

The Fourth Circuit Permits an Owner Of A Foreign Trademark To Assert Unfair Competition and False Advertising Claims Against The U.S. Owner Of The Same Mark

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In a case addressing a novel cross-border trademark law issue, the Fourth Circuit has ruled that the owner of a foreign trademark can pursue unfair competition and false advertising claims against the owner of the same mark in the United States. *Belmora, LLC v. Bayer Consumer Care AG*, Case No. 15-1335, --- F.3d ---, 2016 WL 1135518 (4th Cir. Mar. 23, 2016). While the district court had reasoned that a party who owns a foreign mark, but has not used or registered the mark in the U.S., has no standing to assert any Lanham Act claims, the Fourth Circuit ruled that unfair competition and false advertising claims under § 43 of the Lanham Act¹ need not be premised upon the use or ownership of a U.S. trademark. Rather, a plaintiff will have standing if it can allege harm as a result of a defendant's activities.

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¹ 15 U.S.C. §1125



Background and Procedural History

Bayer Consumer Care AG and Bayer Healthcare LLC (“Bayer”), have sold naproxen sodium in Mexico under the brand name “FLANAX” for more than 40 years. In the U.S., however, Bayer sells the product under the brand “ALEVE.” In 2004, Virginia-based Belmora LLC began selling its own version of naproxen sodium in the U.S. under the name “FLANAX,” and shortly thereafter registered the FLANAX mark with the U.S. Patent and Trademark Office.

Belmora offered its FLANAX product in packaging that closely mimicked Bayer’s packaging for FLANAX in Mexico, with a similar color scheme, font size and typeface.² Belmora also allegedly employed marketing materials in which it told distributors that “Flanax acts a powerful attraction for Latinos by providing them with products they know, trust and prefer,” that Belmora was the “direct producer 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.”³ Bayer thus alleged that Belmora had falsely led others to believe that its FLANAX was the same as, or affiliated with, Bayer’s FLANAX.⁴ Bayer further alleged that it had suffered economic harm on the basis that Belmora’s misleading marketing of FLANAX had led customers, including those who travel between Mexico and the U.S., to purchase Belmora’s FLANAX product in the U.S. rather than Bayer’s FLANAX in Mexico.⁵

² *Belmora LLC v. Bayer Consumer Care AG, et al.*, --- F.3d ---, 2016 WL 1135518, at *5-6 (4th Cir, Mar. 23, 2016).

³ *Id.* at *6-7.

⁴ *Id.* at *7.

⁵ *Id.* at *24-25.

A. The TTAB Cancelled Belmora’s Registrations

In June 2007, Bayer petitioned the Trademark Trial and Appeal Board (“TTAB”) to cancel Belmora’s registration based on a claim of deceptive use, asserting that Belmora’s use of the FLANAX name was intended to mislead consumers – particularly in the Latino American market – into believing that Belmora’s product was the same as Bayer’s FLANAX.⁶ Belmora sought review of the TTAB’s determination in the U.S. District Court for the Eastern District of Virginia. Simultaneously, Bayer filed an action against Belmora in the Southern District of California, alleging false association and false advertising in violation of §43(a) of the Lanham Act.⁷ Bayer’s action was transferred and consolidated with Belmora’s lawsuit in Virginia, and Belmora moved to dismiss Bayer’s claims and for judgment on the pleadings in respect of its TTAB appeal.

B. The District Court Reversed the TTAB, Requiring Ownership and U.S. Commerce to Claim False Advertising Protection Under the Lanham Act

In its February 2015 opinion, the district court dismissed Bayer’s false association and false advertising claims, stating that Bayer failed to satisfy the test for standing set forth by the Supreme Court in *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, — U.S. —, 134 S. Ct. 1377 (2014).⁸ *Lexmark* created a two-prong test for evaluating standing in Lanham Act claims: (1) whether the plaintiff’s allegations demonstrate

⁶ *Bayer Consumer Care A.G. v. Belmora LLC*, 110 USPQ2d 1623, 2014 WL 1679146 (TTAB).

⁷ *Bayer Consumer Care A.G. v. Belmora LLC*, No. 2:14-cv-04433 (C.D. Cal).

⁸ *Belmora LLC v. Bayer Consumer Care AG, et al.*, 84 F. Supp. 3d 490, 499 – 500 (E.D. Va).

that the plaintiff is in the Lanham Act’s “zone of interest,” and (2) whether the defendant’s actions are the proximate cause of plaintiff’s alleged harm.⁹ In analyzing *Lexmark*’s mandate, the district court framed Belmora’s and Bayer’s interrelated claims as posing a single question of apparent first impression:

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?¹⁰

The district court determined that the answer to this question is “no,” reasoning that Bayer’s claims fell outside of the Lanham Act’s “zone of interest” because (1) Bayer had no interest in the “FLANAX” marks within the U.S. and (2) without use of those marks in commerce in the U.S., there could be no “cognizable economic loss under the Lanham Act.”¹¹ Bayer appealed.

The Fourth Circuit’s Opinion

On March 23, 2016, the Fourth Circuit vacated the district court’s ruling, holding that the lower court had misapplied the *Lexmark* standard in two ways. First, the appellate court concluded that the district court had misread the language of the Lanham Act to improperly exclude Bayer’s claim from the statute’s “zone of interest,” because 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 a claim for unfair competition by means of false association or false

advertising.¹² The Fourth Circuit emphasized that this is an unfair competition case, not a case asserting a claim of infringement of a registered trademark under §32 of the Lanham Act, which does expressly require a plaintiff to have used its own mark in U.S. commerce.¹³ In opining that the district court had improperly conflated a cause of action for infringement with one for unfair competition, the Fourth Circuit observed that “[s]ection 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 [and that it] has not done so in §43(a).”¹⁴ Instead, under §43, the relevant inquiry focuses on the defendant’s conduct in commerce and requires that Bayer is “likely to be damaged” by Belmora’s “use [] in commerce.”¹⁵ The Fourth Circuit also pointed to other types of claims that come within the “zone of interest” test without the preconditions adopted by the district court. For example, a plaintiff whose mark has become generic no longer can protect that mark, but may still plead an unfair competition claim if another company employs the mark in a misleading manner. Similarly, in a “reverse passing off” case, where a party markets another’s product or service as its own, the plaintiff must plead and prove only that the work “originated with” him, not that he used the mark in U.S. commerce.¹⁶

⁹ *Id.*

¹⁰ *Id.* at 495.

¹¹ *Id.* at 501-503.

¹² *Belmora*, 2016 WL 1135518, at *4; *7.

¹³ *Id.*

¹⁴ *Id.* at *6.

¹⁵ *Id.* at *7. The Fourth Circuit also called into question rulings in a number of false association cases, rejecting what the court referred to as *dicta* in its prior decisions that “admittedly . . . appear to have treated a plaintiff’s use of a mark in United States commerce as a prerequisite for a false association claim.” *Id.*

¹⁶ *Id.* at *8.

Second, the Fourth Circuit opined that the district court had incorrectly determined that Bayer had not pled a cognizable harm because it did not sell products under the trade name “FLANAX” in the U.S. According to the Fourth Circuit, it is sufficient for Bayer to allege that it may be harmed when cross-border customers purchase Belmora’s FLANAX in the U.S. believing it is the same as Bayer’s product.¹⁷ The Fourth Circuit placed particular emphasis on allegations that Belmora’s FLANAX marketing appeared to be targeted to customers near the U.S.-Mexico border and intended to suggest Belmora’s FLANAX is the same as Bayer’s FLANAX. For example, the opinion highlights allegations that Belmora claimed its product had been “used [for] many, many years in Mexico,” and is a product Latinos “know, trust and prefer.”¹⁸ This, combined with allegations that Bayer lost sales as a result of Belmora’s marketing, was sufficient to state a claim for unfair competition.

Significance of *Belmora v. Bayer*

The Fourth Circuit’s decision is notable in permitting a party that does not own or use a mark in the U.S., but uses that mark elsewhere, to bring a Lanham Act claim against a company using the mark in the U.S. The *Belmora* decision thus opens the door to non-U.S. companies bringing Lanham Act claims in the U.S., even though they have not used the mark in question in the U.S. But in order to sustain the standing requirements of *Lexmark*, the plaintiff will need to establish, as Bayer did in *Belmora*, that the defendant’s actions are actually causing the type of harm the Lanham Act is intended to prevent.

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¹⁷ *Id.* at *7.

¹⁸ *Id.* at *10.