanham Act pursuant to *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014), as Bayer's interests do not fall within the zone of interests Congress intended to protect under Section 43(a)(1)(A) and Bayer did not sufficiently plead economic injury or an injury to business reputation proximately caused by Belmora's use of the FLANAX mark. Second, the Court GRANTS Belmora's Motion to Dismiss the false advertising claim because Bayer lacks standing to sue under Section 43(a)(1)(B) of the Lanham Act as Bayer did not sufficiently plead an injury to commercial interest in sales or business reputation proximately caused by Belmora's alleged misrepresentations as required by *Lexmark*. Furthermore, the Court DISMISSES Bayer's state law claims because they have no federal claim to attach to as both of the federal claims are dismissed.

The Court GRANTS Belmora's Motion to Dismiss Bayer's Counterclaim and AFFIRMS the TTAB's dismissal of Bayer's Article 6*bis* claim because Bayer's claim that it can bring an action under Article 6*bis* against Belmora is implausible as the Paris Convention is not self-executing and Sections 44(b) and (h) of the Lanham Act, 15 U.S.C. § 1126(b) and (h), do not make Article 6*bis* of the Paris Convention a ground for contesting trademark registration.

The Court GRANTS Belmora's Motion for Judgment on the Pleadings for two reasons. First, the Court GRANTS Belmora's Motion for Judgment on the

Pleadings and REVERSES the TTAB's holding that Bayer had standing to seek cancellation of the registration of Belmora's FLANAX mark under Section 14(3) because Bayer lacks standing to sue pursuant to *Lexmark* as Bayer's interests do not fall within the zone of interests Congress intended to protect under Section 14(3) and Bayer did not sufficiently plead economic injury or an injury to business reputation proximately caused by Belmora's use of the FLANAX mark. Second, the Court GRANTS Belmora's Motion for Judgment on the Pleadings and REVERSES the TTAB's holding that Belmora was using the FLANAX mark to misrepresent source because Section 14(3) requires use of the mark in United States commerce and Bayer did not use the FLANAX mark in the United States.

I. BACKGROUND

Belmora is a Virginia limited liability company formed in 2002. It is owned and operated by Jamie Belcastro. (Doc. 1 ¶¶ 9–10.) Belmora operates in the United States and sells over-the-counter pain relief products under the FLANAX brand name. (*Id.* ¶ 10.) FLANAX was originally an "analgesic tablet that contained naproxen sodium as its active ingredient," but the brand has since grown to encompass liniment and lozenges. (*Id.* ¶¶ 11–12.) On October 6, 2003, Belmora filed an application with the United States Patent and Trademark Office ("PTO") to register the FLANAX mark for the analgesic tablets. (*Id.* ¶ 13.) This application was published for opposition on August 3, 2004, and the PTO issued the registration for the FLANAX mark on February 1, 2005. (*Id.* ¶¶ 14–15.) Belmora has used the FLANAX mark in interstate commerce in the United States since March 1, 2004. (*Id.* ¶ 17.)

Bayer Consumer Care AG, a Swiss corporation, Bayer Healthcare LLC, a Delaware limited liability company, and predecessors have sold analgesics in Mexico under the Mexican-registered trademark FLANAX since the 1970s. Bayer Compl. ¶¶ 1–2, 9, 14. Bayer does not possess a trademark for FLANAX in the United States. (*Id.* ¶¶ 26–31.) Bayer attempted to register FLANAX in the United States in 2004 but the PTO rejected the application based on Belmora's preexisting efforts to register the mark. (Doc. 35 ¶¶ 32–36.) Bayer has sold hundreds of millions of dollars of FLANAX products in Mexico. Bayer Compl. ¶ 11. Bayer promotes FLANAX in Mexico, including in major cities near the United States-Mexico border, but has never marketed or sold FLANAX in the United States. (*Id.* ¶ 12; Doc. 35 ¶¶ 56–57.) Bayer has never received approval from the FDA through a New Drug Application to market or sell FLANAX in the United States. (Doc. 35 ¶¶ 53–61.)

Belmora's early packaging of FLANAX was "virtually identical" to that of Bayer's FLANAX, including a similar color scheme, font size, and typeface.[1] Bayer Compl. ¶¶ 21–25. Belmora has since changed its

[1] The TTAB found that Belmora copied the logo and trade dress of Bayer's FLANAX. *See Bayer Consumer Care AG v. Belmora LLC*, 110 U.S.P.Q.2d 1623, 2014 WL 1679146, at *11 (T.T.A.B. 2014).

packaging, but this modified scheme remains similar to that of Bayer's FLANAX. (*Id.* ¶ 26.) Belmora's marketing messages often suggested a historical connection between its FLANAX and Latino customers. (*Id.* ¶¶ 30–35.)

On June 29, 2007, Bayer petitioned the TTAB to cancel the registration of Belmora's FLANAX mark. (Doc. 37 at 2.) After several years of litigation, on April 14, 2014, the TTAB issued a ruling canceling Belmora's FLANAX registration pursuant to Section 14(3) of the Lanham Act, 15 U.S.C. § 1064(3). *Bayer Consumer Care AG v. Belmora LLC*, 110 U.S.P.Q.2d 1623, 2014 WL 1679146 (T.T.A.B. 2014). On June 3, 2014, Belmora filed a Notice of Appeal to the Federal Circuit with the TTAB; however, on June 13, 2014, Bayer filed its Notice of Election to Have Review by Civil Action with the TTAB. (Doc. 37 at 3–4.)

On June 6, 2014, Bayer sued Belmora in the United States District Court for the Southern District of California. *See Bayer Consumer Care AG v. Belmora, LLC*, No. 3:14-cv-01395 (S.D. Cal.). Shortly thereafter, Bayer filed a notice of voluntary dismissal because "the case was filed in the wrong district." (Doc. 37 at 3 n.2.) On June 9, 2014, Bayer refiled its complaint in the Central District of California. *See Bayer Consumer Care AG v. Belmora, LLC*, No. 2:14-cv-04433 (C.D. Cal.). On June 12, 2014, the United States District Court for the Central District of California issued an order to show cause as to why the case should not be transferred either to the District of New Jersey or the Eastern District of Virginia. (Doc. 37 at 3–4.) The

Central District of California case was eventually transferred and consolidated with the present action. (*Id.* at 4.)

II. DISCUSSION

A. Standards of Review

1. Motion to Dismiss

Federal Rule of Civil Procedure 12(b)(6) enables a defendant to move for dismissal by challenging the sufficiency of the plaintiff's complaint. FED. R. CIV. P. 12(b)(6). A Rule 12(b)(6) motion should be granted where the plaintiff has failed to "state a plausible claim for relief" under Rule 8(a). *Walters v. McMahen*, 684 F.3d 435, 439 (4th Cir. 2012) (internal quotation marks omitted) (quoting *Ashcroft v. Iqbal*, 556 U.S. 662, 679 (2009)). To be facially plausible, a claim must contain "factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Clatterbuck v. City of Charlottesville*, 708 F.3d 549, 554 (4th Cir. 2013) (quoting *Iqbal*, 556 U.S. at 678). To survive a Rule 12(b)(6) motion, a complaint must contain sufficient factual allegations, which if taken as true, "raise a right to relief above the speculative level" and "nudg[e] [the] claims across the line from conceivable to plausible." *Vitol, S.A. v. Primerose Shipping Co.*, 708 F.3d 527, 543 (4th Cir. 2013) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555, 570 (2007)).

The requirement for plausibility does not mandate a showing of probability but merely that there is more than a possibility of the defendant's unlawful acts. *Francis v. Giacomelli*, 588 F.3d 186, 193 (4th Cir. 2009) (quoting *Iqbal*, 556 U.S. at 678). As a result, a complaint must contain more than "naked assertions" and "unadorned conclusory allegations" and requires some "factual enhancement" in order to be sufficient. *Id.* (citing *Iqbal*, 556 U.S. at 678; *Twombly*, 550 U.S. at 557). In addition to the complaint, the court will also examine "documents incorporated into the complaint by reference," as well as those matters properly subject to judicial notice. *Clatterbuck*, 708 F.3d at 557 (citations omitted); *Matrix Capital Mgmt. Fund, LP v. BearingPoint, Inc.*, 576 F.3d 172, 176 (4th Cir. 2009) (quoting *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 322 (2007)).

A court's Rule 12(b)(6) review involves separating factual allegations from legal conclusions. *Burnette v. Fahey*, 687 F.3d 171, 180 (4th Cir. 2012). In considering a Rule 12(b)(6) motion, a court must give all reasonable inferences to the plaintiff and accept all factual allegations as true. *E.I. du Pont de Nemours & Co. v. Kolon Indus., Inc.*, 637 F.3d 435, 440 (4th Cir. 2011) (citations omitted). Though a court must accept the truthfulness of all factual allegations, it does not have to accept the veracity of bare legal conclusions. *Burnette*, 687 F.3d at 180 (citing *Aziz v. Alcolac, Inc.*, 658 F.3d 388, 391 (4th Cir. 2011)).

A court must grant a Rule 12(b)(6) motion where a complaint fails to provide sufficient nonconclusory factual allegations to allow the court to draw the reasonable inference of the defendant's liability.

Giacomelli, 588 F.3d at 196–97 (citing *Iqbal*, 556 U.S. at 678–79; *Gooden v. Howard County*, 954 F.2d 960, 969–70 (4th Cir. 1992) (en banc)).

2. Motion for Judgment on the Pleadings

Rule 12(c) provides that, "After the pleadings are closed—but early enough not to delay trial—a party may move for judgment on the pleadings." FED. R. CIV. P. 12(c). "A Rule 12(c) motion tests only the sufficiency of the complaint and does not resolve the merits of the plaintiff's claims or any disputes of fact." *Drager v. PLIVA USA, Inc.*, 741 F.3d 470, 474 (4th Cir. 2014) (citing *Butler v. United States*, 702 F.3d 749, 752 (4th Cir. 2012)). "A motion for judgment on the pleadings under Rule 12(c) is assessed under the same standards as a motion to dismiss under Rule 12(b)(6)." *Occupy Columbia v. Haley*, 738 F.3d 107, 115 (4th Cir. 2013) (citing *Edwards v. City of Goldsboro*, 178 F.3d 231, 243 (4th Cir. 1999)). A court must accept all well-pleaded allegations in the complaint as true and draw all reasonable inferences in the plaintiff's favor. *See Massey v. Ojaniit*, 759 F.3d 343, 353 (4th Cir. 2014) (citations omitted). However, a court is not required to "accept allegations that represent unwarranted inferences, unreasonable conclusions or arguments, or that contradict matters properly subject to judicial notice or by exhibit." *Id.* (internal quotation marks omitted) (citing *Blankenship v. Manchin*, 471 F.3d 523, 529 (4th Cir. 2006)).

3. De Novo Review of TTAB Decision

15 U.S.C. § 1071(b)(1) "permits a party in a trademark suit to initiate a civil action in the place of an appeal of the TTAB's determination to the Federal Circuit." *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150, 155 (4th Cir. 2014). "In a § 1071(b) action, the district court reviews the record de novo and acts as the finder of fact. The district court has authority independent of the PTO to grant or cancel registrations and to decide any related matters such as infringement and unfair competition claims." *Id.* (citing 15 U.S.C. § 1071(b)(1); *Durox Co. v. Duron Paint Mfg. Co.*, 320 F.2d 882, 883–84 (4th Cir. 1963)).

B. Analysis

The Court GRANTS Belmora's Motion to Dismiss Complaint for two reasons. First, the Court GRANTS Belmora's Motion to Dismiss the false designation of origin claim because Bayer lacks standing to sue under Section 43(a)(1)(A) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A), pursuant to *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014), as Bayer's interests do not fall within the zone of interests Congress intended to protect under Section 43(a)(1)(A) and Bayer did not sufficiently plead economic injury or an injury to business reputation proximately caused by Belmora's use of the FLANAX mark. Second, the Court GRANTS Belmora's Motion to Dismiss the false advertising claim because Bayer lacks standing to sue under Section 43(a)(1)(B) of the Lanham Act, 15 U.S.C.

§ 1125(a)(1)(B), as Bayer did not sufficiently plead an injury to commercial interest in sales or business reputation proximately caused by Belmora's alleged misrepresentations as required by *Lexmark*. Furthermore, the Court DISMISSES Bayer's state law claims because they have no federal claim to attach to as both of the federal claims are dismissed.

The Court GRANTS Belmora's Motion to Dismiss Bayer's Counterclaim and AFFIRMS the TTAB's dismissal of Bayer's Article 6*bis* claim because Bayer's claim that it can bring an action under Article 6*bis* against Belmora is implausible as the Paris Convention is not self-executing and Sections 44(b) and (h) of the Lanham Act, 15 U.S.C. § 1126(b) and (h), do not make Article 6*bis* of the Paris Convention a ground for contesting trademark registration.

The Court GRANTS Belmora's Motion for Judgment on the Pleadings for two reasons. First, the Court GRANTS Belmora's Motion for Judgment on the Pleadings and REVERSES the TTAB's holding that Bayer had standing to seek cancellation of the registration of Belmora's FLANAX mark under Section 14(3) of the Lanham Act, 15 U.S.C. § 1064(3), because Bayer lacks standing to sue pursuant to *Lexmark* as Bayer's interests do not fall within the zone of interests Congress intended to protect under Section 14(3) and Bayer did not sufficiently plead economic injury or an injury to business reputation proximately caused by Belmora's use of the FLANAX mark. Second, the Court GRANTS Belmora's Motion for Judgment on the Pleadings and REVERSES the TTAB's holding that

Belmora was using the FLANAX mark to misrepresent source because Section 14(3) requires use of the mark in United States commerce and Bayer did not use the FLANAX mark in the United States.

A. False Designation of Origin

The Court GRANTS Belmora's Motion to Dismiss the false designation of origin claim because Bayer lacks standing to sue under Section 43(a)(1)(A) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A). The Supreme Court's decision in *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014), provides this Court with guidance in determining whether a plaintiff has standing to bring a claim under the Lanham Act. In *Lexmark*, supplier Static Control alleged that manufacturer Lexmark engaged in false advertising in violation of the Lanham Act. Static Control supplied remanufacturers with a microchip that allowed them to refurbish and resell Lexmark toner cartridges. *Id.* at 1383. Static Control claimed that Lexmark "disparaged its business and products by asserting that Static Control's business was illegal," and that it designed, manufactured, and sold microchips whose only use/purpose was to refurbish Lexmark toner cartridges. *Id.* at 1393–94. The Court held that Static Control had standing because it "*alleged* an adequate basis to proceed under § 1125(a)." *Id.* at 1395 (emphasis in original). In so doing, the Court created a two-pronged test to determine whether a plaintiff has standing to bring a statutory cause of action.

In *Lexmark*, the Supreme Court "establish[ed] the zone-of-interests test and proximate causality requirement as the proper analysis for analyzing standing to allege a claim under the Lanham Act." *Syngenta Seeds, Inc. v. Bunge N. Am., Inc.*, 773 F.3d 58, 64 (8th Cir. 2014). First, the plaintiff's allegations must demonstrate that the plaintiff is in the statute's zone of interests. Second, the complaint must allege injuries tying the harm suffered to the defendant's conduct.

Under the zone-of-interests test, a statutory cause of action extends only to plaintiffs whose interests fall within the zone of interests protected by the law invoked. This test is not "especially demanding." *Lexmark*, 134 S. Ct. at 1389 (citations and internal quotation marks omitted). When applying the zone of interests test, the plaintiff receives the "benefit of *any* doubt." *Id.* (emphasis added). Furthermore, the zone-of-interests test "forecloses suit only when a plaintiff's interests are so marginally related to or inconsistent with the purposes implicit in the statute that it cannot reasonably be assumed that Congress authorized that plaintiff to sue." *Id.* (citations and internal quotation marks omitted). Lost sales and damage to business reputation are "injuries to precisely the sorts of commercial interests the [Lanham] Act protects." *Id.* at 1393; *see also Tire Eng'g & Distrib., LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292, 310 (4th Cir. 2012) (quoting *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250 (4th Cir. 1994) ("[W]e have reasoned that the archetypal injury contemplated by the Act is harm to the plaintiff's 'trade reputation in United States markets.'")).

The proximate cause requirement requires a plaintiff bringing a claim under Section 43(a) to show "economic or reputational injury flowing directly" from the defendant's alleged violation of the statute. *Lexmark*, 134 S. Ct. at 1391. The Supreme Court identified injuries flowing from an audience's belief in disparaging remarks and equating a product with an inferior product as examples of reputational harm. *Id.* at 1393 (citing *McNeilab, Inc. v. Am. Home Prods. Corp.*, 848 F.2d 34, 38 (2d Cir. 1988) (disparaging statements); *Camel Hair & Cashmere Inst. of Am., Inc. v. Associated Dry Goods Corp.*, 799 F.2d 6, 7–8, 11–12 (1st Cir. 1986) (equating with inferior product); *PPX Enters., Inc. v. Audiofidelity, Inc.*, 746 F.2d 120, 122, 125 (2d Cir. 1984) (same)); *see also PBM Prods., LLC v. Mead Johnson & Co.*, 639 F.3d 111, 127 (4th Cir. 2011) (observing that a mailer deterring consumers from using a manufacturer's product damaged the manufacturer's reputation); *Ga. Pac. Consumer Prods., LP v. Von Drehle Corp.*, 618 F.3d 441, 453 (4th Cir. 2010) (citing *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145 (4th Cir. 1987)) ("[P]laintiffs reputation would suffer damage if the shirt appeared to be of poor quality.").

1. Zone of Interests

The Court holds that Bayer's interests do not fall within the zone of interests Congress intended to protect under Section 43(a) of the Lanham Act because

Bayer does not possess a protectable interest in the FLANAX mark in the United States. Whether a plaintiff comes within "the zone of interests" is an issue that requires the Court to interpret the statute to determine "whether a legislatively conferred cause of action encompasses a particular plaintiff's claim." *Lexmark*, 134 S. Ct. at 1387 (citations and internal quotation marks omitted). Section 43(a)(1)(A) imposes civil liability on:

> [a]ny person who, on or in connection with any goods or services, . . . uses in commerce any word . . . [or] name . . . , or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which 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.

15 U.S.C. § 1125(a)(1)(A). Congress described the purposes of the Lanham Act as follows:

> The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by

> the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

Lanham Act § 45, 15 U.S.C. § 1127. The Supreme Court observed that "[m]ost of the enumerated purposes are relevant to false-association cases."[2] *Lexmark*, 134 S. Ct. at 1389. The Supreme Court has previously explained that the Lanham Act "provides *national protection of trademarks* in order to secure to *the owner of the mark* the goodwill of his business and to protect the ability of consumers to distinguish among competing producers." *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198 (1985) (emphasis added).

Congress, the Fourth Circuit, and the Supreme Court have all recognized that a key purpose of the Lanham Act is to protect the interests of those with a protectable interest in a mark. *See* 15 U.S.C. § 1127; *Park 'N Fly*, 469 U.S. at 198; *Am. Petroleum Inst. v. Cooper*, 718 F.3d 347, 359 (4th Cir. 2013); *Mobil Oil Corp. v. Va. Gasoline Marketers & Auto. Repair Ass'n, Inc.*, 34 F.3d 220, 226 (4th Cir. 1994). Furthermore, in

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[2] In *Lexmark*, the Supreme Court referred to 15 U.S.C. § 1125(a)(1)(A) actions as "false association" cases. The Fourth Circuit refers to these actions as "false designation of origin" cases. *See, e.g.*, *Universal Furniture Int'l, Inc. v. Collezione Europa USA, Inc.*, 618 F.3d 417 (4th Cir. 2010); *Lamparello v. Falwell*, 420 F.3d 309 (4th Cir. 2005). This Court follows the lead of our circuit and uses the term "false designation of origin."

order to prevail under a false designation of origin cause of action, the trademark holder must prove:

> (1) that it *possesses a mark*; (2) that the [opposing party] used the mark; (3) that the [opposing party's] use of the mark occurred "in commerce"; (4) that the [opposing party] used the mark "in connection with the sale, offering for sale, distribution, or advertising" of goods or services; and (5) that the [opposing party] used the mark in a manner likely to confuse consumers.

Lamparello v. Falwell, 420 F.3d 309, 313 (4th Cir. 2005) (emphasis added); *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va.*, 43 F.3d 922 (4th Cir. 1995) (noting that a plaintiff must first prove it has a protectable mark in prevail in a Section 43(a) claim).

The Court holds that Bayer does not possess a protectable interest in the FLANAX mark. Section 43(a)(1)(A) of the Lanham Act protects "qualifying" unregistered trademarks. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992); S. Rep. No. 100-515, at 40 (1988), 1988 U.S.C.C.A.N. 5577, 5603 (explaining that the aim of the 1988 amendments to the Act was to extend the protections given to registered marks under Section 43(a) to unregistered marks). However, that unregistered mark must be used in commerce in the United States. *See Two Pesos*, 505 U.S. at 768 (citing 15 U.S.C. § 1127); *Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Estrangers a Monaco*, 329 F.3d 359, 363–64 (4th Cir. 2003); *Ale House Mgmt., Inc. v. Raleigh Ale House, Inc.*, 205 F.3d 137, 140 (4th Cir.

2000). Here, Bayer failed to plead facts showing that it used the FLANAX mark in commerce in United States. *See* Bayer Compl. ¶¶ 9, 43 (explaining that Bayer Consumer Care AG has a Mexican trademark for FLANAX); (Doc. 35 ¶ 26) ("Bayer admits that Bayer Healthcare LLC *does not own any trademark rights for the mark FLANAX in any country.*" (emphasis added)). Consequently, the Court holds that Bayer does not possess a protectable interest in the mark.

Possession of a protectable interest in a trademark is a dispositive issue in false designation of origin claims and Bayer lacks this key element. After reviewing Congress' statutory pronouncement regarding the purposes of the Lanham Act, as well as both Fourth Circuit and Supreme Court case law analyzing the Act, the Court holds that Bayer is not "within the class of plaintiffs whom Congress has authorized to sue under" Section 43(a)(1)(A) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A), for false designation of origin because it does not own a protectable interest in the FLANAX mark in the United States. *Lexmark*, 134 S. Ct. at 1387. Because Bayer is not within the class of plaintiffs Congress sought to protect under Section 43(a)(1)(A), the Court holds that Bayer fails the zone-of-interests test.

2. Proximate Cause

Even if Bayer had satisfied the zone-of-interests test prong, the Court finds that Bayer failed to sufficiently plead facts showing that Belmora's alleged violation of Section 43(a)(1)(A) was the proximate cause of Bayer's economic or reputational injury.

a. Economic Injury

First, the Court finds that Bayer failed to sufficiently plead facts showing that Belmora's acts were the proximate cause of any economic injury. Although never explicitly stated in its Complaint, Bayer makes several allegations suggesting that it lost sales in the United States as it was not able to convert immigrating Mexican FLANAX consumers to American consumers of ALEVE, Bayer's American counterpart to its Mexican FLANAX brand. *See, e.g.*, Bayer Compl. ¶¶ 14–17.

It must again be emphasized that a core purpose of the Lanham Act is to "help assure a trademark's owner that it will reap the financial and reputational rewards associated with having a desirable name or product." *Tire Eng'g & Distrib., LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292, 310 (4th Cir. 2012) (citation and internal quotation marks omitted). Bayer's argument that it suffered cognizable economic loss under the Lanham Act because it could not convert immigrating consumers from its Mexican-trademarked brand of FLANAX to its United States-trademarked brand of ALEVE would require the Court to extend Lanham Act protections to an international mark that was not used in United States commerce. Doing so would run contrary to the purposes of the Lanham Act as the economic losses the Lanham Act seeks to prevent are those emanating from infringement of a mark protected in the United States. *See id.*; *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 167 n.3 (4th Cir. 2006); *Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Estrangers a Monaco*, 329 F.3d 359, 363–66 (4th Cir. 2003) (affording Lanham Act protections to a foreign mark that was used in United States commerce).

There are two exceptions to this general rule, neither of which have been adopted by the Fourth Circuit. First, there is the famous marks doctrine. In *De Beers LV Trademark Ltd. v. DeBeers Diamond Syndicate, Inc.*, the district court described the famous marks doctrine as follows:

> The famous marks doctrine is a controversial common-law exception to the principle that the use of a mark overseas cannot form the basis for a holding of priority trademark use. Under the doctrine, a foreign mark is protectable despite its lack of use in the United States where the mark is so well known or famous as to give rise to a risk of consumer confusion if the mark is used subsequently by someone else in the domestic marketplace.

440 F. Supp. 2d 249, 269 (S.D.N.Y. 2006) (citations and internal quotation marks omitted). The Fourth Circuit has not yet recognized the famous marks doctrine and appears inclined to reject its application.[3] *See Int'l*

[3] The Ninth Circuit is the only circuit court that has recognized the famous marks doctrine. *See Grupo Gigante SA De CV v. Dallo & Co.*, 391 F.3d 1088 (9th Cir. 2004).

Bancorp, 329 F.3d at 389 n.9 (Motz, J., dissenting); *Maruti.com v. Maruti Udyog Ltd.*, 447 F. Supp. 2d 494, 500 (D. Md. 2006). Consequently, the Court holds that it does not apply.

Second, there is the diversion-of-sales theory. The diversion-of-sales theory allows extraterritorial conduct to be brought under the purview of the Lanham Act if courts find a significant effect on United States commerce as sales to foreign consumers may jeopardize the income of an American company. *See McBee v. Delica Co.*, 417 F.3d 107, 126 (1st Cir. 2005). The diversion-of-sales theory is inapplicable here because: (1) the Fourth Circuit has not recognized the diversion-of-sales theory; and (2) even if it did, Belmora is selling products under the FLANAX mark to consumers in the United States and not foreign consumers—thus the extraterritorial application of the Lanham Act in that sense is not at issue.[4] *See Tire Eng'g & Distrib., LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292, 310–11 (4th Cir. 2012).

Because neither exception to the general rule regarding the economic losses suffered by the person or entity with a protectable interest in a trademark

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[4] There are several instances where courts have considered sales diverted from American companies in foreign countries in determining whether American commerce was affected by alleged trademark infringement. *See, e.g.*, *Totalplan Corp. of Am. v. Colborne*, 14 F.3d 824 (2d Cir. 1994); *Am. Rice, Inc. v. Ark. Rice Growers Coop. Ass'n*, 701 F.2d 408 (5th Cir. 1983). However, those cases are easily distinguished from this case as the plaintiffs there owned United States trademarks while Bayer does not. *See Totalplan*, 14 F.3d at 826; *Am. Rice*, 701 F.2d at 411.

applies, the Court expressly declines to find that the loss of potential sales to immigrating consumers is the type of economic loss recognized by the Lanham Act as they are speculative. *See Natural Answers, Inc. v. SmithKline Beecham Corp.*, 529 F.3d 1325, 1332 (11th Cir. 2008) (declaring as speculative allegations that defendant's conduct "might" cause the value of plaintiff's mark to weaken in the future if plaintiff were to reintroduce the mark into the market); *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 162 (2d Cir. 2007) ("[S]ome indication of actual injury and causation is necessary to satisfy Lanham Act standing requirements and to ensure the plaintiffs injury is not speculative." (internal citations and quotation marks omitted)); *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 910 (9th Cir. 2003) (stating that speculative damages are not sufficient to state claim under Lanham Act), *overruled on other grounds by Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010); *Joint Stock Soc'y v. UDV N. Am., Inc.*, 266 F.3d 164, 184 (3d Cir. 2001) (finding that alleged damages—"the profits that Joint Stock would have made if it had sold its vodka in the United States without using the Smirnov name and had not faced the defendants' allegedly false designation of origin and false advertising"—were "extremely speculative" and were thus not cognizable under the Lanham Act). Accordingly, because Bayer did not plead sufficient facts showing that it suffered an economic loss cognizable under the Lanham Act, the Court finds that Bayer failed to sufficiently plead facts showing that Belmora's acts were the proximate cause of any cognizable economic injury.

b. Reputational Injury

Second, the Court finds that Bayer failed to sufficiently plead facts showing that Belmora's acts were the proximate cause of any cognizable injury to its reputation. Mere confusion by itself does not amount to reputational injury—there must also be evidence of harm resulting from the use of the allegedly infringing product.[5] *See Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 268 (4th Cir. 2007) (concluding that there was no evidence in the record demonstrating that the reputation of LOUIS VUITTON's mark was harmed because there was no

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[5] In trademark infringement cases, a plaintiff must demonstrate both that they have a valid and protectable trademark and that that the defendant's use of a "reproduction, counterfeit, copy, or colorable imitation" thereof creates a likelihood of confusion. *See* 15 U.S.C. § 1114(1); *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150, 158 (4th Cir. 2014) (citing *Petro Stopping Ctrs., L.P. v. James River Petroleum, Inc.*, 130 F.3d 88, 91 (4th Cir. 1997)). In cases like this case, that confusion/likelihood of confusion exists is an inherent prerequisite in determining whether a party's reputation has been harmed. Indeed, it would be illogical for a mark holder to claim that its reputation was harmed by the acts of another business if there was not any potential confusion due to the use of the marks. *See Swatch*, 739 F.3d at 158 ("A likelihood of confusion exists between two marks if the defendant's actual practice *is likely to produce confusion in the minds of consumers about the origin of the goods or services in question*." (emphasis added) (citations and internal quotation marks omitted)).

What *Haute Diggity Dog* and *Beacon Mutual* represent is the idea that for a court to find that a party's *reputation* has been harmed, there must be some showing of something about the alleged infringer's use of a mark other than confusion, be it blatantly negative or deleterious, such that a mark owner's business or reputation would be harmed as a result of such use.

evidence that any dogs choked on a "Chewy Vuiton" toy made by alleged-infringer Haute Diggity Dog); *Beacon Mut. Ins. Co. v. OneBeacon Ins. Grp.*, 376 F.3d 8, 17 (1st Cir. 2004) (recognizing that evidence of misdirected premium payments, claims forms, and communications on behalf of OneBeacon harm Beacon Mutual's reputation).

Bayer suggests that its reputation was harmed because Belmora's alleged deceptive marketing caused actual confusion among consumers. See Bayer Compl. ¶¶ 38–39, 43. In its Complaint, Bayer explained how Belmora's marketing strategy confused distributors, vendors, and others. For example, Bayer claimed that telemarketers hired by Belmora called potential distributors and suggested to them that Belmora's FLANAX products were the same as those offered by Bayer in Mexico. (*Id.* ¶ 33.) Furthermore, in a different marketing effort Belmora allegedly tried to link itself with Bayer's FLANAX by saying that Belmora's FLANAX was a brand that Latinos had turned to "for generations," and that "FLANAX acts as a powerful attraction for Latinos by providing them with products they know, trust, and prefer." (*Id.* ¶ 32.)

Despite these allegations of confusion, Bayer failed to plead sufficient facts showing any cognizable injury to its reputation resulting from Belmora's use of the FLANAX mark. Here, Bayer pleaded no facts showing harm analogous to the "choking dog" referenced in *Haute Diggity Dog*, or the evidence of misdirected premium payments and claims forms presented in *Beacon Mutual*. *See Haute Diggity Dog, LLC*, 507

F.3d at 268; *Beacon Mut. Ins. Co.*, 376 F.3d at 17. Without more, mere confusion by itself does not constitute reputational injury.

Additionally, Bayer's contention that its reputation is harmed because it cannot control the quality of goods sold under the FLANAX brand demonstrates a fundamental misapprehension of the protections of the Lanham Act. In a classic trademark infringement case brought under a predecessor to the Lanham Act, Judge Learned Hand explained the idea that trademark law gives mark owners the right to control the quality of goods produced thereunder:

> However, it has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. *If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask.* And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful.

Yale Elec. Corp. v. Robertson, 26 F.2d 972, 974 (2d Cir. 1928) (emphasis added). Courts have long since adhered to this doctrine and agree that the Lanham Act protects the ability of trademark holders to control the quality of their goods. *See Ga. Pac. Consumer Prods., LP v. Von Drehle Corp.*, 618 F.3d 441, 455 (4th Cir. 2010) (citing *Zino Davidoff SA v. CVS Corp.*, 571 F.3d 238, 243 (2d Cir. 2009); *Shell Oil Co. v. Commercial Petroleum, Inc.*, 928 F.2d 104, 107 (4th Cir. 1991)). The Court finds that this doctrine is inapplicable here as the "quality control" injury is typically actionable as a trademark infringement claim. *See Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.*, 43 F.3d 922, 939 (4th Cir. 1995) ("[W]e have recognized that . . . trademark infringement primarily represents an injury to reputation."); *see also*, *e.g.*, *Ga. Pac. Consumer Prods.*, 618 F.3d 441; *Shell Oil Co.*, 928 F.2d 104. Here, Bayer did not bring a trademark infringement claim, which includes a requirement that the plaintiff owns a valid mark. *See Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 152 (4th Cir. 2012) (citing 15 U.S.C. § 1114(a); *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 259 (4th Cir. 2007); *PETA v. Doughney*, 263 F.3d 359, 364 (4th Cir. 2001)).

Thus, in order to assert its Lanham Act right to control the quality of its goods, Bayer must not only plead facts showing actual reputational injury under *Lexmark*, but Bayer must also show that it has a protectable interest in a mark. Here, the Court finds that Bayer did not plead facts sufficient to satisfy either requirement. Instead, Bayer simply asserted that there was confusion among consumers and vendors. That is not enough. Consequently, the Court finds that Bayer failed to sufficiently plead facts showing that it suffered economic injury due to Belmora's use of the FLANAX mark.

3. Bayer Lacks Standing to Sue Under Section 43(a)(1)(A) of the Lanham Act

The Court holds that Bayer lacks standing to sue under Section 43(a)(1)(A) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A), because it fails the zone-of-interests test and fails to meet the proximate cause requirement under *Lexmark*. Bayer fails the zone-of-interests test because its lack of a protectable mark renders it outside of the class of plaintiffs Congress sought to protect under Section 43(a)(1)(A). Bayer fails to meet the proximate cause requirement because it failed to sufficiently plead facts showing that it suffered economic or reputational injury resulting from Belmora's use of the FLANAX mark. Accordingly, because Bayer lacks standing to sue for false designation of origin under Section 43(a)(1)(A), Belmora's Motion to Dismiss the false designation of origin claim must be GRANTED.

B. False Advertising

The Court GRANTS Belmora's Motion to Dismiss the false advertising claim because Bayer lacks standing to sue under Section 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B), as Bayer did not sufficiently plead an injury to commercial interest in sales or business reputation proximately caused by Belmora's alleged misrepresentations as required by *Lexmark*. The

Lanham Act "creates a federal remedy 'that goes beyond trademark protection'" by allowing competitors to sue for false advertising. *POM Wonderful LLC v. Coca-Cola Co.*, 134 S. Ct. 2228, 2234 (2014) (quoting *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 29 (2003)). The Lanham Act imposes civil liability for false advertising on any person who:

> 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 . . . misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities.

Lanham Act § 43(a)(1)(B), 15 U.S.C. § 1125(a)(1)(B). However, "the private remedy may be invoked only by those who 'allege an injury to a commercial interest in reputation or sales.'" POM Wonderful, 134 S. Ct. at 2234 (quoting *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377, 1390 (2014)); *see also Made in the USA Found. v. Phillips Foods, Inc.*, 365 F.3d 278, 281 (4th Cir. 2004) ("[T]he Lanham Act is a private remedy [for a] commercial plaintiff who meets the burden of proving that its commercial interests have been harmed by a competitor's false advertising." (citations and internal quotation marks omitted)). As discussed above in the false designation of origin analysis (Part A), Bayer failed to sufficiently plead these elements. Accordingly, the Court holds that

Bayer lacks standing to sue for false advertising under Section 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B), and Belmora's Motion to Dismiss the false advertising claim must be GRANTED.

C. Counts III-V: The California Claims

The Court DISMISSES Bayer's state law claims because the Court declines to exercise supplemental jurisdiction since the underlying federal claims are dismissed. Bayer's remaining claims are state law claims. Bayer alleges that Belmora violated the California Business and Professions Code § 17200 *et seq.* (unfair competition) and § 17500 *et seq.* (false advertising), as well as California common law prohibiting unfair competition.

28 U.S.C. § 1367(c) provides that a district court may decline to exercise jurisdiction over a state law claim after dismissing all claims over which it had original jurisdiction. *See Shanaghan v. Cahill*, 58 F.3d 106, 109 (4th Cir. 1995). In deciding whether to exercise supplemental jurisdiction, a federal court should consider "the values of judicial economy, convenience, fairness, and comity." *Carnegie–Mellon Univ. v. Cohill*, 484 U.S. 343, 350 (1988) (internal citations omitted). "When the balance of these factors indicates that a case properly belongs in state court, *as when the federal-law claims have dropped out of the lawsuit in its early stages and only state-law claims remain*, the federal court should decline the exercise of jurisdiction by dismissing the case. . . ." *Id.* (emphasis added).

Here, upon consideration of the *Cohill* factors, the Court declines to exercise jurisdiction over Bayer's state law claims of unfair competition and false advertising. Since the Court dismisses Bayer's federal claims under Sections 43(a)(1)(A) and (a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A) and (a)(1)(B), Bayer's state law claims cannot attach to any federal claim. Therefore, the Court DISMISSES Bayer's state law claims.

D. Article 6*bis* Counterclaim

The Court GRANTS Belmora's Motion to Dismiss Bayer's Counterclaim and AFFIRMS the TTAB's dismissal of Bayer's Article 6*bis* claim because Bayer's claim is implausible as the Paris Convention is not self-executing and Sections 44(b) and (h) of the Lanham Act, 15 U.S.C. § 1126(b) and (h), do not render Article 6*bis* of the Paris Convention a ground for contesting trademark registration.

On June 29, 2007, Bayer petitioned the TTAB to cancel the registration of Belmora's FLANAX mark registration. Belmora moved to dismiss Bayer's petition for cancellation, arguing that Bayer did not have standing to bring a claim under Section 14(3) of the Lanham Act, 15 U.S.C. § 1064(3), because it had made no use of the mark in commerce. On April 26, 2009, the TTAB issued an order granting the motion in part, and denying the motion in part. The motion was granted as to Bayer's Section 2(d), Article 6*bis*, and fraud claims, and was denied as to the Section 14(3) claim.

Regarding the Article 6*bis* claim, the TTAB held that Article 6*bis* does not afford an independent cause of action for parties in TTAB proceedings. *Bayer Consumer Care AG v. Belmora LLC*, 110 U.S.P.Q.2d 1623, 2014 WL 1679146, at *2 (T.T.A.B. 2014) (citation omitted). The TTAB further held that Section 44 of the Lanham Act does not "provide the user of an assertedly famous foreign trademark with an independent basis for cancellation in a [TTAB] proceeding, absent the use of the mark in the United States." *Id.* (citation and internal quotation marks omitted). In its Answer to Belmora's Complaint (Doc. 35), Bayer asserted a counterclaim seeking judicial review of the TTAB's ruling on Belmora's alleged violation of Article 6*bis*.

The Paris Convention for the Protection of Industrial Property established "a Union for the protection of industrial property." Paris Convention for the Protection of Industrial Property, Sept. 5, 1970, art. 1, 21 U.S.T. 1583, T.I.A.S. No. 6923 ("Paris Convention"). Under Article 6*bis* of the Paris Convention, members must:

> ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These

> provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

Paris Convention art. 6*bis* (providing statutory basis for the "famous marks" or "world mark" exception/doctrine).

Section 44(b) of the Lanham Act is titled "Benefits of section to persons whose country of origin is a party to convention or treaty," and provides:

> Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section *under the conditions expressed herein* to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, *in addition to* the rights to which any owner of a mark is otherwise entitled by this chapter.

15 U.S.C. § 1126(b) (emphasis added). Section 44(h) of the Lanham Act "Protection of foreign national against unfair competition," and provides:

> Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall

> be available so far as they may be appropriate
> in repressing acts of unfair competition.

15 U.S.C. § 1126(h).

1. The Paris Convention is Not Self-Executing

First, the Court holds that Article 6*bis* of the Paris Convention is not self-executing and that Congress implemented the Paris Convention by enacting Section 44 of the Lanham Act. The Supreme Court "has long recognized the distinction between treaties that automatically have effect as domestic law, and those that—while they constitute international law commitments—do not by themselves function as binding federal law." *Medellin v. Texas*, 552 U.S. 491, 504 (2008). Although treaties "may comprise international commitments . . . *they are not domestic law unless Congress has either enacted implementing statutes or the treaty itself conveys an intention that it be 'self-executing' and is ratified on these terms.*" *Id.* at 505 (emphasis added) (quoting *Igartua-De La Rosa v. United States*, 417 F.3d 145, 150 (1st Cir. 2005) (internal quotation marks omitted)); *see also Bond v. United States*, 134 S. Ct. 2077, 2084 (2014). A treaty may contain both self-executing and non-self-executing provisions. *ESAB Grp., Inc. v. Zurich Ins. PLC*, 685 F.3d 376, 387 (4th Cir. 2012) (citations and internal quotation marks omitted). The Supreme Court has recognized that some of the provisions of the Paris Convention dealing with patents are self-executing. *See Medellin*, 552 U.S. at 574. Other courts and scholars have found that the

Paris Convention is not at all self-executing and was implemented by Congress with the enactment of Section 44 of the Lanham Act. *See In re Rath*, 402 F.3d 1207, 1209 (Fed. Cir. 2005) ("[T]he Paris Convention is not a self-executing treaty and requires congressional implementation."); *Barcelona.com, Inc. v. Excelentisimo Ayuntamiento De Barcelona*, 330 F.3d 617, 628 (4th Cir. 2003); *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 907–08 (9th Cir. 2002); *Int'l Cafe, S.A.L. v. Hard Rock Cafe Int'l (U.S.A.), Inc.*, 252 F.3d 1274, 1277–78 (11th Cir. 2001); *BP Chems. Ltd. v. Formosa Chem. & Fibre Corp.*, 229 F.3d 254, 259 n.1 (3d Cir. 2000); *Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116, 134 (2d Cir. 2000); *Weil Ceramics & Glass, Inc. v. Dash*, 878 F.2d 659, 679 (3d Cir. 1989) ("The Paris Convention is the law in the United States by virtue of Article VI of the Constitution and is explicitly implemented by the Lanham Act in section 44(b). . . ."); *Yasuko Kawai v. Metlesics*, 480 F.2d 880, 884 (C.C.P.A. 1973); Anne Gilson LaLonde, *Don't I Know You from Somewhere? Protection in the United States of Foreign Trademarks That Are Well Known but Not Used There*, 98 TRADEMARK REP. 1379, 1391–92 (2008). Based on the overwhelming weight of authority the Court similarly holds that Article 6*bis* of the Paris Convention is not self-executing and that Congress implemented the Paris Convention by enacting Section 44 of the Lanham Act.

2. Article 6*bis*, Through Section 44 of the Lanham Act, Does Not Create an Independent Cause of Action

Second, the Court holds that to the extent Congress implemented the Paris Convention, Article 6*bis* does not confer additional substantive rights to international mark holders through Sections 44(b) and (h) of the Lanham Act because Congress did not explicitly implement Article 6*bis* when it enacted Section 44. The enactment of Section 44 of the Lanham Act incorporates the Paris Convention into United States law but only "to provide foreign nationals with rights under United States law *which are coextensive* with the substantive provisions of the treaty involved." *Barcelona.com, Inc. v. Excelentisimo Ayuntamiento De Barcelona*, 330 F.3d 617, 628 (4th Cir. 2003) (quoting *Scotch Whisky Ass'n v. Majestic Distilling Co.*, 958 F.2d 594, 597 (4th Cir. 1992)); *see Int'l Cafe, S.A.L. v. Hard Rock Cafe Int'l (U.S.A.), Inc.*, 252 F.3d 1274, 1278 (11th Cir. 2001) ("[T]he rights articulated in the Paris Convention do not exceed the rights conferred by the Lanham Act"); *Maruti.com v. Maruti Udyog Ltd.*, 447 F. Supp. 2d 494, 501 (D. Md. 2006). Bayer's argument that its Mexican FLANAX mark should be afforded the protection of a "well-known" or "famous" mark[6] under Article 6*bis* has been rejected by the Fourth Circuit. *See Barcelona.com*, 330 F.3d at 628 ("[T]he Paris Convention creates nothing that even remotely resembles a 'world mark' or an 'international registration.'"

[6] The Court shall refer to the doctrine describing this term as the "famous marks exception."

(citation omitted)). The Second Circuit reached a similar conclusion in *Punchgini*. *ITC Ltd. v. Punchgini*, 482 F.3d 135 (2d Cir. 2007).

In *Punchgini*, ITC, an Indian corporation, began operating a restaurant in New Delhi, India, called "Bukhara" in 1977. *Id.* at 143. Bukhara acquired "a measure of international renown." *Id.* ITC obtained a registered United States trademark for restaurant services for the Bukhara mark in 1987 and operated restaurants in the United States under that mark until 1997. *Id.*

In 1999, Punchgini, Inc. ("Punchgini"), opened a restaurant in New York City called "Bukhara Grill." *Id.* at 144. After some success, Punchgini later opened a second restaurant in New York City. *Id.* It appeared that the Punchgini restaurants in New York City copied the Bukhara restaurants in New Delhi. *See id.* ("Quite apart from the obvious similarity in name, defendants' restaurants mimic the ITC Bukharas' logos, decor, staff uniforms, wood-slab menus, and red-checkered customer bibs.").

In 2003, ITC sued Punchgini for unfair competition under Section 43(a)(1)(A) of the Lanham Act. *Id.* at 145. Punchgini asserted that ITC had abandoned the Bukhara mark and filed a counterclaim seeking cancellation of ITC's registration of the mark. *Id.* The district court found that the defendants successfully established abandonment as a matter of law, "warranting both summary judgment in their favor and cancellation of ITC's registered mark." *Id.* at 146. The Second

Circuit affirmed. Rejecting the argument that the plain language of Sections 44(b) and (h) incorporated Article 6*bis* into the Lanham Act as a valid ground for cancellation, the court first discussed the territoriality principle. *Id.* at 154.

Under the territoriality principle, "trademark rights exist in each country solely according to that country's statutory scheme." *Person's Co., Ltd. v. Christman*, 900 F.2d 1565, 1568–69 (Fed. Cir. 1990). Explaining the territoriality principle, the Second Circuit in *Punchgini* noted that "United States trademark rights are acquired by, and dependent upon, priority of use." 482 F.3d at 155; *see* 15 U.S.C.A. § 1057(b) ("A certificate of registration [arms the registrant with] prima facie evidence of the validity of the registered mark and of the registration of the mark, of the [registrant's] ownership of the mark, and of the [registrant's] exclusive right to use the registered mark. . . ."). It follows that "absent some use of its mark in the United States, a foreign mark holder generally may not assert priority rights under federal law, even if a United States competitor has knowingly appropriated that mark for his own use." *Punchgini*, 482 F.3d at 156 (citing *Person's Co. v. Christman*, 900 F.2d 1565, 1569–70 (Fed. Cir. 1990)); *see also Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V.*, No. CV 11-1623 (RC), 2014 WL 4759945, at *12 (D.D.C. Sept. 25, 2014) ("It also is a basic tenet of American trademark law that foreign use of a mark creates no cognizable right to use that mark within the United States." (citation omitted)).

In *Punchgini* the Second Circuit went on to examine the language of Section 44 to determine Congress' intent. The court held that Congress did not intend to incorporate a famous marks exception into federal law. *Punchgini*, 482 F.3d at 163. The court explained that "we do not ourselves discern in the plain language of sections 44(b) and (h) a clear Congressional intent to incorporate a famous marks exception into federal unfair competition law." *Id.* The court looked to Congress' amendments to the Lanham Act in an effort to ascertain congressional intent, stating that "Congress has not hesitated to amend the Lanham Act to effect its intent with respect to trademark protection, having done so thirty times since the statute took effect in 1947. . . ." *Id.* at 164. The absence of a statutory provision incorporating either the famous mark doctrine or Article 6*bis*, as well as the long-standing territoriality principle, were important factors in the court holding that "Congress has not incorporated the substantive protections of the famous marks doctrine set forth in the Paris Convention Article 6*bis* . . . into the relevant federal law. . . ." *Id.* at 163–64, 172.

This Court similarly holds that Article 6*bis* does not confer additional substantive rights to international mark holders through Sections 44(b) and (h) and that there is no cause of action under Article 6*bis* because Congress has not acted to implement it through amendments or other statutory provisions. *See Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 720 (1967) (finding that the Lanham Act did not allow for counsel fees because the original text did not provide for them, nor did any subsequent amendments to the statute); *cf. Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 34 (2003) ("When Congress has wished to create such an addition to the law of copyright, it has done so with much more specificity than the Lanham Act's ambiguous use of 'origin.'"). Furthermore, this case is distinguishable from *The Last Best Beef, LLC v. Dudas*, 506 F.3d 333 (4th Cir. 2007).

One issue in *Last Best Beef* was whether Congress created an irreconcilable conflict between the Lanham Act and Section 206 of the Science, State, Justice, Commerce, and Related Agencies Appropriations Act of 2006. *Id.* at 339. In holding that Congress had created such a conflict, the Fourth Circuit pointed out that Section 206, by its plain language, directly contradicted the Lanham Act as it prohibited one very specific phrase from being trademarked. *Id.* In upholding the challenged statute, the court found that Congress intended to enact a "discrete and narrow exception to the Lanham Act. . . ." *Id.*

Although this case does not involve two irreconcilable statutes, *Last Best Beef* is still instructive when looking at the scope of the exception being presented. Here, Bayer is asking the Court to infer, from uncertain terms in the Lanham Act, a declaration from Congress adopting the famous marks exception captured in Article 6*bis*, thus creating a cause of action therein. That exception is not the same type of "narrow and discrete" exception presented by the conflict between Section 206 and the Lanham Act in *Last Best Beef*. *See id.*

Instead it is an exception that would eviscerate the territoriality principle of trademark law; a principle that has been accepted by the Supreme Court for nearly one hundred years and remains essentially unassailable in each circuit court except for the Ninth Circuit. *See Grupo Gigante SA De CV v. Dallo & Co.*, 391 F.3d 1088 (9th Cir. 2004). Without a more definite statement from Congress, the Court declines to interpret the Lanham Act in that fashion. *See Barcelona.com, Inc. v. Excelentisimo Ayuntamiento De Barcelona*, 330 F.3d 617, 628 (4th Cir. 2003) ("It follows from incorporation of the doctrine of territoriality into United States law through Section 44 of the Lanham Act that United States courts do not entertain actions seeking to enforce trademark rights that exist only under foreign law."); *cf.* J. Thomas McCarthy, *Lanham Act § 43(a): The Sleeping Giant Is Now Wide Awake*, 59 LAW & CONTEMP. PROBS. 45, 49 (1996) ("These other circuits reasoned that if Congress really intended to make such a far-reaching change as to make a federal question of any and all acts of unfair competition in interstate commerce, it would have done so in plain and unequivocal language, which admittedly it did not do." (emphasis added)).

Consequently, the protections provided by Article 6*bis* remain coextensive with, not supplemental to, those of the Lanham Act. *See In re Rath*, 402 F.3d 1207, 1211 (Fed. Cir. 2005) (" . . . Congress generally intended section 44 of the Lanham Act to implement the Paris Convention. But this does not mean that Congress intended to do so in every respect or that it actually accomplished that objective in all respects. . . ."). Again, such a stark departure from the well-established principle of territoriality would require a much clearer expression of congressional intent mandating such a departure than is present before the Court here. *See Almacenes Exito S.A. v. El Gallo Meat Mkt., Inc.*, 381 F. Supp. 2d 324, 327 n.3 (S.D.N.Y. 2005) ("[T]he [territoriality] principle was long established before enactment of the Lanham Act in 1946 and was already so basic to trademark law that it may be presumed to be implied in the Lanham Act."); 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29:51 (4th ed. 2014) (observing that in *A. Bourjois & Co. v. Katzel*, 260 U.S. 689, 691 (1923), the Supreme Court accepted the principle of "territoriality" and moved away from the principle of "universality" with trademarks). Accordingly, the Court holds that there is no cause of action under Article 6*bis* because Congress has not acted to implement it.

3. <u>Bayer's Counterclaim Must Be Dismissed</u>

The Court GRANTS Belmora's Motion to Dismiss Bayer's Counterclaim AFFIRMS the TTAB's dismissal of Bayer's Article 6*bis* claim because Bayer has failed to plead facts showing that its claim that Sections 44(b) and (h) of the Lanham Act incorporate Article 6*bis* is plausible. The Paris Convention is not self-executing and Congress has not amended the Lanham Act to make Article 6*bis* a ground for contesting a trademark registration. The lack of a legal foundation for such a claim renders it implausible. *See Ashcroft v.*

Iqbal, 556 U.S. 662, 678 (2009). Accordingly, Belmora's Motion to Dismiss Bayer's Counterclaim is GRANTED and the TTAB's dismissal of Bayer's Article 6*bis* claim is AFFIRMED.[7]

E. Belmora's Motion for Judgment on the Pleadings

The Court GRANTS Belmora's Motion for Judgment on the Pleadings for two reasons. First, the Court GRANTS Belmora's Motion for Judgment on the Pleadings and REVERSES the TTAB's holding that Bayer had standing to seek cancellation of the registration of Belmora's FLANAX mark under Section 14(3) because Bayer lacks standing to sue pursuant to *Lexmark* as Bayer's interests do not fall within the zone of interests Congress intended to protect under Section 14(3) and Bayer did not sufficiently plead economic injury or an injury to business reputation proximately caused by Belmora's use of the FLANAX mark. Second, the Court GRANTS Belmora's Motion for Judgment on the Pleadings and REVERSES the TTAB's holding that Belmora was using the FLANAX mark to misrepresent source because Section 14(3) requires use of the mark in United States commerce and Bayer did not use the FLANAX mark in the United States.

[7] Because the Court finds that there is no independent cause of action under Article 6*bis*, the Court does not reach the parties' arguments concerning whether Bayer has sufficiently plead priority, or the requisite level of fame, prior to 2003.

Belmora moved the TTAB to dismiss Bayer's second amended petition, which sought, among other things the cancellation of the registration of Belmora's FLANAX mark. On April 26, 2009, the TTAB issued an order granting the motion in part, and denying the motion in part. The motion was granted as to Bayer's Section 2(d), Article 6*bis*, and fraud claims, and was denied as to the Section 14(3) claim. Regarding the Section 14(3) claim, first the TTAB found that Bayer had standing to bring the claim because Bayer alleged injury stemming from Belmora's use of "strikingly similar packaging." *Bayer Consumer Care AG v. Belmora LLC*, 110 U.S.P.Q.2d 1623, 2014 WL 1679146, at *2 (T.T.A.B. 2014). Second, the TTAB found that Bayer had sufficiently pleaded the claim because Bayer "alleged clearly and specifically that respondent copied petitioner's mark, including its particular display, and virtually all elements of its packaging, in order to 'misrepresent to consumers, including especially consumers familiar with Petitioner's FLANAX mark,' that respondent's product is from the same source as petitioner's product." *Id.* (citation and internal quotation marks omitted).

1. <u>Bayer Does Not Have Standing to Assert a Misrepresentation of Source Claim</u>

The Court GRANTS Belmora's Motion for Judgment on the Pleadings and REVERSES the TTAB's holding that Bayer had standing to seek cancellation of the registration of Belmora's mark under Section 14(3) of the Lanham Act, 15 U.S.C. § 1064(3), because

Bayer lacks standing to sue pursuant to *Lexmark* as Bayer's interests do not fall within the zone of interests Congress intended to protect under Section 14(3) and Bayer did not sufficiently plead economic injury or an injury to business reputation proximately caused by Belmora's use of the FLANAX mark.

The TTAB cancelled Belmora's registration pursuant to Section 14(3) of the Lanham Act. Section 14(3) provides, in pertinent part, that:

> A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged, including as a result of dilution under section 1125(c), by the registration of a mark on the principal register established by this Act, or under the Act of March 3, 1881, or the Act of February 20, 1905:
>
> (3) . . . if the registered mark is being used by, or with the permission of, the registrant *so as to misrepresent the source* of the goods or services on or in connection with which the mark is used. . . .

15 U.S.C. § 1064(3) (emphasis added). As discussed earlier, the Supreme Court's decision in *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014), provides this Court with guidance in determining whether a plaintiff has standing to bring a misrepresentation of source claim under the Lanham Act. The

TTAB's analysis of standing did not apply *Lexmark*.[8] Accordingly, the Court conducts the standing analysis with the benefit of that decision.

The Court holds that Bayer fails the zone-of-interests-test as Bayer is not within the class of plaintiffs Congress sought to protect in the misrepresentation of source provision of the Lanham Act because Bayer never used the FLANAX mark in United States commerce. *See H.H. Scott, Inc. v. Annapolis Electroacoustic Corp.*, 195 F. Supp. 208 (D. Md. 1961) (ruling in favor of plaintiff in misrepresentation of source action who possessed a mark and used it in commerce); *see also Willis v. Can't Stop Prods., Inc.*, 497 F. App'x. 975, 978 (Fed. Cir. 2012) (affirming dismissal of misrepresentation of source claim because defendant "at all times owned the marks at issue"); *Hill Holliday Connors Cosmopulos, Inc. v. Greenfield*, 433 F. App'x. 207, 218 (4th Cir. 2011) (citing *Gen. Healthcare Ltd. v. Qashat*,

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[8] The TTAB's legal framework for standing analysis is set forth below:

> "The Federal Circuit has enunciated a liberal threshold for determining standing. *Alcatraz Media Inc. v. Chesapeake Marine Tours Inc.*, 107 U.S.P.Q.2d 1750, 1760 (T.T.A.B. 2013). To establish standing, petitioner must prove that it has a "real interest" in this cancellation proceeding and a "reasonable basis" for its belief in damage. To prove a "real interest" in this case, petitioner must show that it has a "direct and personal stake" in the outcome herein and is more than a "mere intermeddler." *See Ritchie v. Simpson*, 170 F.3d 1092, 50 U.S.P.Q.2d 1023, 1026–27 (Fed. Cir. 1999)."

Bayer Consumer Care AG v. Belmora LLC, 110 U.S.P.Q.2d 1623, 2014 WL 1679146, at *9 (T.T.A.B. 2014).

364 F.3d 332, 335 (1st Cir. 2004)) (finding that plaintiff "failed to establish the necessary factual predicate for his trademark-cancellation claim" because he had never used the challenged mark in commerce).[9] Second, for the reasons set forth earlier in this opinion, the Court holds that Bayer cannot meet the proximate cause requirement of *Lexmark*. Accordingly, the Court holds that Bayer lacks standing to pursue a misrepresentation of source claim under Section 14(3) of the Lanham Act, 15 U.S.C. § 1064(3), and that Belmora's Motion for Judgment on the Pleadings as to the TTAB's decision regarding this claim must be GRANTED. The Court further holds that the TTAB's holding as to Bayer's standing to bring a Section 14(3) claim must be REVERSED.

2. <u>Section 14(3) Requires Use of the Mark in United States Commerce</u>

The Court GRANTS Belmora's Motion for Judgment on the Pleadings and REVERSES the TTAB's holding that Belmora was using the FLANAX mark to misrepresent source because Section 14(3) requires use of the mark in United States commerce and Bayer did not use the FLANAX mark in the United States.

A party may, pursuant to Section 14(3) of the Lanham Act, petition to cancel a registration of a mark if the mark "is being used by, or with the permission of, the respondent so as to misrepresent the source of the

[9] *See infra* Part E(1) for a discussion of the inherent "use requirement" of Section 14(3).

goods or services on or in connection with which the mark is used." 15 U.S.C. § 1064(3). The term "misrepresentation of source," as used in Section 14(3), "refers to situations where it is deliberately misrepresented by or with the consent of the respondent that goods and/or services originate from a manufacturer or other entity when in fact those goods and/or services originate from another party." *Osterreichischer Molkerei- und Kasereiverband Registriete GmbH v. Marks & Spencer Ltd.*, 203 U.S.P.Q. 793, 1979 WL 25355, at *1 (T.T.A.B. 1979) (citation omitted); *see also Global Maschinen GmbH v. Global Banking Sys., Inc.*, 227 U.S.P.Q. 862, 864 n.3, 1985 WL 71943, at *2 n.3 (T.T.A.B. 1985).

According to the TTAB, in order to prevail a petitioner must show that respondent took steps to deliberately pass off its goods as those of petitioner. That is, petitioner must establish "blatant misuse of the mark by respondent in a manner calculated to trade on the goodwill and reputation of petitioner." *Otto Int'l Inc. v. Otto Kern GmbH*, 83 U.S.P.Q.2d 1861, 1863, 2007 WL 1577524, at *3 (T.T.A.B. 2007). *See generally* 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 20:60 (4th ed. 2014); Theodore H. Davis, Jr., *Cancellation Under Section 14(3) for Registrant Misrepresentation of Source*, 85 TRADEMARK REP. 67 (1995). Thus, in reviewing the record, courts look for evidence reflecting respondent's deliberate misrepresentation of the source of its product, "blatant misuse" of the mark, or conduct amounting to the deliberate passing-off of respondent's goods. Willful use of a confusingly similar mark is insufficient. *McDonnell*

Douglas Corp. v. Nat'l Data Corp., 228 U.S.P.Q. 45, 47, 1985 WL 71955, at *2–4 (T.T.A.B. 1985).

The parties dispute whether a Section 14(3) claim requires that petitioner bringing an action to cancel a registration actually use a trademark in commerce. Belmora argues that Section 14(3) imposes a trademark use requirement "because there cannot be a source represented without at least one trademark recognized by United States law." (Doc. 56 at 11.) Bayer contends that use is not required because of the plain language of the statute and because such a reading is consistent with other provisions of the Lanham Act prohibiting registration of deceptive marks. (Doc. 64 at 4.) The Court finds that Section 14(3) contains a use requirement based on case law and a comparison of similar Lanham Act provisions.

The TTAB cited three cases in defining the rule for misrepresentation of source: (1) *Otto Int'l Inc. v. Otto Kern GmbH*, 83 U.S.P.Q.2d 1861, 1863, 2007 WL 1577524, at *3 (T.T.A.B. 2007); (2) *Global Maschinen GmbH v. Global Banking Sys., Inc.*, 227 U.S.P.Q. 862, 864 n.3, 1985 WL 71943, at *2 n.3 (T.T.A.B. 1985); and (3) *Osterreichischer Molkerei-und Kasereiverband Registriete GmbH v. Marks & Spencer Ltd.*, 203 U.S.P.Q. 793, 794, 1979 WL 25355, at *1 (T.T.A.B. 1979). *See Bayer Consumer Care AG v. Belmora LLC*, 110 U.S.P.Q.2d 1623, 2014 WL 1679146, at *10 (T.T.A.B. 2014). In *Otto Int'l*, the petitioner owned several marks and moved to cancel respondent's mark through a misrepresentation of source claim but the allegation was insufficiently plead as to "blatant misuse." 2007 WL 1577524, at *3 (citing *E.E. Dickinson Co. v. T.N. Dickinson Co.*, 221 U.S.P.Q. 713, 715, 1984 WL 63740, at *2–3 (T.T.A.B. 1984) (finding plaintiff had properly pleaded a claim of misrepresentation of source where it pleaded that registrant marked its goods in a way that imitated petitioner's mark)). In *Global*, the petitioner "established ownership rights in the mark" and the respondent's registration was cancelled on other grounds. 1985 WL 71943, at *5. Ownership rights in a mark were present in two of the cases for misrepresentation of source and the TTAB was silent on whether the petitioner in Marks & Spencer owned or used a mark in commerce. *See Marks & Spencer*, 203 U.S.P.Q. 793, 1979 WL 25355.

Furthermore, Bayer's reliance on *Empresa Cubana Del Tabaco v. Gen. Cigar Co.*, 753 F.3d 1270 (Fed. Cir. 2014), for the idea that Section 1064(3) has no use requirement is misplaced because of the unique nature of that case. *Empresa* involved a dispute over the COHIBA mark between the Cuban company Cubatabaco, which owned the mark in Cuba, and the American company General Cigar, which owned the mark in the United States. *Id.* at 1271. One issue before the Federal Circuit was whether Cubatabaco had standing to initiate a cancellation proceeding before the TTAB. *Id.* at 1274. Reversing the TTAB, the Federal Circuit held that Cubatabaco had standing. *See id.* First, the court emphasized that 31 C.F.R. § 515.527 specifically authorizes Cuban entities to engage in transactions "related to the registration and renewal" of trademarks in the [PTO] and "may be relied on . . . to petition to cancel a prior registration of a trademark where these actions relate to the protection of a trademark in which Cuba or a Cuban national general license has an interest." *Id.* at 1275 (citation omitted). The court further reasoned that this regulation, and the related proceedings at the TTAB, gave Cubatabaco a "legitimate commercial interest" in the COHIBA mark such that a finding of standing before the TTAB was appropriate. *Id.*

The existence of 31 C.F.R. § 515.527 renders *Empresa* easily distinguishable from this case as there is no regulatory or statutory pronouncement conferring standing upon plaintiffs who possess a foreign mark but do not use it in United States commerce like Bayer. Moreover, the Court finds that the regulation at issue in *Empresa* specifically confers standing on Cuban entities for matters at the PTO and the United States Copyright Office ("Copyright Office"). *See* 31 C.F.R. § 515.527. Though the Second Circuit's earlier decision in the *Empresa* case was silent on the issue of whether the regulation would similarly confer standing before an Article III tribunal, *see Empresa Cubana del Tabaco v. Culbro Corp.*, 399 F.3d 462 (2d Cir. 2005), a plain reading of its language leads this Court to find that § 515.527's grant of standing is limited only to matters before the PTO and Copyright Office. *See Crespo v. Holder*, 631 F.3d 130, 133 (4th Cir. 2011) ("When interpreting statutes we start with the plain language. It is well established that when the statute's language is plain, the sole function of the courts—at least where the disposition required by the text is not absurd—is to enforce it according to its terms." (citations and internal quotation marks omitted)). Accordingly, the Court finds that *Empresa* is not persuasive authority on this issue.

Belmora sought to distinguish Bayer's argument that Section 14(3) "imposes no use requirement" in two ways: (1) by pointing out that Bayer relied on Section 2(d), which unlike Section 14(3), explicitly requires domestic use of a mark, *see* 15 U.S.C. § 1052(d) ("Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned. . . ."); and (2) stating that although Section 43(a)(1)(A) has no reference to use, in *Lamparello* the Fourth Circuit held that to establish a claim under that section a party must, among other things, prove that it "possesses a mark." (Doc. 56 at 11) (citing *Lamparello v. Falwell*, 420 F.3d 309, 313 (4th Cir. 2005)). A further analysis of Section 43(a)(1)(A) is warranted.[10]

[10] The Court must look to other statutes because of the sparse number of Section 14(3) actions brought in federal courts. "As a vehicle for canceling federal registrations, Section 14(3)'s misrepresentation of source prong has been invoked infrequently, much less successfully used." Theodore H. Davis, *Cancellation Under Section 14(3) for Registrant Misrepresentation of Source*, 85 TRADEMARK REP. 67, 88 (1995). This may be due, in part, to the expansion of the meaning of "origin" in Section 43(a) false designation of origin claim to include "origin of source, sponsorship, or affiliation. . . ." J. Thomas McCarthy, *Lanham Act § 43(a): The Sleeping Giant Is Now Wide Awake*, 59 LAW & CONTEMP. PROBS. 45, 58 (1996) (emphasis added) (citing *Federal-Mogul-Bower*

Section 43(a)(1)(A) prohibits false designations of origin and false descriptions. It provides that a civil action may be brought by:

> [a]ny 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 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. . . .

15 U.S.C. § 1125(a)(1)(A). Although not explicitly stated in the plain language of the statute, courts have consistently found that plaintiff's use of a trademark

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Bearings, Inc. v. Azoff, 313 F.2d 405 (6th Cir. 1963)). As offered by McCarthy:

> This seemingly simple new spin put on the word "origin" raised the curtain on a whole new chapter in federal unfair competition law. It heralded the beginning of a new dimension of section 43(a) as a vehicle to assert in federal court a traditional case of infringement of an unregistered mark, name, or trade dress.

McCarthy, *supra* at 58; *see, e.g.*, *Vuitton Et Fils, S.A. v. Crown Handbags*, 492 F. Supp. 1071, 1077 (S.D.N.Y. 1979) (stating that Section 43(a) was enacted "to protect consumers and competitors alike against all forms of misdescription or misrepresentation of products and services in commerce"); Davis, *supra* at 86 (declaring that a "confused" body of case law has arisen from misrepresentation of source claims).

in United States commerce is a threshold element of any Section 43(a)(1)(A) claim.

In *Punchgini*, the Second Circuit held that a plaintiff cannot be successful on a Section 43(a)(1)(A) claim without first demonstrating its "own right to use the mark" in question. 482 F.3d 135, 154 (2d Cir. 2007). Because ITC had abandoned its mark and Punchgini was thereafter using the Bukhara mark in United States commerce, the court found that ITC did not have a "priority right" to use the mark because it had abandoned the mark and thus could not succeed on a Section 43(a)(1)(A) claim.

In *International Bancorp*, the Fourth Circuit found that a foreign entity had a protectable interest in its foreign mark related to casino services and could thus bring a trademark infringement claim under Section 43(a) against a domestic actor because it used the mark in United States commerce when it advertised its foreign casino in the United States. *Int'l Bancorp, LLC v. Société des Bains de Mer et du Cercle des Éstrangers a Monaco*, 329 F.3d 359, 361 (4th Cir. 2003); *see also Larsen v. Terk Techs. Corp.*, 151 F.3d 140, 146 (4th Cir. 1998) (stating that to receive protection under Section 43(a) a trademark must be used in commerce); *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.*, 43 F.3d 922, 930 (4th Cir. 1995) (declaring that trademark infringement under Section 43(a) requires that plaintiff prove it has a protectable mark that is used in commerce).

These cases make it is clear to the Court that although Section 43(a)(1)(A), by its terms, does not require use of the mark, courts have consistently required a plaintiff to use the mark in United States commerce in order to state a claim under that statute.

"The intent of [the Lanham Act] is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce. . . ." 15 U.S.C. § 1127 (emphasis added). With that in mind, after comparing the language of Sections 14(3) and 43(a), and reviewing both TTAB decisions and case law, this Court finds it appropriate to read a use requirement into Section 14(3). Accordingly, because Bayer did not use the FLANAX mark in the United States, its Section 14(3) action must fail and Belmora's Motion for Judgment on the Pleadings as to misrepresentation of source is GRANTED. Further, the TTAB's holding as to misrepresentation of source must be REVERSED.

III. CONCLUSION

The Court GRANTS Belmora's Motion to Dismiss Complaint for two reasons. First, the Court GRANTS Belmora's Motion to Dismiss the false designation of origin claim because Bayer lacks standing to sue under Section 43(a)(1)(A) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A), pursuant to *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014), as Bayer's interests do not fall within the zone of interests Congress intended to protect under Section 43(a)(1)(A) and Bayer did not sufficiently plead economic injury or an injury to business reputation proximately caused by Belmora's use of the FLANAX mark. Second, the Court GRANTS Belmora's Motion to Dismiss the false advertising claim because Bayer lacks standing to sue under Section 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B), as Bayer did not sufficiently plead an injury to commercial interest in sales or business reputation proximately caused by Belmora's alleged misrepresentations as required by *Lexmark*. Furthermore, the Court DISMISSES Bayer's state law claims because they have no federal claim to attach to as both of the federal claims are dismissed.

The Court GRANTS Belmora's Motion to Dismiss Bayer's Counterclaim and AFFIRMS the TTAB's dismissal of Bayer's Article 6*bis* claim because Bayer's claim that it can bring an action under Article 6*bis* against Belmora is implausible as the Paris Convention is not self-executing and Sections 44(b) and (h) of the Lanham Act, 15 U.S.C. § 1126(b) and (h), do not make Article 6*bis* of the Paris Convention a ground for contesting trademark registration.

The Court GRANTS Belmora's Motion for Judgment on the Pleadings for two reasons. First, the Court GRANTS Belmora's Motion for Judgment on the Pleadings and REVERSES the TTAB's holding that Bayer had standing to seek cancellation of the registration of Belmora's FLANAX mark under Section 14(3) of the Lanham Act, 15 U.S.C. § 1064(3), because Bayer lacks standing to sue pursuant to *Lexmark* as Bayer's interests do not fall within the zone of interests

Congress intended to protect under Section 14(3) and Bayer did not sufficiently plead economic injury or an injury to business reputation proximately caused by Belmora's use of the FLANAX mark. Second, the Court GRANTS Belmora's Motion for Judgment on the Pleadings and REVERSES the TTAB's holding that Belmora was using the FLANAX mark to misrepresent source because Section 14(3) requires use of the mark in United States commerce and Bayer did not use the FLANAX mark in the United States.

The TTAB decision found that Belmora not only copied the logo and trade dress of Bayer's FLANAX, but also made statements inferring an association between Bayer's FLANAX and Belmora's FLANAX. *See Bayer Consumer Care AG v. Belmora LLC*, 110 U.S.P.Q.2d 1623, 2014 WL 1679146, at *11–12 (T.T.A.B. 2014) ("I'm with ***Belmora LLC***, we're the direct producers of **FLANAX** in the US. **FLANAX** is a well-known medical product in the Latino American market, for FLANAX is sold successfully in Mexico, Centre [sic] and South America." (emphasis in original) (citation and internal quotation marks omitted)). The TTAB found that retail customers and consumers exposed to Belmora's statements "would draw the logical conclusion that [Belmora's] U.S. product is licensed or produced by the source of the same type of product sold under the FLANAX brand for decades south of the border." *Id.* at *12 (citations omitted).

Assuming these facts to be true, the Court notes that Belmora applied to register the FLANAX mark in 2003. Bayer asserts that it has been using the

FLANAX mark in Mexico since the 1970's. Bayer attempted to register FLANAX in the United States in 2004 but the PTO rejected the application based on Belmora's preexisting efforts to register the mark. (Doc. 35 ¶¶ 32–36.) The PTO issued Belmora the registration for the FLANAX mark on February 1, 2005. By registering the FLANAX mark and using it in United States commerce, Belmora established priority rights over the mark. Bayer, an entity that possesses a foreign FLANAX mark but has never used that mark in United States commerce, cannot usurp these rights.

In sum, the Court holds that the Lanham Act does not permit Bayer, the owner of a foreign FLANAX mark that is not registered in the United States and further has never used the mark in United States commerce, to assert priority rights over Belmora's FLANAX mark that is registered in the United States and used in United States commerce. Though Belmora's practices may seem unfair, the Lanham Act "does not regulate all aspects of business morality." *Selfway, Inc. v. Travelers Petroleum, Inc.*, 579 F.2d 75, 79 (C.C.P.A. 1978). Consequently, the TTAB's decision cancelling the registration of Belmora's FLANAX mark must be reversed.

Accordingly, it is hereby

ORDERED that Belmora LLC's Motion to Dismiss Bayer Consumer Care AG and Bayer Healthcare's Complaint (Doc. 36) is **GRANTED**; it is further

ORDERED that Belmora LLC's Motion to Dismiss Bayer CC AG's Counterclaim (Doc. 45) is **GRANTED**

and that the TTAB's dismissal of Bayer's Article 6*bis* claim is **AFFIRMED**; it is further

ORDERED that Belmora's Motion for Judgment on the Pleadings (Doc. 55) is **GRANTED** and that the TTAB's holdings that (1) Bayer had standing to bring a misrepresentation of source claim, and (2) that Belmora misrepresented the source of FLANAX under Section 14(3) are **REVERSED**; and it is further

ORDERED that the TTAB's April 17, 2014, decision cancelling the registration of Belmora's FLANAX mark, Registration No. 2924440, is **REVERSED and the mark is ORDERED to be reinstated**.

IT IS SO ORDERED.

ENTERED this 6th day of February, 2015.

Alexandria, Virginia
2/6/2015

/s/
Gerald Bruce Lee
United States District Judge

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 18-2183 (L)
(1:14-cv-00847-CMH-JFA)

(Filed Mar. 16, 2021)

BELMORA LLC

Plaintiff – Appellee

v.

BAYER CONSUMER CARE AG, a Swiss Corporation; BAYER HEALTHCARE LLC, a Delaware Limited Liability Company

Defendants – Consolidated Plaintiffs – Appellants

v.

BELMORA LLC, a Virginia Limited Liability Company; JAMIE BELCASTRO, an individual;

Consolidated Defendants – Appellees

and

DOES, 1-10, inclusive

Consolidated Defendants

UNITED STATES OF AMERICA

Amicus Supporting Appellant

No. 18-2232
(1:14-cv-00847-CMH-JFA)

BELMORA LLC

Plaintiff – Appellant

v.

BAYER CONSUMER CARE AG, a Swiss Corporation; BAYER HEALTHCARE LLC, a Delaware Limited Liability Company

Defendants – Consolidated Plaintiffs – Appellees

v.

BELMORA LLC, a Virginia Limited Liability Company; JAMIE BELCASTRO, an individual

Consolidated Defendants – Appellants

and

DOES 1-10, inclusive

Consolidated Defendants

ORDER

The petition for rehearing en banc was circulated to the full court. No judge requested a poll under Fed.

R. App. P. 35. The court denies the petition for rehearing en banc.

For the Court

/s/ Patricia S. Connor, Clerk

APPENDIX F

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 15-1335
(1:14-cv-00847-GBL-JFA)

(Filed May 23, 2016)

BELMORA LLC, Plaintiff-Appellee,

v.

BAYER CONSUMER CARE AG, a Swiss corporation; Bayer Healthcare LLC, a Delaware Limited Liability Company, Defendants-Consolidated Plaintiffs-Appellants,

v.

Belmora LLC, a Virginia Limited Liability Company; Jamie Belcastro, an individual; Does, 1-10, inclusive, Consolidated Defendants-Appellees,

and

Michelle K. Lee, Undersecretary for Intellectual Property and Director of the United States Patent and Trademark Office (Director), Intervenor.

ORDER

The petition for rehearing en banc was circulated to the full court. No judge requested a poll under Fed. R.

App. P. 35. The court denies the petition for rehearing en banc.

For the Court

/s/ Patricia S. Connor, Clerk

APPENDIX G

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
Alexandria Division

BELMORA LLC, *Plaintiff*, *v.* BAYER CONSUMER CARE AG and BAYER HEALTHCARE LLC, *Defendants-Consolidated Plaintiffs*, *v.* BELMORA, LLC, JAMIE BELCASTRO, and DOES 1-10, inclusive, *Consolidated Defendants.*	Consolidated No. 1:14-cv-847 CMH/JFA

ORDER

(Filed Mar. 29, 2021)

This matter is before the Court on plaintiff's unopposed motion for entry of an order staying this action while plaintiff petitions for a writ of *certiorari*. Upon consideration whereof, for good cause shown, and there being no opposition to the relief sought, it is hereby

ORDERED that the motion is **GRANTED**; and it is further

ORDERED that this action is **STAYED** pending the disposition of plaintiff's petition for a writ of *certiorari*, and the parties are directed to advise the Court forthwith once the petition has been acted upon.

ENTERED this 29th day of Mar. 2021.

Alexandria, Virginia

/s/ Claude M. Hilton
Hon. Claude M. Hilton
United States District Judge

APPENDIX H

THIS OPINION IS A
PRECEDENT OF THE TTAB

Hearing:	Mailed:
October 23, 2013	April 17, 2014

UNITED STATES PATENT AND
TRADEMARK OFFICE

Trademark Trial and Appeal Board

Bayer Consumer Care AG

v.

Belmora LLC

Cancellation No. 92047741

Bradley L. Cohn, Phillip Barengolts, Alexis E. Payne, Ian J. Block, Scott T. Lonardo, Seth I. Appel, and Jeffrey A. Wakolbinger, Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP, for Bayer Consumer Care AG.

Marsha G. Gentner, Philip L. O'Neill, and Leesa N. Weiss, Jacobson Holman PLLC, for Belmora LLC.

Before Seeherman, Taylor, and Hightower, Administrative Trademark Judges. Opinion by Hightower, Administrative Trademark Judge:

Bayer Consumer Care AG petitions to cancel Belmora LLC's registration for the mark FLANAX, in standard characters, for "orally ingestible tablets of Naproxen Sodium for use as an analgesic" in International Class 5.[1] Petitioner alleges that the registered mark is being used by the respondent to misrepresent the source of the goods on or in connection with which the mark is used pursuant to Section 14(3) of the Trademark Act, 15 U.S.C. § 1064(3).

We grant the petition to cancel.

Summary of Proceeding

Petitioner filed a petition to cancel on June 29, 2007,[2] asserting a likelihood of confusion. After respondent moved to dismiss for failure to state a claim under FED. R. CIV. P. 12(b)(6), asserting that petitioner had not properly alleged standing or prior use in the United States, petitioner amended its pleading to allege that its mark FLANAX had been used in the United States,[3] and respondent's motion to dismiss

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[1] Registration No. 2924440, issued February 1, 2005. A declaration of use pursuant to Section 8 of the Trademark Act, 15 U.S.C. § 1058, was accepted December 16, 2010.

[2] This proceeding thus was not subject to the modified disclosure and conferencing regime applicable to inter partes proceedings commenced after November 1, 2007. *See* Trademark Trial and Appeal Board Manual of Procedure (TBMP) § 401 (3d ed. rev. 2 June 2013).

[3] As discussed *infra*, petitioner has not used the FLANAX mark in the United States.

was denied as moot.[4] In addition to a Section 2(d) claim, the amended petition also asserted as grounds for cancellation that the registration violated Article 8 of the General Inter-American Convention for Trademark and Commercial Protection of Washington, 1929 ("Pan American Convention"), and Article V of the Convention for the Protection of Commercial, Industrial and Agricultural Trademarks and Commercial Names of Santiago, 1923 ("Santiago Convention"). In lieu of a responsive pleading, respondent moved to dismiss the amended petition, again alleging that petitioner failed to state a claim and lacked standing. The Board granted respondent's motion to dismiss but allowed petitioner time to replead.[5] Petitioner filed a second amended pleading.

For a third time, respondent moved to dismiss the amended petition for failure to state a claim pursuant to FED. R. CIV. P. 12(b)(6). The Board granted the motion in part in the precedential decision *Bayer Consumer Care AG v. Belmora LLC*, 90 USPQ2d 1587 (TTAB 2009).[6] The four claims in the second amended petition, and their disposition, were as follows:

1. Likelihood of confusion under Section 2(d): Dismissed with prejudice for failure to

[4] Board Order of September 26, 2007, 10 TTABVUE. Citations to the record include the TTABVUE number of the public (and English-language) entry where available, and, where relevant, to the electronic page number where a cited document or testimony appears.

[5] Board Order of July 29, 2008, 17 TTABVUE.

[6] Board Order of April 6, 2009, 25 TTABVUE.

allege that goods bearing petitioner's FLANAX mark were manufactured or distributed in the United States prior to respondent's filing date by petitioner or on its behalf. *Id.* at 1591.

2. Violation of Article *6bis* of the Paris Convention for the Protection of Industrial Property ("Paris Convention"), as made applicable by Sections 44(b) and (h) of the Trademark Act: Dismissed with prejudice. The Board stated that Article *6bis* does not afford an independent cause of action for parties in Board proceedings, and that Trademark Act Section 44 does not "provide the user of an assertedly famous foreign trademark with an independent basis for cancellation in a Board proceeding, absent use of the mark in the United States." *Id.*[7]

3. Misrepresentation of source under Section 14(3) of the Trademark Act: Motion to dismiss denied. The Board found that petitioner had "alleged clearly and specifically that respondent copied petitioner's mark, including its particular display, and virtually all elements of its packaging, in order to 'misrepresent to consumers, including especially consumers familiar with Petitioner's FLANAX mark,' that respondent's product is

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[7] *Cf. Fiat Group Automobiles S.p.A. v. ISM Inc.*, 94 USPQ2d 1111, 1115 (TTAB 2010) ("We must, however, at least recognize the possibility that, in an unusual case, activity outside the United States related to a mark could potentially result in the mark becoming well-known within the United States, even without any form of activity in the United States.").

from the same source as petitioner's product." *Id.* at 1592. The claim was therefore sufficiently pled. Furthermore:

> While respondent argues that petitioner does not have "standing" to bring a misrepresentation of source claim given its failure to allege use in the United States, petitioner has alleged that it is damaged by respondent's use of strikingly similar packaging "to misrepresent the source of respondent's goods. This is enough to sufficiently allege petitioner's standing in this proceeding. Although existing case law does not address whether petitioner's alleged use is sufficient to support a claim of misrepresentation of source, we find that at a minimum the claim is pled sufficiently to allow petitioner to argue for the extension of existing law. Moreover, respondent's focus solely on petitioner's extra-territorial use fails to take account of the fact that respondent's use is in the United States and to the extent such use may be misrepresenting to consumers making purchases in the United States that petitioner is the source of respondent's products, the misrepresentation is alleged by petitioner to be occurring in the United States. The Lanham Act provides for the protection of consumers as well as the property rights of mark owners.

Id.

> 4. Fraud: Dismissed with prejudice. Because petitioner did not sufficiently allege prior use of its mark in the United States, it also did not sufficiently allege that it had legal rights superior to respondent's; therefore, petitioner's claim that respondent falsely declared that no other person, firm, corporation, or association had the right to use the FLANAX mark in commerce was untenable. *Id.* at 1592-93.

Thus, after the Board's order of April 6, 2009, petitioner's only remaining claim was misrepresentation of source pursuant to Trademark Act Section 14(3).

Respondent filed an answer denying petitioner's allegations and asserting several affirmative defenses on June 5, 2009, then moved for summary judgment three months later, asserting that petitioner lacked standing and that respondent had not misrepresented the source of its products as a matter of law. The Board denied respondent's motion for summary judgment on petitioner's standing and granted petitioner's cross-motion for discovery pursuant to FED. R. CIV. P. 56(f), deferring consideration of respondent's motion for summary judgment on the merits.[8] Respondent's motion for summary judgment on the merits of petitioner's misrepresentation of source claim was denied

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[8] Board Order of February 2, 2010, 43 TTABVUE. The rule governing discovery in response to a summary judgment motion is now found at FED. R. CIV. P. 56(d).

on January 10, 2011, and the parties proceeded to trial.[9]

The case is fully briefed, and an oral hearing was held on October 23, 2013.

Evidence and Objections

Each party has moved to strike evidence proffered by the other party. Because of the volume of objections, we address only the objections to the evidence on which the parties relied and that may be relevant to the claim before us. We also discuss only in general terms the portions of the record that the parties have submitted under seal and have not disclosed in their public briefs.

A. Respondent's Motion to Strike Exhibits to Petitioner's Notice of Reliance[10]

Respondent moves to strike Exhibit B, Parts I and II, to petitioner's notice of reliance, i.e., excerpts from the *Dictionary of Pharmaceutical Specialties of Mexico* and advertisements for Petitioner's FLANAX products from printed publications circulated in Mexico on the

[9] Board Order of January 10, 2011, 60 TTABVUE. Discussion of various other discovery and trial motions not before us on final decision is omitted. Also, because respondent did not brief its affirmative defenses as such at trial, they are deemed waived. *See*, *e.g.*, *Miller v. Miller*, 105 USPQ2d 1615, 1616 n.3 (TTAB 2013). However, to the extent they serve to amplify respondent's defense – including its assertion that petitioner lacks standing – they have been considered.

[10] 90 and 97 TTABVUE; Corrected Appendix 1 to Respondent's Brief, Exhibits A and B, 128 TTABVUE 7-21.

basis that they were not shown to be in general circulation in the United States, and also that the advertisements were insufficiently identified and may be made of record only through witness testimony.[11] Respondent's motion is denied. The documents are admissible by notice of reliance pursuant to Trademark Rule 2.122(e), 37 C.F.R. § 2.122(e), for petitioner's stated purpose of showing the FLANAX mark and packaging in Mexico. In addition, the sources of the materials in Exhibit B, Part II are sufficiently identified.

B. Petitioner's Objections and Motion to Strike Respondent's Evidence[12]

1. Counter-Designations from Belcastro Deposition (Exhibit C to Respondent's Amended Notice of Reliance)[13]

Petitioner objects to respondent's proffered counter-designated excerpts from the discovery deposition of respondent's owner, Jamie Belcastro, on the ground that respondent has failed to sufficiently explain why it needs to rely on each additional excerpt. Respondent does not address its 26 non-consecutive pages of counter-designations individually, but states that they "are offered pursuant to Fed. R. Civ. P. 32(a)(6), which

[11] 80 TTABVUE 216-37 and 238-46.

[12] 115, 117, and 122 TTABVUE; Appendix to Petitioner's Brief, 125 TTABVUE; Appendix to Petitioner's Reply Brief, 132 TTABVUE.

[13] 112 TTABVUE 87-124. Respondent also filed an amended notice of reliance, without exhibits, on December 10, 2012. *See* 116 TTABVUE.

allows an adverse party to offer other parts of a deposition that in fairness should be considered with the parts already introduced," to provide context to the "snippets" of testimony designated by petitioner.[14]

Petitioner's objection is governed by Trademark Rule 2.120(j)(4):[15]

> If only part of a discovery deposition is submitted and made part of the record by a party, an adverse party may introduce under a notice of reliance any other part of the deposition which should in fairness be considered so as to make not misleading what was offered by the submitting party. A *notice of reliance filed by an adverse party must be supported by a written statement explaining why the adverse party needs to rely upon each additional part listed in the adverse party's notice, failing which the Board, in its discretion, may refuse to consider the additional parts.* (emphasis added).

We agree with petitioner that respondent's blanket statements fail to explain why respondent needs to rely on each additional proffered excerpt. Nonetheless, in our discretion, we have reviewed the excerpts and find that each introduces new testimony rather than makes the testimony designated by petitioner not

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[14] Respondent's notice of reliance, 116 TTABVUE 4-6.

[15] Inter partes proceedings before the Board are governed, in part, by the Federal Rules of Civil Procedure, except as otherwise provided in the Trademark Rules of Practice. Trademark Rule 2.116(a).

misleading. We therefore grant petitioner's motion to strike Exhibit C to respondent's notice of reliance.

2. Counter-Designations from Belcastro Declaration (Exhibit D to Respondent's Corrected Amended Notice of Reliance)[16]

Petitioner attempted to submit by notice of reliance portions of a declaration by respondent's owner in support of respondent's motion for summary judgment, arguing that these statements from Mr. Belcastro's declaration are admissible as statements by a party-opponent pursuant to FED. R. EVID. 801(d)(2). Declarations are not among the types of evidence admissible by notice of reliance. Trademark Rule 2.122(e). Respondent, however, did not object on this basis, but rather submitted the entire declaration with all exhibits as an exhibit to its own notice of reliance. Respondent argues that petitioner effectively consented to submission of the full declaration into evidence; failing that, respondent argues that the declaration is admissible in the interests of justice under the "residual" hearsay exception embodied in FED. R. EVID. 807(a).

Because both parties submitted (in whole or in part) Mr. Belcastro's declaration, we deem them to have stipulated the declaration into the record, and we hereby consider the entire declaration for whatever evidentiary value it may have and deny petitioner's motion to strike respondent's Exhibit D.

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[16] 111 TTABVUE 9-67 (redacted).

3. Testimony of Expert Witness Benjamin L. England[17]

Petitioner objects to the testimony deposition of Benjamin L. England, offered by respondent as an expert witness, because Mr. England was not timely disclosed and did not submit a written report. Although this case predates the Board's pretrial and expert witness disclosure requirements, petitioner's Interrogatory No. 20 sought disclosure of any expert on whose opinion respondent intended to rely pursuant to FED. R. CIV. P. 26(a)(2)(A) and (B). Respondent responded during discovery that it "has not yet identified any expert witness that it expects to call to testify on its behalf."[18]

General discovery closed February 9, 2011. Respondent states that it "determined to elicit Mr. England's testimony only after reviewing the record following the close of Petitioner's testimony period" in response to petitioner's decision not to introduce a paragraph of the Belcastro Declaration.[19] However, petitioner's testimony period closed on October 14, 2012, and respondent did not identify Mr. England as a

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[17] 119-21 TTABVUE.

[18] Annex 1 to Petitioner's Brief, 124 TTABVUE 55 (redacted). It appears that respondent identified Mr. England in a supplemental answer to Interrogatory No. 20 in the text of an email to petitioner on December 3, 2012, during respondent's testimony period. Appendix 1 to Respondent's Brief, 127 TTABVUE 51.

[19] Appendix 1 to Respondent's Brief, respondent's opposition to petitioner's objections to its evidence, at 1-2, 127 TTABVUE 3-4.

potential witness until November 28, 2012, approximately halfway through its testimony period.[20] Moreover, petitioner's notice of reliance introducing portions of the Belcastro Declaration was filed more than a year before respondent identified Mr. England, on August 24, 2011. We also point out that, although respondent states that it identified Mr. England "shortly after he was engaged," Mr. England testified that he was contacted during the first or second week of November 2012 and agreed to testify shortly thereafter, well before he was identified on November 28.[21]

We find that respondent's failure to promptly identify and disclose its expert witness and provide a written report was neither substantially justified nor harmless, and petitioner's objection is sustained. We therefore strike the England testimony due to untimely disclosure pursuant to FED. R. CIV. P. 37(c)(1). *See also* Trademark Trial and Appeal Board Manual of Procedure (TBMP) § 414(7) (2d ed. rev. 2004)[22] ("A party need not, in advance of trial, specify in detail the evidence it intends to present, or identify the witnesses it intends to call, except that the names of expert witnesses intended to be called are discoverable."); TBMP § 414(7) & n.13 (3d ed. rev. 2 June 2013) ("For proceedings commenced prior to November 1, 2007, a party need not, in advance of trial, identify the witnesses it

[20] England Transcript at 33:22-34:25, 119 TTABVUE 36-37.

[21] This was the operative edition of the TBMP at the time this proceeding commenced.

[22] This was the operative edition of the TBMP at the time this proceeding commenced.

intends to call, except that the names of expert witnesses intended to be called are discoverable."). We point out, however, that the entire Belcastro Declaration has been admitted into evidence, obviating respondent's rationale for the England testimony.

4. Cross-Examination Testimony of Pascal Burgin[23]

We sustain petitioner's objections to cross-examination questions six through 57 and Exhibits A through E from the deposition on written questions of petitioner's witness Pascal Burgin, on the ground that the cross-examination exceeded the scope of the direct examination pursuant to FED. R. EVID. 611(b).

5. Exhibits G and H to Respondent's Amended Notice of Reliance[24]

Finally, for the sake of completeness, we note that previous orders of the Board in the same proceeding (including respondent's Exhibit G) are automatically of record. Also, because the document in Exhibit H – displaying respondent's annotations to the operative pleading – is not admissible by notice of reliance, we grant petitioner's motion to strike it.

We hasten to add that consideration of any of the excluded evidence would not have affected the outcome.

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[23] 109 TTABVUE 9-24 (testimony) and 133-84 (exhibits) (redacted).

[24] 112 TTABVUE 159-77.

C. Description of the Record

The file of the subject registration for FLANAX is automatically of record. Trademark Rule 2.122(b). Pursuant to the evidentiary rulings *supra*, a summary of the evidence made of record by the parties follows.

1. Petitioner's Evidence

Petitioner introduced testimony depositions, with exhibits, of the following six individuals:

- Karla Fernandez Parker, president and CEO of K. Fernandez & Associates, a Hispanic and multicultural marketing and advertising agency in San Antonio, Texas that did work for respondent in 2007;[25]
- Eduardo Gonzalez Machado, a former contractor for K. Fernandez & Associates who performed work for respondent;[26]
- Paul Currao, an account executive of packaging firm Disc Graphics, which produces cartons and labels for respondent;[27]
- Lisa Halprin Fleisher, former global brand director for petitioner's naproxen sodium brands, including FLANAX and ALEVE;[28]

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[25] 78 TTABVUE.

[26] 94 TTABVUE.

[27] 99 TTABVUE (Exhibit 29 filed under seal at 100 TTABVUE 54).

[28] 91 TTABVUE.

- Pascal Burgin, head of law and compliance for petitioner, who was deposed on written questions;[29] and
- Juan Jose Bandera, marketing director for Bayer de Mexico, S.A. de C.V.[30]

Petitioner submitted the following evidence by notice of reliance:

- Publications showing the FLANAX mark and packaging in Mexico;[31]
- Printouts from the website of the Department of Homeland Security showing data on numbers of Mexican immigrants to the United States;[32]
- Printouts from websites accessible in the United States, including
- YouTube.com and Google.com, showing petitioner's FLANAX mark;[33]
- Excerpts from pharmacology reference books;[34]
- Printouts from the Aleve.com website and electronic records of the ALEVE trademark

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[29] 106 and 109 TTABVUE. Mr. Burgin's business address is in Basel, Switzerland.

[30] 92 TTABVUE (filed under seal).

[31] Petitioner's Exhibit B, 80 TTABVUE 216-46.

[32] Exhibit C, 80 TTABVUE 247-75.

[33] Petitioner's Exhibit D, 80 TTABVUE 276 to 81 TTABVUE 69.

[34] Exhibit E, 81 TTABVUE 70-151.

registration from the U.S. Patent and Trademark Office database;[35]

- A copy of petitioner's second set of requests for admission and respondent's responses, admitting the authenticity of certain documents produced by respondent in response to petitioner's discovery requests and identified as Exhibits 1 through 420;[36]
- Printouts from the electronic records of the U.S. Patent and Trademark Office showing:
    - the current status and title of respondent's Registration No. 3094431 (DAYA-MINERAL);[37]
    - the current status and title of respondent's Registration No. 2712285 (GOYA), and electronic records from the

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[35] Petitioner's Exhibit F, 81 TTABVUE 152-65.

[36] Exhibit G, 84 TTABVUE 127 through 88 TTABVUE 102 (redacted). It should be noted that, although documents produced in response to document production requests generally cannot be made of record by notice of reliance, *see* Trademark Rule 2.120(j)(3)(ii), serving requests for admission as to the authenticity of the documents on the producing party, and then submitting those admissions by notice of reliance, is a proper way to make the documents of record. *See* TBMP § 704.11(1). We further note that the parties stipulated that these exhibits could be made of record during each party's testimony period by notice of reliance. Although petitioner could make the documents of record pursuant to Trademark Rule 2.120(j)(3)(i) without such a stipulation because they were respondent's responses to petitioner's requests for admission, the stipulation also allowed respondent to submit the responses/documents, even if petitioner had elected not to submit them.

[37] Exhibit H(1), 82 TTABVUE 14-46.

Trademark Trial and Appeal Board concerning Goya Foods, Inc.'s petition to cancel that registration;[38] and

- ○ the current status and title of respondent's Registration No. 3243061 (ANADENT TODO DOLOR);[39]

- A Spanish-language printout from GrupoTeramed.com relating to the analgesic ANADENT;[40]
- Certain of respondent's responses to petitioner's interrogatories, requests for admission, and requests for production (the latter indicating that no documents responsive to those requests exist);[41]
- Documents showing respondent's FLANAX mark on its goods, including printouts from respondent's current and former websites (FlanaxUSA.com and ElMedicoFlanax.com, respectively) and Facebook page[42] and third-party websites showing respondent's FLANAX products offered for sale;[43]

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[38] Exhibit H(3), 82 TTABVUE 55-99.

[39] Exhibit H(4), 82 TTABVUE 100-43.

[40] Exhibit H(5), 82 TTABVUE 144-45.

[41] Exhibit "I," 88 TTABVUE 235 to 89 TTABVUE 12 (filed under seal).

[42] Exhibit J, 82 TTABVUE 201-39.

[43] Exhibit K, 82 TTABVUE 240-53.

- Excerpts from the discovery deposition of respondent's owner Jamie Belcastro, with exhibits and errata sheet;[44] and
- Excerpts from a declaration of Mr. Belcastro submitted with respondent's reply in support of its motion for summary judgment on August 10, 2010.[45]

Petitioner also filed a supplemental notice of reliance containing (1) a certified copy of the file for Bayer's Mexican Trademark Registration No. 224,435 for FLANAX, admissible as an official record under Trademark Rule 2.122(e),[46] and (2) printouts from the website of Abbott Laboratories translated from Spanish to English identifying DAYAMINERAL as one of its products offered for sale outside the United States in the Dominican Republic and the Caribbean.[47]

2. Respondent's Evidence

Respondent made the following evidence of record by notice of reliance:

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[44] Exhibit L, 89 TTABVUE 76-173 (filed under seal; certain exhibits also at 82 TTABVUE 254-74).

[45] Exhibit M, 89 TTABVUE 174-90 (redacted), the admissibility of which is discussed *supra*.

[46] Exhibit "O," 96 TTABVUE 5-208 (previously submitted as Exhibit A to petitioner's notice of reliance).

[47] Exhibit P, 96 TTABVUE 209-19.

- Certain of petitioner's responses to respondent's interrogatories and requests for admission;[48]
- Declaration of Jamie Belcastro, with exhibits;[49] and
- U.S. Food and Drug Administration regulations regarding labeling of over-the-counter drugs.[50]

Both parties also attempted to introduce samples of packaging for respondent's FLANAX products via notice of reliance. Although product packaging is not among the types of documents admissible by notice of reliance under Trademark Rule 2.122(e), because both parties treated such packaging as being of record, we deem the parties to have stipulated it into the record. We also note that examples of respondent's original and redesigned packaging are in evidence by other means, including as exhibits to the Belcastro Deposition and the Belcastro Declaration.

Parties

Respondent Belmora LLC was formed in 2002 by Virginia pharmacist Jamie Belcastro, its sole employee.[51] Its original product, and the one at issue in

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[48] Exhibit A, 112 TTABVUE 10-61.

[49] Respondent's Exhibit D, 111 TTABVUE 9-67 (redacted), the admissibility of which is discussed *supra*.

[50] Respondent's Exhibit F, 112 TTABVUE 152-58.

[51] Exhibit L, Belcastro Transcript at 18, 89 TTABVUE 89; Exhibit M, Belcastro Decl. ¶ 9, 89 TTABVUE 178.

this case, is an analgesic tablet containing 220 mg. of naproxen sodium sold over the counter. Respondent began offering this product under the mark FLANAX in 2003 or 2004.[52] Mr. Belcastro states in part that:

> Belmora's business model is to provide a user-friendly menu of OTC drug products for common ailments to U.S. residents of Hispanic background. When I refer to Hispanics, I mean persons in the U.S. whose personal or family backgrounds involve either a Spanish-speaking culture or a Spanish-speaking country.[53]

According to Mr. Belcastro, there are more than 48 million Hispanics in the United States, constituting the country's largest and most rapidly growing minority ethnic group.[54] Respondent's packaging is bilingual, in Spanish and English, and its original website ElMedicoFlanax.com was in Spanish.[55]

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[52] The evidence in the trial record does not permit us to make a finding as to the date of first sale. Respondent's FLANAX Registration, No. 2924440, identifies the date of first use as on or before March 1, 2004. Some evidence, designated confidential, indicates that marketing began in 2003, while there is other evidence that sales started in "mid-2004." *See also* Respondent's Brief, 126 TTABVUE at 5 (first use in commerce was on or before March 1, 2004), 9 (respondent commenced use of the mark on March 1, 2004); *but see id.* at 4, 24, 25 (indicating that marketing and sales began in mid-2004).

[53] Exhibit M, Belcastro Decl. ¶ 10, 89 TTABVUE 179.

[54] *Id.* at ¶ 12, 89 TTABVUE 180.

[55] *See* Exhibit L, Belcastro Transcript at 21-22, 89 TTABVUE 90-91; *id.*, deposition exhibit 5, 82 TTABVUE 262-66; 82 TTABVUE 206-34 (website printouts).

Petitioner Bayer Consumer Care AG owns a Mexican registration for the trademark FLANAX for pharmaceutical products, analgesics and antiinflammatories.[56] The registration issued to a company named Syntex in 1978 and was renewed November 9, 2003.[57] Syntex was purchased by Hoffman-la Roche AG in 1994, and petitioner took over OTC businesses from Roche in 2005.[58] The FLANAX registration was assigned from Syntex to petitioner in September 2005.[59]

FLANAX brand analgesic has been sold in Mexico since 1976.[60] Bayer de Mexico, S.A. de C.V., distributes FLANAX products in Mexico via a licensing agreement with petitioner.[61] Sales and advertising figures are designated confidential, but petitioner presented evidence that FLANAX is the top-selling pain reliever in Mexico and the number one brand for Bayer de Mexico.[62] Although the dosages differ from respondent's FLANAX analgesic, petitioner's Mexican FLANAX contains the same active ingredient: naproxen sodium.

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[56] Burgin Transcript ¶ 9 and Trial Exhibit 23, 106 TTABVUE 7, 31; *see also* Exhibit O, 96 TTABVUE 5-208.

[57] Burgin Transcript, Trial Exhibit 23, 106 TTABVUE 38-39.

[58] *Id.*, ¶¶ 10-11, 106 TTABVUE 7.

[59] *Id.*, Trial Exhibit 23, 106 TTABVUE 41, 45.

[60] Bandera Transcript 8:8-9:3, 92 TTABVUE 12-13. Respondent's objections to this answer as hearsay and lacking foundation are denied.

[61] Burgin Transcript ¶¶ 13, 19, 106 TTABVUE 7-8.

[62] Bandera Transcript 12:19-15:9, 92 TTABVUE 16-19; *see also* Petitioner's Brief at 7.

Petitioner's FLANAX analgesic is not sold in the United States. However, an affiliate of petitioner, Bayer Healthcare LLC, sells a naproxen sodium-based analgesic in the United States under the brand name ALEVE.[63] The same employee of Bayer Healthcare, based in Morristown, New Jersey, was, until eight days before her deposition, global brand director for both the ALEVE product and the FLANAX product in Mexico.[64]

Analysis

Section 14 of the Trademark Act allows for cancellation of a registration on the Principal Register "by any person who believes that he is or will be damaged . . . by the registration." 15 U.S.C. § 1064. The party seeking cancellation must prove two elements: (1) that it has standing, and (2) that there are valid grounds for canceling the registration. *Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 55 USPQ2d 1842, 1844 (Fed. Cir. 2000).

A. Petitioner's Standing

The Federal Circuit has enunciated a liberal threshold for determining standing. *Alcatraz Media Inc. v. Chesapeake Marine Tours Inc.*, 107 USPQ2d 1750, 1760 (TTAB 2013). To establish standing,

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[63] *See* Petitioner's Brief at 9, 125 TTABVUE 14; Fleisher Transcript 4:15-5:23, 91 TTABVUE 7-8; Exhibit F, 81 TTABVUE 152-65.

[64] Fleisher Transcript 7:25-8:24, 91 TTABVUE 11-12.

petitioner must prove that it has a "real interest" in this cancellation proceeding and a "reasonable basis" for its belief in damage. To prove a "real interest" in this case, petitioner must show that it has a "direct and personal stake" in the outcome herein and is more than a "mere intermeddler." *See Ritchie v. Simpson*, 170 F.3d 1092, 50 USPQ2d 1023, 1026-27 (Fed. Cir. 1999).

Respondent has contested petitioner's standing at every stage of this proceeding, including trial. In its brief, respondent makes several arguments why petitioner allegedly lacks standing to bring this proceeding, grounded in the fact that petitioner does not own a registration for the mark FLANAX in the United States, has not used that mark in this country, and does not plan to use the mark here. Respondent argues that "[g]oodwill exists only in connection with actual commercial use, and Petitioner admits that it does not conduct business in or earn profits from sales in the U.S."[65] Respondent contends that:

> In short, the parties' respective uses of the mark are two ships passing in the night: an international border completely walls off their respective spheres of economic activity, and neither party has any motive or intention to sell its product on both sides of that border. Thus, the territorial principle of U.S. trademark law is dispositive of standing: "Trademark rights under the Lanham Act arise solely out of use of the mark in U.S. commerce." *Person's Co. v. Christman*, 900 F.2d

65 Respondent's Brief at 15, 126 TTABVUE 23.

> 1565, 1570, [14 USPQ2d 1477] (Fed. Cir. 1990) (citations omitted).[66]

Petitioner, in turn, argues that Section 14 of the Trademark Act imposes no use requirement, distinguishing it (and other provisions of the Trademark Act) from Section 2(d).[67]

As we noted in both *Bayer Consumer Care AG*, 90 USPQ2d at 1592, and the Board's Order of February 2, 2010, respondent's focus solely on *petitioner's* commercial activities within the United States overlooks the fact that *respondent's own use* is in the United States. Petitioner has established that it owns a registration for the mark FLANAX for pain relievers in Mexico and licenses its corporate affiliate to sell pain relievers containing the active ingredient naproxen sodium under that mark in Mexico. The registration petitioner seeks to cancel is for the identical mark for identical goods, namely, "Orally ingestible tablets of Naproxen Sodium for use as an analgesic." Thus, in terms of standing, petitioner has shown that it has an interest in protecting its Mexican FLANAX mark. If respondent is using the FLANAX mark in the United States to misrepresent to U.S. consumers the source of respondent's products as petitioner's Mexican products, it is petitioner who loses the ability to control its reputation and thus suffers damage. As we will explore in the next section, the record in this case clearly establishes that the reputation of the Mexican FLANAX mark does not stop at the

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[66] *Id.*

[67] Petitioner's Reply Brief at 8, 132 TTABVUE 11.

Mexican border.[68] *Cf. Steele v. Bulova Watch Co.*, 344 U.S. 280, 95 USPQ 391, 394 (1952) (stating that infringing goods bearing the BULOVA mark made in Mexico "could well reflect adversely on Bulova Watch Company's trade reputation in markets cultivated by advertising here as well as abroad").

Petitioner therefore is no mere intermeddler, but has a real interest in this proceeding and a reasonable basis for its belief that it is or will be damaged by the registration. Thus, it has satisfied the relatively low threshold to establish its standing. *See Cunningham*, 55 USPQ2d at 1844.

B. Misrepresentation of Source

A party may, pursuant to Section 14(3) of the Trademark Act, petition to cancel a registration of a mark if the mark "is being used by, or with the permission of, the respondent so as to misrepresent the source of the goods or services on or in connection with which the mark is used." The term "misrepresentation of source," as used in Section 14(3), "refers to situations where it is deliberately misrepresented by or with the consent of the respondent that goods and/or services originate from a manufacturer or other entity when in fact those goods and/or services originate from another

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[68] This case is thus distinguishable from *Person's Co.*, 14 USPQ2d 1477, on which respondent relies. In that case, the Japanese mark PERSON'S was neither used nor known in the United States: "The Person's Co. had no goodwill in the United States and the 'PERSON'S' mark had no reputation here." *Id.* at 1480.

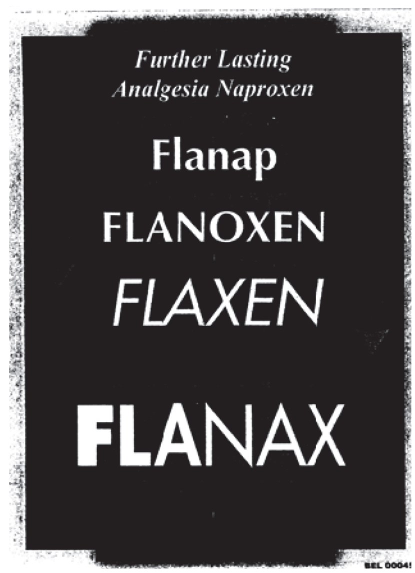
party." *Osterreichischer Molkerei-und Kasereiverband Registriete GmbH v. Marks & Spencer Ltd.*, 203 USPQ 793, 794 (TTAB 1979); *see also Global Maschinen GmbH v. Global Banking Sys., Inc.*, 227 USPQ 862, 864 n.3 (TTAB 1985).

In order to prevail, petitioner must show that respondent took steps to deliberately pass off its goods as those of petitioner. That is, petitioner must establish "blatant misuse of the mark by respondent in a manner calculated to trade on the goodwill and reputation of petitioner." *Otto Int'l Inc. v. Otto Kern GmbH*, 83 USPQ2d 1861, 1863 (TTAB 2007). *See generally* 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 20:60 (4th ed. 2014); Theodore H. Davis, Jr., *Cancellation under Section 14(3) for Registrant Misrepresentation of Source*, 85 TRADEMARK REP. 67 (Jan.-Feb. 1995). Thus, in reviewing the record, we look for evidence reflecting respondent's deliberate misrepresentation of the source of its product, "blatant misuse" of the mark, or conduct amounting to the deliberate passing-off of respondent's goods. Willful use of a confusingly similar mark is insufficient. *McDonnell Douglas Corp. v. Nat'l Data Corp.*, 228 USPQ 45, 47 (TTAB 1985).

Although the facts before us present a matter of first impression, they do not present a close case. The preponderance of the evidence before us readily establishes blatant misuse of the FLANAX mark in a manner calculated to trade in the United States on the reputation and goodwill of petitioner's mark created by its use in Mexico.

First, we find that respondent was aware that the FLANAX trademark was in use in Mexico in association with naproxen sodium-based analgesics when it adopted the FLANAX mark in the United States. Although most of the facts and arguments on which this finding is based are designated as confidential by respondent, the evidence establishes that Mr. Belcastro asked a graphic designer to create the following document just two months before his discovery deposition on August 18, 2009 – when respondent had been using the FLANAX mark for more than five years – and testified untruthfully about its genesis and role in his adoption of the mark:[69]

[69] Exhibit L, Belcastro Transcript Exhibit 4, 82 TTABVUE 261. Mr. Belcastro attempted to significantly alter some of the statements in his six-page errata sheet. Such material changes are impermissible in a testimony deposition before the Board. TBMP § 701.03(n). This, however, was a discovery deposition. Although some courts do not allow witnesses to change their transcripts under FED. R. M. P. 30(e) to directly contradict their examination testimony on material matters, others do, preferably with the original answers remaining in the record. *See* 8A Charles Alan Wright et al., Fed. Prac. & Proc. Civ. § 2118 (3d ed. April 2013). Assuming without deciding that we would allow substantive changes to a discovery deposition transcript, we find Mr. Belcastro's explanations of these misstatements in the errata so lacking in credibility that they only serve to strengthen the conclusion that his discovery deposition testimony was untruthful.



In relevant part, Mr. Belcastro's email instructions to the graphic designer on June 17, 2009 were as follows:[70]

> Subject: Urgent Request
>
> Hi Dan,
>
> I am giving a presentation on Tuesday and I need a piece of artwork as follows. One pdf file that shows the current Flanax word as it appears in our packaging on the bottom of the file and show it evolving into the word Further Lasting Analgesia Naproxen on the top of the pdf file. Stick with our normal blues and whites and fonts. Don't put your identifiers on the file since I am using it in a presentation.
>
> So it should be something like this:

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[70] Exhibit L, 82 TTABVUE 274.

Further Lasting Anatgesia Naproxen

FLANAP

FLANCXEN

FLANXEN

FLANAX

Just show derivatives of the word Flanax from the slogan on the top so it covers a normal page in a pdf file and show different formats and fonts with each derivate.

Please contact me on my cell if you have questions.

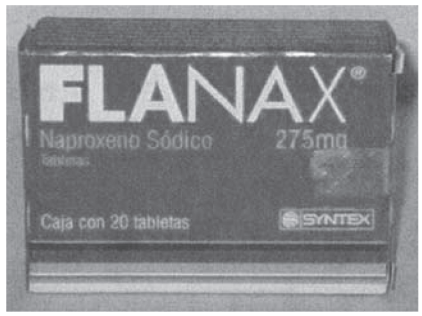
Sincerely,

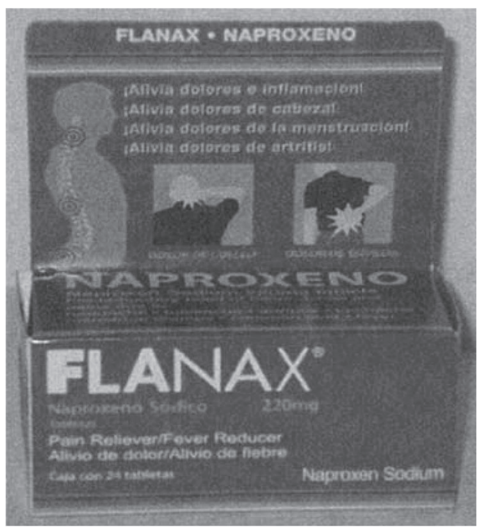
Jamie Belcastro

Beimora LLC

Based on this fabricated evidence and additional facts and argument designated as confidential, we find that respondent knowingly selected the identical mark FLANAX, used by petitioner's Mexican licensee on naproxen sodium-based painkillers, for use in the United States on the same type of goods.

Second, the evidence establishes that respondent's initial packaging copied petitioner's FLANAX logo as used in Mexico (demonstrated *supra* and *infra*, with white letters progressing from thick to thin) and other elements of petitioner's Mexican packaging. These include very similar (if not identical) shades of sky blue and blue-and-white striping along the bottom, approximately as follows, with petitioner's packaging on the left and respondent's on the right:





Respondent's packaging changed in 2008,[71] but continued to use the FLANAX mark in the same manner, as shown below:

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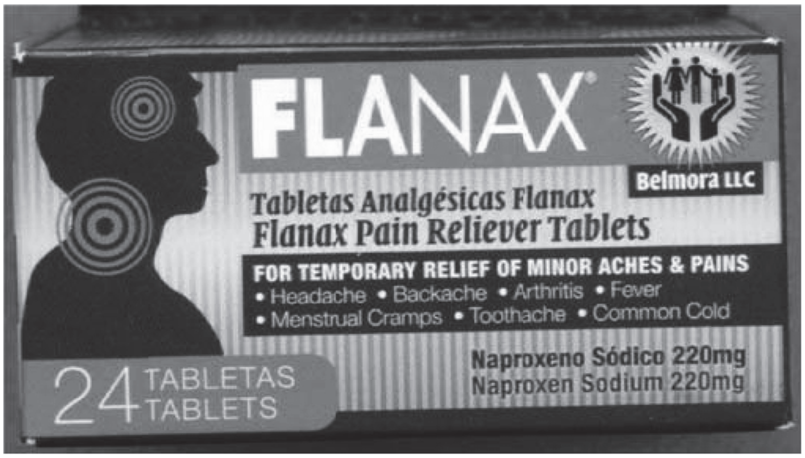
[71] Respondent's Exhibit D, Belcastro Decl. ¶ 7, 111 TTABVUE 53.



Respondent thus adopted petitioner's identical source-identifying mark and logo, and a highly similar package design.

Third, perhaps the most important and telling fact that distinguishes this case from a Section 2(d) claim, the evidence shows that respondent's owner and agents repeatedly invoked the reputation of petitioner's FLANAX mark when marketing respondent's FLANAX product in the United States. Although nearly all of this evidence was filed under seal, the following three examples filed publicly on the TTABVUE website are representative:

- A brochure in both English and Spanish, with a bullet point titled "*Increase Your Profits*" that states: "For generations, Flanax has been a brand that Latinos have turned to for various common ailments. Now you too can profit from this highly recognized top-selling brand among Latinos. Flanax is now made in the U.S. and continues to show record sales growth everywhere it is sold.

Flanax acts as a powerful attraction for Latinos by providing them with products they know, trust and prefer."[72]

- A telemarketing script prepared by Mr. Belcastro stating in part: "I'm with *Belmora LLC*, we're the direct producers of FLANAX in the US. FLANAX is a very well known medical product in the Latino American market, for FLANAX is sold successfully in Mexico, Centre [sic] and South America."[73]

- A "sell sheet" often used to solicit orders from retailers, stating in part: "Flanax products have been used from [sic] many, many years in Mexico, Central and South America. Flanax products are now being produced in the United States by Belmora LLC."[74]

While respondent argues that these statements are true, we have no doubt that retail customers and consumers exposed to them would draw the logical conclusion that respondent's U.S. product is licensed or produced by the source of the same type of product sold under the FLANAX brand for decades south of the border. *Cf. West Fla. Seafood Inc. v. Jet Rests. Inc.*, 31 F.3d 1122, 31 USPQ2d 1660, 1663 (Fed. Cir. 1994) (stating, with respect to establishing prior use, that evidence should be considered as a whole, "as if each piece of evidence were part of a puzzle"); *All England Lawn*

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[72] Exhibit L, Exhibits 23 and 24 to Belcastro Transcript, 82 TTABVUE 269-70. Although the text of this exhibit appears to contain no references to respondent, other versions (filed under seal) do, including to "Belmora, LLC Proud Makers of Flanax."

[73] Exhibit M, Belcastro Declaration ¶ 30, 82 TTABVUE 285.

[74] *See id.*, Belcastro Declaration ¶ 33, 82 TTABVUE 286.

Tennis Club (Wimbledon) Ltd. v. Creations Aromatiques, Inc., 220 USPQ 1069, 1072 (TTAB 1983) (sustaining Section 2(d) refusal for the following composite mark:

concluding that "purchasers of applicant's cologne would incorrectly believe that said product was approved by or otherwise associated with the Wimbledon tennis championships"). Nor do we have any doubt based on the record that respondent deliberately and intentionally encouraged its customers to reach such a conclusion. These documents thus operate as an admission by respondent that petitioner's mark FLANAX is known among the U.S. retailers and Hispanic consumers to whom respondent markets its products. With their repeated references to the "brand" Flanax, these documents also undercut respondent's argument that FLANAX is generic for naproxen sodium in Mexico,[75] as too does petitioner's Mexican trademark registration.

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[75] See argument in Respondent's Brief at 26, 126 TTABVUE 34: "Flanax" in this context is like "aspirin" (which started out as a trademark) or ibuprofen – it identifies for those who previously

Respondent's statements are consistent with the observations of Eduardo Gonzalez Machado, a contractor with the K. Fernandez & Associates advertising agency who researched opinions of distributors on respondent's behalf in 2007. Mr. Gonzalez Machado testified that the distributors he interviewed were familiar with petitioner's FLANAX brand and aware of its popularity in Mexico.[76] When queried on cross-examination whether any distributors asked him "Who's Belmora?" Mr. Gonzalez Machado testified: "I don't remember getting a question. I think that the – what immediately made the connection was the word Flanax."[77] In fact, one of his questions for the distributors was: "When you visit a new store owner, are they familiar with the brand and with how popular the brand is in Mexico?"[78] As Mr. Gonzalez Machado testified:

A. And I also remember saying to myself what a very interesting situation [respondent]has, because apparently this is [a] fantastic product and to get the – to be able to sell this in the United States for the Hispanic market.

You have to remember right now we're 50,000,000 people in the United States Hispanics, and 60 percent

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may have been exposed to it outside the U.S., a type of pain relief product as distinct from other types of analgesics.

[76] *See* Gonzalez Machado Transcript 33:5-17, 36:12-24 and Exhibits 9-11, 94 TTABVUE 36, 39, 116-20.

[77] Gonzalez Machado Transcript 73:7-14, 94 TTABVUE 76.

[78] Trial Exhibit 10 to Gonzalez Machado Transcript, 94 TTABVUE 118.

– over 60 percent of those are from Mexico. Mexican descent. So the potential is huge for any product that relates to Mexico [] and that is known by Mexicans.[79]

Respondent argues that because it did not use the name "Bayer" on its packaging or in its marketing efforts, and because its own name "Belmora" was present on its packaging and used in its marketing, it could not have misrepresented the source of its products. We disagree. In denying respondent's motion for summary judgment, the Board found that there was a genuine issue of material fact as to whether respondent's self-identification on its packaging was sufficient to defeat petitioner's misrepresentation of source claim, explaining:

> Indeed, in applying other sections of the Act, even where there are clear disclaimers of nonaffiliation, courts often find that confusion or deception is nevertheless likely. *See*, *e.g.*, *Audi AG v. D'Amato*, 469 F.3d 534, 81 USPQ2d 1108, 1116 (6th Cir. 2006); *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharms.* Co., 290 F.3d 578, 62 USPQ2d 1757, 1770 (3d Cir. 2002); *Charles of the Ritz Group Ltd. v. Quality King Distribs., Inc.*, 832 F.2d 1317, 4 USPQ2d 1778, 1784 (2d Cir. 1987); *University of Georgia Athletic Ass'n v. Laite*, 756 F.2d 1535, 225 USPQ 1122, 1131 (11th Cir. 1985). Here, of course, and by contrast, there is only a self-identification in relatively small print, without any disclaimer of affiliation with petitioner, and respondent

[79] Gonzalez Machado Transcript 17:9-20, 94 TTABVUE 20.

> cites no authority for the proposition that self-identification alone is necessarily sufficient to defeat a misrepresentation of source claim in circumstances such as these.[80]

"The function of a trademark is to identify a single, albeit anonymous, source of commercial sponsorship of the goods to which it pertains." *Johnson & Johnson v. E. I. du Pont de Nemours & Co.*, 181 USPQ 790, 791 (TTAB 1974). Respondent therefore need not use the Bayer name to affirmatively misrepresent the source of its FLANAX-brand products. Respondent purposely achieved the same result by not only copying petitioner's mark and logo – and, for several years, significant aspects of its packaging – but also by repeatedly holding itself out as the source in the United States of the product sold for decades under the same mark in the bordering country of Mexico. We find that respondent's specific acts and conduct were "aimed at deceiving the public into thinking that [respondent's] goods actually emanate from petitioner." *Otto Int'l Inc.*, 83 USPQ2d at 1864.[81]

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[80] Board Order of January 10, 2011, at 7 n.3, 60 TTABVUE 7.

[81] We further note that courts have found that, in certain circumstances, use of a defendant's own name or mark can lead consumers to believe that the defendant is either the successor to or the licensee of the senior mark owner. *See Jacobs v. Beecham*, 221 U.S. 263, 272 (1911) (Holmes, J.) ("The statement that the defendant makes [the pills defendant sells using plaintiff's name] does not save the fraud. That is not what the public would notice or is intended to notice, and, if it did, its natural interpretation would be that the defendant had bought the original bus [i]ness out and was carrying it on. It would be unfair, even if we could assume,

We have carefully considered all of respondent's arguments and specifically address two others. First, respondent contends that petitioner's claim of misrepresentation was "stale" because respondent changed its packaging shortly before petitioner amended its petition for cancellation to add a misrepresentation of source claim, and also because its marketing is now handled by a third-party distributor. Respondent cites no case law in support of its staleness argument. BLACK'S LAW DICTIONARY (9th ed. 2009) defines a "stale claim" as: "A claim that is barred by the statute of limitations or the defense of laches." The facts of this case do not fall under that definition; neither is at issue here. In addition, we agree with petitioner that because its misrepresentation claim arises from the same conduct as its earlier claim under Section 2(d), respondent had adequate notice of petitioner's objection to its conduct, and the misrepresentation claim relates back to the date of the original pleading, citing *Korody-Colyer Corp. v. Gen. Motors Corp.*, 828 F.2d 1572, 4 USPQ2d 1203, 1205 (Fed. Cir. 1987). In any event, we

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as we cannot, that the defendant uses the plaintiffs formula for his pills."); *A.T. Cross Co. v. Jonathan Bradley Pens, Inc.*, 470 F.2d 689, 176 USPQ 15, 17 (2d Cir. 1972) (Friendly, J.) (noting that use of trade name or house mark on box "does not save the day; a purchaser could well think plaintiff had licensed defendant as a second user and the addition is thus 'an aggravation, and not a justification' " (quoting *Menendez v. Holt*, 128 U.S. 514, 521 (1888))). We think customers could draw the same conclusions here, and note in particular that respondent's marketing material clearly contemplates, and seeks to capitalize on, its targeted consumers' familiarity with and recognition of petitioner's well-known brand in Mexico.

do not view respondent's continued use of the copied packaging as essential to petitioner's misrepresentation claim. For at least four years, respondent marketed its product in a similar package while deliberately misrepresenting its analgesic as the U.S. version of petitioner's foreign FLANAX product. Respondent built its business on this heritage of misrepresentation, and petitioner suffers damage today due to respondent's continued use of the identical FLANAX mark on the same type of product, even though its packaging and marketing may have changed.

Finally, respondent argues that its marketing efforts to link its FLANAX product to petitioner's FLANAX product continued only for a limited number of years: "To be sure, in the beginning limited efforts were made to market to native Spanish speaking U.S. consumers who might have been exposed to 'Flanax' in Mexico."[82] Yet the evidence does not support a finding that respondent's misleading marketing was limited or short-lived. The trial record includes numerous instances of respondent's founder, Mr. Belcastro, as well as his agents, deliberately invoking the reputation of petitioner's foreign product to sell his own goods domestically under the same mark during the 2006-2009 time frame. The record contains insufficient evidence from which we could conclude that respondent did not make such misrepresentations in its marketing before or after these years.[83] Even if respondent did not, its

[82] Respondent's Brief at 26, 126 TTABVUE 34.

[83] In 2007, after this proceeding was filed, Mr. Belcastro donated the computer used in his business to charity, and therefore

continued use of the FLANAX mark, coupled with its earlier deceptive marketing over several years as it built its business, constitutes misrepresentation of the source of respondent's goods within the meaning of Section 14(3).

Conclusion

Pursuant to Section 14(3) of the Trademark Act, we find that respondent is using the mark FLANAX so as to misrepresent the source of the goods on which the mark is used.

Decision: The petition to cancel is granted. Registration No. 2924440 will be cancelled in due course.

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petitioner was prevented from obtaining any requested documents that resided only on that computer. *See* Board Order of February 16, 2010 at 4 n.3, 45 TTABVUE 5 (noting that respondent does not dispute that, "after petitioner initiated this proceeding, Mr. Belcastro donated an old computer containing relevant information to charity and deleted certain apparently relevant e-mails")