No. 21-195

In The
Supreme Court of the United States

BELMORA LLC AND JAMIE BELCASTRO,

Petitioners,

v.

BAYER CONSUMER CARE AG
AND BAYER HEALTHCARE LLC,

Respondents.

**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Fourth Circuit**

REPLY BRIEF

LAWRENCE S. EBNER
Counsel of Record
CAPITAL APPELLATE ADVOCACY PLLC
1701 Pennsylvania Ave., NW
Washington, DC 20006
(202) 729-6337
lawrence.ebner@capitalappellate.com

Counsel for Petitioners

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES

Page(s)

Cases

Statutes

Other Authorities

INTRODUCTION

This closely watched Lanham Act case presents two fundamental questions that potentially affect every owner of a USPTO-registered trademark. These questions—neither of which is addressed in *Lexmark International, Inc. v. Static Control Components, Inc.*, 572 U.S. 118 (2014), or any other Supreme Court decision—continue to divide the circuits, cast doubt on IP lawyers' advice to their clients, and create commercial uncertainty both in the United States and abroad.

The principal question presented is whether the zone of interests encompassed by Lanham Act §§ 43(a) and 14(3) is circumscribed by the principle of trademark territoriality. More specifically, the issue is whether the owner of a foreign trademark that has neither registered nor used the mark in the United States (and admits that it has no intention of doing so) can bring unfair competition and trademark cancellation claims based on alleged harm to *foreign* sales of its *foreign-trademarked* product. Bayer's Brief In Opposition attempts to reframe this question as whether "use of a mark in the United States is a precondition" for asserting unfair competition claims under § 43(a) and seeking trademark cancellation under § 14(3). Bayer Br. at I. This oversimplification attempts to circumvent the question presented by conveniently omitting any mention of the zone of interests or trademark territoriality.

The second question presented by this appeal, the proper standard governing the timeliness of § 43(a) unfair competition claims, underscores the practical significance of the zone of interests/territoriality question.

Bayer's brief not only tries to avoid, or at least downplay, the longstanding principle of trademark territoriality, but also ignores the real-world consequences of transforming the Lanham Act into a borderless statute open to any foreign or multinational company that alleges harm to foreign sales of its foreign-trademarked product. Here, a Big Pharma behemoth, Bayer AG, through a Swiss subsidiary (Respondent Bayer Consumer Care AG), has alleged a far-fetched theory of cross-border harm to sales *in Mexico* of its top-selling *Mexican-trademarked* Flanax as the pretext for deploying the Lanham Act to eliminate Belmora's FDA-approved Flanax from retailers' shelves in Hispanic neighborhoods throughout the United States. Not coincidentally, Belmora's Flanax is the only national, name-brand, nonprescription, naproxen sodium competitor to Bayer's Aleve, which continues to enjoy a nearly monopolistic market share despite the millions of dollars that Belmora has invested in Spanish-language Flanax advertising. *See* Pet. at 8, 18.

As the National Hispanic Medical Association, which represents more than 50,000 licensed Hispanic physicians in the United States, explains in its amicus brief, "[t]his case provides an opportunity to recognize the special harm (e.g., real economic impact) that U.S. trademark owners and consumers—especially underserved communities who benefit from, among other things, creative and inclusive bilingual communications—face due to . . . anticompetitive trademark efforts, either foreign or domestic." NHMA Br. at 7. The association's brief expresses concern that the Lanham Act zone of interests/territoriality issue "could have a profound impact on how Hispanics purchase over-the-counter medications and other products in this country, which, in turn, could have significant health and welfare implications for Hispanics." *Id.* at 3.

Bayer asserts, however, that this case involves a factual pattern that is "unusual." Bayer Br. at 23. Belmora's Petition cites cases that demonstrate otherwise. *See* Pet. at 38-39. Further, there are many small American businesses that serve the health-related needs of the nation's Hispanic population by providing safe, nonprescription alternatives (e.g., Belmora's Flanax) to non-FDA approved contraband products that are illegally imported by third parties and sold by retailers in many U.S. Hispanic neighborhoods (e.g., Bayer's prescription-strength Mexican Flanax). Additional examples of health-related products that are marketed primarily to Hispanic-Americans and potentially affected by the outcome of this litigation include REDOXON Vitamin C (produced by Command Brands in the United States and Bayer in Mexico); NEUROBION multivitamin (produced by Benard Industries in the United States and Merck in Mexico); SUERO electrolyte replacement (produced by Menper Distributing in the United States and Pisa Pharmaceuticals in Mexico); CALMADOL analgesic (produced by Grandall Distributing in the United States and Instituto Quimioterapico in Peru); and FITINA (produced by Menper Distributing in the United States and Laboratorio Vargas in Venezuela).

Under the Fourth Circuit's expansive view of the zone of interests encompassed by §§ 43(a) and 14(3), each of the foregoing American businesses is a potential target of a foreign company that markets its foreign-trademarked product entirely *outside* the United States. Indeed, the Fourth Circuit's ruling not only poses a threat to American healthcare companies, but also leaves a multitude of U.S. trademark owners across of broad range of industries vulnerable to Lanham Act attacks by foreign or multinational corporations. The ultimate resolution of this litigation will affect how many additional Lanham Act actions like this one are, or are not, filed in the future.

Bayer's brief also paints an inaccurate picture of Belmora by providing illustrations of outdated product packaging. *See* Bayer Br. at 6. In fact, Belmora's U.S. Flanax packaging has been noticeably different from Bayer's Mexican Flanax packaging for at least the past 12 years.

Belmora (2009 – present)

Bayer (present)

For example, (i) the background color of the packaging differs; (ii) the font color, style, size, and placement of the Flanax product name differ; (iii) the companies' distinctive logos differ; (iv) the product strengths displayed on the packaging differ; and (v) Belmora's packaging, unlike Bayer's, includes human-body pictograms. *See* flanaxusa.com and flanax.com.mx.

To be sure, the name Flanax appears on each product's packaging. But Bayer's rhetoric about the "brazen appropriation" of its Mexican FLANAX trademark—a foreign trademark that Bayer purchased seven months after Belmora obtained its USPTO registration for the FLANAX mark—begs the trademark territoriality question presented by this appeal. As the Petition indicates, leading IP scholars and other legal commentators have continued to write about the effect of the Fourth Circuit's Lanham Act zone of interests ruling in this case on the trademark territoriality principle that the ruling ignores, the circuit divisions that the ruling has deepened, and the need for Supreme Court review. *See* Pet. at 21, 32-37. Although Bayer dismisses as irrelevant the extensive scholarly commentary about the trademark territoriality implications of this case, the Court should consider comments such as Professor Farley's observations that "[o]ne may wonder how such a staggeringly basic question could still be unclear fifty years after passage of the Lanham Act," and that "*Belmora* is a watershed in the development of unfair competition law." Christine Haight Farley, *The Lost Unfair Competition Law*, 110 Trademark Rep. 739, 743, 797 (2020).

ARGUMENT

1. The Fourth Circuit has ruled conclusively on both questions presented

In its 2016 opinion, the Fourth Circuit, oblivious to the principle of trademark territoriality, held that "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." App. 49a. The court of appeals held the same regarding foreign trademark owners' entitlement to bring claims under § 14(3) for cancellation of trademark registrations. *Id.* 59a-60a.

In its 2021 opinion, the Fourth Circuit held "that laches is the appropriate defense to § 43(a) claims," and that applying "the most analogous state-law statute of limitations" is the "incorrect legal standard." *Id.* 15a-16a.

These are final conclusions of law. They will not be altered in this litigation unless the Court intercedes, regardless of the suit's technically "interlocutory posture." Bayer Br. at 1, 21. Bayer is simply wrong that "proceedings on remand may further refine the questions presented." *Id.* at 21. Any future remand proceedings—which the district court has stayed pending disposition of this appeal, *see* App. 146a—would be limited to the question of whether Bayer's § 43(a) unfair competition claims, and its pendent state-law claims, are time-barred. *See* App. 16a, 18a. But if this Court grants review and holds that Bayer's Mexican Flanax-based unfair competition claims fall outside § 43(a)'s zone of interests, or that laches is the wrong standard governing timeliness of § 43(a) claims, the question of whether those claims are barred by laches would be moot, and the district court would lose pendent jurisdiction over Bayer's state-law claims.

Equally important, even if the district court were to rule that laches bars the § 43(a) claims, the USPTO cancellation of Belmora's FLANAX trademark registration would remain intact. Belmora will permanently lose the valuable benefits conferred by that registration *unless* this Court grants review and holds that Bayer was not entitled under § 14(3) to seek cancellation of Belmora's trademark. *See* Pet. at 38. Awaiting "[t]he prospect of a future opportunity to petition for review," Bayer Br. at 21, i.e., the possibility of a *third* certiorari petition in this already seemingly interminable, Bayer-initiated litigation, not only is judicially inefficient and unnecessary, but also would be unfair and unduly burdensome to Belmora.

2. The circuits are divided on the trademark territoriality question

The Petition explains that four circuits (including the Fourth Circuit) have adopted three conflicting approaches regarding whether the trademark territoriality principle limits the zone of interests for Lanham Act unfair competition and trademark cancellation claims under §§ 43(a) and 14(3). *See* Pet. at 22-28. Bayer's point that two circuits' opinions predate *Lexmark* is immaterial. As the Petition explains, because *Lexmark* did not involve the owner of a foreign trademark, that case does not address the zone of interests/trademark territoriality question presented here. *See id.* at 6, 21-22.

Bayer's contention that there is no circuit split skirts the actual question presented by arguing the general point that a protectible trademark is not needed to pursue claims under §§ 43(a) or 14(3). Nothing in Bayer's brief, however, can change the inter-circuit divisions on trademark territoriality that the Fourth Circuit's opinion has vastly widened.

For example, according to Bayer, *Australian Therapeutic Supplies Pty. Ltd. v. Naked TM, LLC*, 965 F.3d 1370 (Fed. Cir. 2020), *cert. denied*, 2021 WL

4507693 (Oct. 4, 2021), "is entirely consistent with the decision below." Bayer Br. at 11. This is incorrect. Bayer quotes out of context the Federal Circuit's holding that "[e]ntitlement to a cause of action under [§ 14(3)] is not contingent on whether a petitioner has proprietary rights in its own mark." *Id.* at 1374.

The foreign plaintiff in *Australian Therapeutic* — unlike Bayer—advertised and sold in the United States a product bearing its unregistered trademark. *See id.* at 1372. Unlike here, *Australian Therapeutic* did not involve a cancellation claim based on *foreign* use of a *foreign* trademark. *See* Pet. at 23-24. The question of whether the plaintiff needed "proprietary rights in its own mark" to file a § 14(3) cancellation petition arose because it had "contracted away its right to use and register its unregistered mark" in the United States. 965 F.3d at 1374. The court held that "neither [§ 14(3)] nor our precedent requires that a petitioner in a cancellation proceeding must prove that it has proprietary rights in its own mark in order to demonstrate a real interest in the proceeding and a belief of damage." *Id.* This case-specific holding involves a foreign company's use of an unregistered trademark in U.S. commerce. It does not address the question of whether the territoriality principle excludes from the § 14(3) zone of interests, a foreign company that does not use its foreign trademark in the United States, but instead seeks to pursue a cancellation claim predicated on alleged false association with its *exclusively foreign* trademark.

Bayer is wrong, therefore, that *Australian Therapeutic* eliminates the conflict between the Federal and Fourth Circuits. More specifically, *Australian Therapeutic* does not change the Federal Circuit's holding in *Person's Co., Ltd. v. Christman*, 900 F.2d 1565, 1567, 1568 (Fed. Cir. 1990), that in view of "the concept of territoriality [which] is basic to trademark law," the owner of a foreign trademark cannot "rel[y] on its use of the mark in Japan in an attempt to support its claim for priority in the United States." *See* Pet. at 23-24. Bayer seizes onto the fact that the foreign plaintiff in *Person's* claimed priority use under Lanham Act § 2(d), 15 U.S.C. § 1052(d), rather than false association under § 14(3), as the ground for cancellation. Bayer Br. at 13. But there is nothing in *Person's* suggesting that the result would have been different if the case had involved cancellation under § 14(3). As discussed above, Bayer's reliance on *Australian Therapeutic* to distinguish between §§ 2(d) and 14(3) is misplaced.

Nor does the priority-of-use dispute in *Grupo Gigante S.A. de C.V. v. Dallo & Co.*, 391 F.3d 1088 (9th Cir. 2004), change the fact that the Ninth Circuit alone holds that there is a "famous mark" exception to the territoriality principle. *See id.* at 1094. Indeed, the court indicated that territoriality bars priority-of-use claims based on a foreign trademark unless the mark is "famous." *Id.*; *see* Pet. at 24-25. Similarly, insofar as the Second Circuit in *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007), viewed the plaintiff's § 43(a) false association claim as a question of priority of use, that does not change the fact, as Bayer concedes, that "the Second Circuit rejected the famous-mark exception adopted in *Grupo Gigante*." Bayer Br. at 14.

The Fourth Circuit's 2016 opinion drastically exacerbated the existing circuit divisions by entirely ignoring the territoriality principle. *See* Pet. at 27-28. "[T]he Fourth Circuit failed to acknowledge that its ruling challenged fundamental principles of trademark law." Christine Haight Farley, *No Trademark, No Problem*, 23 B.U. J. Sci. & Tech. L. 304, 313 (2017).

3. The circuits are divided on the timeliness standard

Bayer also is wrong that there is no split of authority on the standard governing timeliness of § 43(a) claims. The Petition explains that there are both inter-circuit and intra-circuit divisions on whether the most analogous state statute of limitations, or laches, or some combination of both, applies. *See* Pet. at 30-32. For example, the Fourth Circuit's 2021 panel opinion criticizes an earlier Fourth Circuit opinion that applied laches to some § 43(a) claims but an analogous state statute of limitations to other § 43(a) claims. *See* App. 15a n.7.

To illustrate the inter-circuit conflict, the Petition cites, by way of example, *Island Insteel Systems, Inc. v. Waters*, 296 F.3d 200, 206 (3rd Cir. 2002). Unlike the Fourth Circuit here, *Insteel* holds that "[b]ecause the Lanham Act does not contain an express statute of limitations, we follow the traditional practice of borrowing the most analogous statute of limitations from state law." The fact that neither party argued to the contrary does not change the court's own conclusion that there was "no reason for departing from the traditional practice of turning to state law as the 'primary guide' in this area." *Id.* at 207.

The Petition explains that other circuits (including the Fourth Circuit) apply laches, sometimes viewing expiration of an analogous state limitations period as creating a rebuttable presumption of laches. *See* Pet. at 31-32 (citing cases). Yet, Bayer criticizes Belmora for not citing *Santana Products, Inc. v. Bobrick Washroom Equipment, Inc.*, 401 F.3d 123, 138 (3rd Cir. 2004)—a case which applied exactly such a presumption. *Santana*, like *Insteel*, treats the most analogous state statute of limitations as guide for determining timeliness of § 43(a) claims. *Id.* at 138. Insofar as these Third Circuit panel decisions may be inconsistent, that is all the more reason for this Court to identify the proper timeliness standard. The same is true for any inconsistency between *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 835 (9th Cir. 2002) (recognizing a laches presumption based on an analogous statute of limitations) and *Karl Storz Endoscopy-America, Inc. v. Surgical Technologies, Inc.*, 285 F.3d 848, 857 (9th Cir. 2002) (holding that plaintiff's Lanham Act claims were subject to a state statute of limitations).

4. The questions presented warrant the Court's review

As discussed above, the questions presented have been conclusively decided by the Fourth Circuit's two opinions, and are well postured for this Court's review. Even if the district court were to hold on remand that laches bars Bayer's § 43(a) claims, that would not restore Belmora's FLANAX trademark registration. Only a holding by this Court that the territoriality principle precluded Bayer from pursuing the § 14(3) cancellation proceeding would achieve that result.

By discarding the principle of trademark territoriality, the Fourth Circuit has opened § 43(a) unfair competition actions to any foreign trademark owner that merely alleges it "believes that [it] is or is likely to be damaged" by a U.S. trademark owner. 15 U.S.C. § 1125(a)(1). And by holding that laches applies to the filing of § 43(a) actions, a foreign trademark owner apparently can miss the most analogous state statute of limitations "by almost a decade," App. 9a, and still (despite any presumption of laches) commence litigation to strip an American business of its U.S. trademark rights.

Similarly, in the Fourth Circuit's view, any foreign trademark owner can petition the USPTO "[a]t any time" for cancellation of a registered trademark merely by alleging it "believes that [it] is or will be damaged" by a U.S. trademark owner's alleged use of its mark "to misrepresent the source of the goods." 15 U.S.C. § 1064(3).

Under the Fourth Circuit's radical departure from trademark territoriality, the owner of the foreign trademark need not have used, or have any intention of using, its mark in the United States. And it can survive summary judgment by alleging the most improbable type of minimal harm to foreign sales of its foreign-trademarked product.

The Fourth Circuit essentially has transformed §§ 43(a) and 14(3) into anticompetitive weapons readily available to foreign and multinational companies that want destroy or suppress U.S. competition against their American-branded products (in this case, Bayer's Aleve). Congress could not have intended the Lanham Act to be used for such anticompetitive purposes. This foreign economic threat—which in this case has health-related implications for Hispanic-Americans—is a continuing concern to U.S. trademark owners, as well as to IP practitioners. It is a subject that warrants the Court's immediate attention.

CONCLUSION

The Court should grant the Petition For a Writ of Certiorari.

Respectfully submitted,

LAWRENCE S. EBNER
Counsel of Record
Capital Appellate Advocacy PLLC
1701 Pennsylvania Ave., NW
Washington, D.C. 20006
(202) 729-6337
lawrence.ebner@capitalappellate.com