



Standing to Enforce Foreign Trademark Rights After *Belmora v. Bayer Certiorari Denial*

On February 27, 2017, the Supreme Court of the United States denied *certiorari* in *Belmora LLC v. Bayer Consumer Care AG*, 819 F.3d 697 (4th Cir. 2016), *cert. denied*, ___ S. Ct. ___, 2017 WL 737826 (U.S. Feb. 27, 2017) (No. 16-548). The denial leaves in place a holding from the United States Court of Appeals for the Fourth Circuit that a plaintiff who owns a trademark outside of the United States has standing to bring an unfair competition action under Lanham Act Sections 14(3) and 43(a) for the unauthorized use of a foreign brand that the plaintiff never used in the United States. Since the Fourth Circuit's decision stands, and until other circuits address these claims using the Supreme Court's analysis in *Lexmark International, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014), foreign trademark owners may be able to plead standing to sue under the Lanham Act without proving ownership or use of a trademark in U.S. commerce, as long as they adequately plead injuries proximately caused by the deceptive conduct.

Background and Procedural History

Bayer has used the trademark "FLANAX" for naproxen sodium pain relievers in Mexico since the 1970s, marketing that same product as "ALEVE" in the United States. Bayer owns a registration in Mexico for FLANAX,

but not in the United States. Belmora registered the mark FLANAX in the United States for "orally ingestible tablets of naproxen sodium for use as an analgesic" in 2005. Bayer petitioned for cancellation based on deceptive use of the mark in 2007 at the Trademark Trial and Appeal Board ("TTAB"), and the TTAB granted Bayer's petition to cancel. *Bayer Consumer Care AG v. Belmora LLC*, 110 U.S.P.Q.2d 1623 (TTAB 2014).

Belmora appealed the cancellation to the U.S. District Court for the Eastern District of Virginia. The district court dismissed Bayer's claims and reversed the TTAB's decision. In particular, the court held that Bayer did not have a protectable interest in the United States and could not have economic loss for a mark it did not use in U.S. commerce; therefore, Bayer's claims were outside the Lanham Act's "zone of interests." *Belmora LLC v. Bayer Consumer Care AG*, 84 F. Supp. 3d 490 (E.D. Va. 2015). Bayer appealed this decision to the United States Court of Appeals for the Fourth Circuit.

The Fourth Circuit held that the district court erred in requiring Bayer to use the trademark in U.S. commerce, concluding that "the Lanham Act's plain language contains no unstated requirement that [Bayer must] have used a U.S. trademark in U.S. commerce to bring a Lanham Act unfair competition claim." *Belmora*

LLC v. Bayer Consumer Care AG, 819 F.3d 697, 710 (4th Cir. 2016). The court of appeals based this ruling on the Supreme Court's two-step analysis in *Lexmark International, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014), holding that preventing unfair U.S. competition by "the deceptive and misleading use" of foreign trademarks is within the "zone of interests" protected by the Lanham Act, and that Bayer adequately pled injuries proximately caused by Belmora's deceptive advertising creating a false connection between the two brands. *Id.* at 711-712.

Positions on Appeal

Belmora petitioned for writ of *certiorari* to the Supreme Court on October 20, 2016. Belmora asserted that the Fourth Circuit's decision is an "invitation to foreign businesses to use the Lanham Act's unfair competition provisions to circumvent the territorial limitations of U.S. trademark law." Petition for a *Writ of Certiorari, Belmora LLC v. Bayer Consumer Care AG*, Docket No. 16-00548 (Oct. 20, 2016), at 12. Belmora claimed that the Fourth Circuit's decision "threatens to disrupt the administration of trademark law" in the United States.

The International Trademark Association ("INTA") filed a brief as *amicus curiae* urging the Supreme Court to grant *certiorari* because the "[t]he question of standing to assert Lanham Act claims has extraordinary consequences for both domestic and foreign brand owners who may consider doing business in the United States." Brief of The International Trademark Association as Amicus Curiae in Support of Petitioners at 24, *Belmora LLC v. Bayer Consumer Care AG*, Docket No. 16-00548 (Nov. 21, 2016). Specifically, INTA asserted that the "inconsistent rulings of the Courts of Appeals" had and would cause "forum shopping, inconsistent outcomes, and consumer confusion." *Id.* at 3.

Both Bayer and the Department of Justice asserted that there is no issue for the Court to decide because "the issues raised by this case have not had a chance to percolate in light of the Court's guidance in *Lexmark*." Brief for Respondents Bayer Consumer Care AG and Bayer Healthcare LLC in Opposition at 22-23, *Belmora LLC v. Bayer Consumer Care AG*, Docket No. 16-00548 (Jan. 23, 2016). Brief for the Federal Respondent in Opposition at 11, *Belmora LLC v. Bayer Consumer Care AG*, Docket No. 16-00548 (Jan. 24, 2016), at 23-24. The

United States Patent and Trademark Office further asserted that Belmora's claims that the Fourth Circuit's decision will impose "grave risk and massive costs" on U.S. businesses" or "give rise to a flood of suits by '[f]oreign mark owners'" were exaggerated, as decisions allowing owners of registrations outside the U.S. remedies against a U.S. mark owner "who deliberately uses its U.S. mark to pass off its goods as those of the foreign owner" would "likely have a limited impact on businesses in the United States." *Id.* at 24-25.

Implications of the Denial of *Certiorari*

The Supreme Court's denial of *certiorari* means that *Belmora v. Bayer* stands as an avenue for owners of registrations outside the United States in certain jurisdictions to prosecute deceptive U.S. conduct and survive early motions to dismiss so long as they meet the broad two-part test in *Lexmark*. Specifically, a trademark owner without use of its mark in U.S. commerce should look to courts in the Fourth Circuit to file Lanham Act claims. Further, while foreign trademark owners might wish to avoid suit in the Second Circuit based on *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007)—the decision cited in the petition and amicus brief for its dismissal of Lanham Act claims where the plaintiff did not own or use a U.S. trademark—it is noteworthy that that decision was pre-*Lexmark*. Because the Second Circuit's false advertising analysis in *Punchgini* did not require use of a U.S. trademark or injury to commercial interests in the United States, Bayer's argument that the court's analysis was based on a pre-*Lexmark* test could provide grounds for a further Second Circuit decision in line with *Belmora v. Bayer* and its interpretation of *Lexmark*. See U.S. Resp.'s Brief at 15 (citing 482 F.3d at 169-172). In other words, it is possible that a post-*Lexmark* decision by the Second Circuit would be resolved similarly to *Belmora v. Bayer*.

Meanwhile, in other circuits, it remains to be seen whether courts will allow owners of trademarks used exclusively outside the United States to bring unfair competition claims under the Lanham Act based on the Fourth Circuit's reasoning per *Lexmark*, and whether those courts will impose any territoriality requirement for proximately caused damages to foreign plaintiffs. To avoid this uncertainty, a foreign trademark owner should try to muster evidence of damages proximately caused in the United States, such as profits

attributable to the defendant's intentional trading off of consumer confusion with a foreign brand, in support of any unfair competition claim. This type of evidence would more likely satisfy not only the *Belmora v. Bayer* standard, but also the Ninth Circuit's pre-*Lexmark* decision in *Grupo Gigante SA de CV v. Dallo & Co.*, 391 F.3d 1088, 1098 (9th Cir. 2004), in which the court held an unfair competition claim by a foreign trademark owner was allowed but required a showing of secondary meaning and proof that "a substantial percentage of consumers in the relevant American market is familiar with the foreign mark." *Id.* at 1098.

In terms of *inter partes* proceedings, the *Belmora v. Bayer* decision also suggests that a foreign trademark owner seeking an appeal of an unfavorable TTAB decision should consider such an appeal to the Eastern District of Virginia, rather than the Federal Circuit, until the Federal Circuit weighs in on the standing issue post-*Lexmark*. The Federal Circuit was cited in *Belmora v. Bayer* for its ruling that a Japanese trademark owner could not cancel a U.S. trademark registration for the same mark even though the U.S. registrant had seen the Japanese mark while traveling and modeled its mark on the Japanese mark. *Person's Co., Ltd. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990).

Until the inconsistent treatment of standing is resolved, U.S. trademark owners should be aware that deceptive conduct—and specifically the intentional adoption of a foreign trademark to trade on its goodwill—may subject them to viable unfair competition claims by foreign trademark owners, as well as successful petitions to cancel U.S. trademark registrations based on deceptive use.

Lawyer Contacts

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