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The authors analyze a case now before the Fourth Circuit on the scope of protection under the Lanham Act for a company that used a drug trademark only in a foreign country but whose mark was copied by a competitor selling the same drug in the U.S.

### ***Belmora v. Bayer*: Does the Lanham Act Protect An Owner of a Well-Known Foreign Mark From Intentional Misuse of the Mark in the U.S.?**



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In *Belmora LLC v. Bayer Consumer Care AG*,<sup>1</sup> the U.S. Court of Appeals for the Fourth Circuit is faced with novel issues about the reach of the Lanham Act. The case arose from Bayer's filing of a petition to cancel Belmora's registered trademark FLANAX on the grounds that Belmora's use of that mark deceives consumers into believing that its FLANAX pain relief product is from the same source as the FLANAX product that Bayer has sold in Mexico for over four decades.

In April 2014, after a trial on the merits, the Trademark Trial and Appeal Board cancelled Belmora's trademark registration pursuant to Section 14(3) of the Lanham Act, which permits cancellation of a registration if, among other reasons, "the registered mark is being used by . . . the registrant so as to misrepresent the source of the goods . . . [on] which the mark is being

<sup>1</sup> *Belmora LLC v. Bayer Consumer Care AG*, 84 F. Supp.3d 490, 115 U.S.P.Q.2d 1032 (E.D. Va. 2015) ("District Court Decision").

used.”<sup>2</sup> In doing so, the TTAB noted that “although the facts before us present a matter of first impression, they do not present a close case,” and that the evidence “readily establishes blatant misuse [by Belmora] of the FLANAX mark in a manner calculated to trade in the United States on the reputation and goodwill of [Bayer’s] mark by its use in Mexico.”<sup>3</sup>

In February 2015, Judge Gerald Lee of the U.S. District Court for the Eastern District of Virginia reversed the TTAB’s decision, and ordered that Belmora’s FLANAX trademark be reinstated. Lee distilled the issues in the case to 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?<sup>4</sup>

According to the district court, the answer is no. Because Bayer did not use the FLANAX mark in U.S. commerce, Bayer did not meet the zone-of-interests test and proximate cause requirement to establish standing based on the Supreme Court’s decision in *Lexmark International v. Static Control Components*.<sup>5</sup> In other words, the court’s view was that Bayer failed to demonstrate that it is within the Lanham Act’s zone of interests, and Bayer did not allege injuries tying the harm suffered to conduct of Belmora that fell within the scope of the statute. Thus, the court reversed the TTAB’s decision cancelling Belmora’s mark pursuant to Section 14(3) of the Lanham Act and dismissed Bayer’s claims of false designation of origin under Section 43(a)(1)(A) and false advertising under Section 43(a)(1)(B). Bayer appealed, and the case is currently pending before the Fourth Circuit.

In this article, we review the factual and procedural history culminating in the district court’s decision. Further, we analyze several issues raised by the court that led it to conclude that Bayer lacks “standing” to pursue claims under the Lanham Act because it does not own a U.S. trademark to FLANAX, notwithstanding the TTAB’s findings that Belmora intended to trade on the goodwill and reputation of Bayer’s FLANAX mark in Mexico and U.S. consumers are likely to be deceived by Belmora’s “blatant misuse” of the FLANAX mark.

## Background

Since the 1970s, Bayer (or its predecessors) have marketed the pain reliever FLANAX in Mexico.<sup>6</sup> FLANAX, which contains the active ingredient naproxen sodium, is a top-selling analgesic in Mexico.<sup>7</sup> Bayer owns a registered trademark for FLANAX in Mexico.<sup>8</sup> In the U.S., Bayer sells a similar naproxen so-

dium product under a different name, ALEVE.<sup>9</sup> Bayer has not used and has not advertised the FLANAX mark in the U.S., and does not own a registration for FLANAX in the U.S.<sup>10</sup>

In 2002, Jamie Belcastro formed Belmora, and soon thereafter began selling naproxen sodium in the United States under the name FLANAX.<sup>11</sup> Initially, Belmora sold FLANAX in packaging that was very similar to Bayer’s FLANAX packaging in Mexico.<sup>12</sup> Bayer’s packaging is shown below on the left<sup>13</sup> and Belmora’s packaging<sup>14</sup> is shown below on the right.



Belmora’s marketing for FLANAX also referenced Bayer’s FLANAX and sought to target customers who were likely familiar with FLANAX in Mexico. For example:<sup>15</sup>

■ A Belmora brochure, available in both English and Spanish, 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 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.”

■ A telemarketing script prepared by Mr. Belcastro stated 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.”

■ A “sell sheet,” often used to solicit orders from retailers, stated 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.”

<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 502.

<sup>11</sup> *Id.* at 496.

<sup>12</sup> *Id.* Belmora later changed the package design, but continued to use Bayer’s FLANAX logo. *Id.*

<sup>13</sup> FLANAX 275MG – TAB -20, available at <http://farmasmart.com/farmacia-y-medicinas/13988-flanax-t-20-275mg-nva-imagen-7501008497357.html> (last accessed Dec. 15, 2015).

<sup>14</sup> Belmora LLC 200mg Analgesic Flanax Pain Relief Tablets, 24 count, available at <http://www.walmart.com/ip/Belmora-LLC-200mg-Analgesic-Flanax-Pain-Relief-Tablets-24-count/22068651> (last accessed Dec. 15, 2015).

<sup>15</sup> TTAB Final Decision at 1623, 1634 (emphases added).

<sup>2</sup> 15 U.S.C. § 1064(3).

<sup>3</sup> *Bayer Consumer Care AG v. Belmora LLC*, 110 U.S.P.Q.2d 1623, 1632 (T.T.A.B. 2014) (“TTAB Final Decision”) (87 PTCJ 1531, 4/25/14).

<sup>4</sup> District Court Decision at 495.

<sup>5</sup> *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377, 109 U.S.P.Q.2d 2061 (2014) (87 PTCJ 1223, 3/28/14).

<sup>6</sup> District Court Decision at 496.

<sup>7</sup> *Id.* at 496-97.

<sup>8</sup> *Id.* at 502.

In 2005, Belmora obtained a U.S. registration for the mark FLANAX “for orally ingestible tablets of Naproxen Sodium for use as an analgesic.”<sup>16</sup>

In 2007, Bayer petitioned the TTAB to cancel Belmora’s FLANAX registration. The TTAB dismissed several of Bayer’s claims (likelihood of confusion under Section 2(d) of the Lanham Act, violation of Article 6bis of the Paris Convention, and fraud), but allowed Bayer to proceed on its misrepresentation of source claim under Section 14(3) of the Lanham Act.<sup>17</sup> The TTAB reasoned that—unlike Bayer’s Section 2(d) and fraud claims, which required Bayer to allege “use” of the FLANAX mark in commerce in the U.S.—Bayer’s allegations that *Belmora’s* use of the FLANAX mark in the U.S. misrepresented to U.S. consumers that Bayer is the source of Belmora’s products were sufficient to defeat a motion to dismiss.<sup>18</sup> The TTAB emphasized that the “Lanham Act provides for the protection of consumers as well as the property rights of mark owners.”<sup>19</sup>

In April 2014, following a trial on the merits, the TTAB ruled in favor of Bayer on its Section 14(3) claim. The TTAB again rejected Belmora’s standing argument, holding that if Belmora’s use of the FLANAX mark in the U.S. misrepresented the source of its products as Bayer’s FLANAX products, Bayer would lose the ability to control its reputation and thus would suffer harm.<sup>20</sup> As to the merits, the TTAB stated that “although the facts before us present a matter of first impression, they do not present a close case.”<sup>21</sup> Three key factual findings underpinned the TTAB’s conclusion that Belmora’s actions represented “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.”<sup>22</sup>

First, noting that Mr. Belcastro had fabricated evidence and testified untruthfully about his adoption of the FLANAX mark, the TTAB found that Belmora was aware that the FLANAX mark was in use in Mexico and knowingly selected the same name for its naproxen sodium product in the United States.<sup>23</sup> Second, the TTAB found that Belmora copied Bayer’s FLANAX logo and initially chose “very similar (if not identical)” product packaging to that of Bayer’s FLANAX packaging.<sup>24</sup> Third, and perhaps mostly importantly, the TTAB found that Belmora’s advertising repeatedly suggested a connection between its FLANAX product sold in the United States and Bayer’s FLANAX product sold in Mexico.<sup>25</sup>

Based on these factual findings, the TTAB concluded that Belmora used the FLANAX mark to misrepresent the source of the goods on which the mark is used, and

granted Bayer’s petition to cancel Belmora’s FLANAX mark.<sup>26</sup>

## Supreme Court’s *Lexmark* Decision

On March 25, 2014, approximately three weeks before the TTAB’s final decision, the Supreme Court addressed the issue of “standing” under the Lanham Act in *Lexmark International v. Static Control Components*. Lexmark sells toner cartridges that only work with Lexmark’s laser printers. Remanufacturers acquire and refurbish used Lexmark cartridges to sell in competition with Lexmark’s own new and refurbished cartridges. Because Lexmark prefers that customers return empty cartridges to Lexmark instead of to remanufacturers for refurbishment and resale, it developed a “Prebate” program that allows customers to buy new cartridges at a discount if they return the empty cartridges to Lexmark. Lexmark’s Prebate cartridges have a microchip that disables the empty cartridge unless Lexmark replaces the chip. Static Control, a replacement part maker, developed a similar microchip that remanufacturers could use to refurbish and resell Lexmark’s used Prebate cartridges.

Lexmark sued for copyright infringement, but Static Control counterclaimed for false advertising, alleging that Lexmark (1) misled customers to believe that they are legally bound by the Prebate terms, and (2) falsely advised remanufacturers that it was illegal to use Static Control’s microchips to refurbish Prebate cartridges.<sup>27</sup> The district court in that case granted Lexmark’s motion to dismiss the counterclaim on “prudential standing” grounds because Static Control’s injury was too remote, and there were other more direct plaintiffs (i.e., the remanufacturers).<sup>28</sup>

In *Lexmark*, the Supreme Court, as an initial matter, clarified that the question of whether a plaintiff is within the class of persons entitled to sue under a statute is not an issue of “standing.” While “standing” relates to whether a case or controversy exists sufficient to satisfy the constitutional requirements of Article III, the issue of whether a plaintiff is a proper person to sue under a particular statute requires a court to apply traditional principles of statutory interpretation to determine whether the plaintiff has alleged a cause of action under the statute.<sup>29</sup> The Supreme Court then went on to set out a two-prong test for determining if a party has a cause of action under the Lanham Act by: (1) determining if the party’s claim comes within the statute’s zone of interests (“the zone-of-interests test”); and (2) identifying an injury to a commercial interest in reputation or sales proximately caused by the defendants’ conduct in violation of the statute (“the proximate cause requirement”).<sup>30</sup>

Regarding the zone-of-interests test, the court explained that the test is not “especially demanding,” that “the benefit of any doubt goes to the plaintiff,” and that “the 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

<sup>16</sup> Registration No. 2924440, issued February 1, 2005.

<sup>17</sup> *Bayer Consumer Care AG v. Belmora LLC*, 90 U.S.P.Q.2d 1587, 1591-92 (T.T.A.B. 2009) (“TTAB Motion to Dismiss Decision”).

<sup>18</sup> *Id.*

<sup>19</sup> *Id.* (citing *Nitro Leisure Products, LLC v. Achushnet Co.*, 341 F.3d 1356, 67 U.S.P.Q.2d 1814, 1818 (Fed. Cir. 2003) (66 PTCJ 538, 9/12/03); *In re Spirits Int’l N.V.*, 86 U.S.P.Q.2d 1078, 1083 (T.T.A.B. 2008)) (emphasis added).

<sup>20</sup> TTAB Final Decision at 1631.

<sup>21</sup> *Id.* at 1632.

<sup>22</sup> *Id.* at 1632-1633.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* at 1633.

<sup>25</sup> *Id.* at 1634.

<sup>26</sup> *Id.* at 1637.

<sup>27</sup> *Lexmark*, 134 S. Ct. at 1384.

<sup>28</sup> *Id.* at 1385.

<sup>29</sup> *Id.* at 1388.

<sup>30</sup> *Id.* at 1389.



to sue.”<sup>31</sup> The court acknowledged that these principles had been articulated in a different statutory context, and that the breadth of the test may vary according to the statute at issue.<sup>32</sup>

In the case of the Lanham Act, Section 45 of the Act clearly states the statute’s purposes:

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.<sup>33</sup>

Recognizing that most of these enumerated purposes are relevant to false designation of origin (or “false association”) cases, the court held that to satisfy the zone-of-interests test for false advertising, a plaintiff must allege an injury to a commercial interest in reputation or sales, and that a deceived consumer cannot sue under the Lanham Act.<sup>34</sup> Applying this test, the court concluded that, because Static Control’s alleged injuries—lost sales and damage to its business reputation—are injuries to precisely the sort of commercial interests that the Lanham Act is meant to protect, Static Control clearly was within the statute’s zone of interests.<sup>35</sup>

Regarding the proximate cause requirement, the Supreme Court explained that this inquiry asks whether the harm alleged has a sufficiently close connection to the conduct the statute prohibits.<sup>36</sup> For false advertising, a plaintiff ordinarily must show “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.”<sup>37</sup> Static Control satisfied this requirement by alleging that (1) Lexmark disparaged its business by asserting that Static Control’s business is illegal, and (2) it designed, manufactured, and sold microchips that both were necessary for and had no other use than refurbishing Lexmark toner cartridges. Thus, any false advertising that reduced the remanufacturers’ business necessarily injured Static Control as well.<sup>38</sup> Although the causal chain linking Static Control’s injuries to consumer confusion required an intervening link of injury to the remanufacturers, the court found that this was sufficient to satisfy the proximate cause requirement.<sup>39</sup> Thus, the Supreme Court adopted a relatively expansive approach to so-called “prudential standing” under the Lanham Act.

### District Court Reverses TTAB Cancellation Based on *Lexmark*

In February 2015, guided by *Lexmark*, the Eastern District of Virginia court held that Bayer lacked stand-

ing to assert its claims of false designation of origin, false advertising and misrepresentation of source, and it reversed the TTAB’s cancellation of Belmora’s mark.<sup>40</sup>

#### 1. Section 43(a) False Designation of Origin and False Advertising

The court held that Bayer lacked standing to bring a false designation of origin claim because Bayer’s interests failed both the zone-of-interests test and the proximate cause requirement under *Lexmark*.<sup>41</sup> Bayer failed the zone-of-interests test because it does not have a protectable interest in the FLANAX mark in the *United States*, which, according to the court, is a dispositive issue in false designation of origin claims.<sup>42</sup>

Bayer also failed to plead sufficient facts showing that Belmora’s acts were the proximate cause of Bayer’s economic or reputational injury. The court rejected Bayer’s argument that it had suffered economic injury in the form of lost sales because it could not convert immigrating Mexican FLANAX consumers to U.S. consumers of ALEVE, holding that this argument would require extending Lanham Act protections to an international mark that was not used in U.S. commerce, which would run contrary to the Lanham Act’s purpose of protecting economic losses from infringement of a mark protected in the U.S.<sup>43</sup>

Regarding reputational injury, the court noted that “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.”<sup>44</sup> The court further rejected Bayer’s allegation that it had suffered reputational injury because of its inability to control the quality of goods sold under the FLANAX brand as the type of “quality control” injury typically associated with a trademark infringement claim.<sup>45</sup> In order to rely on such injury, therefore, Bayer would need to show that it had a protectable interest in a U.S. trademark.<sup>46</sup>

For the false advertising claim, the court did not address the zone-of-interests test—perhaps recognizing implicitly that this test was met under *Lexmark*. As to proximate cause, it relied on its analysis for the false designation of origin claim and found that Bayer failed to satisfy the proximate cause requirement.

#### 2. Section 14(3) Misrepresentation of Source

Disagreeing with the TTAB, the district court held that Section 14(3) of the Lanham Act requires a petitioner bringing an action to cancel a trademark registration to actually use a trademark in U.S. commerce.<sup>47</sup> “[B]ecause of the sparse number of Section 14(3) actions brought in federal courts,” the court reached this conclusion by comparing Section 14(3) to Section

<sup>40</sup> The court also affirmed the TTAB’s dismissal of Bayer’s claim under Article 6bis of the Paris Convention relating to famous foreign marks, as the Paris Convention is not self-executing, and the Lanham Act does not make Article 6bis a ground for contesting trademark registration. District Court Decision at 496.

<sup>41</sup> *Id.* at 496, 506.

<sup>42</sup> *Id.* at 502.

<sup>43</sup> *Id.* at 502-503.

<sup>44</sup> *Id.* at 504.

<sup>45</sup> *Id.* at 505.

<sup>46</sup> *Id.* at 506.

<sup>47</sup> *Id.*

<sup>31</sup> *Id.* (internal quotations and citations omitted)

<sup>32</sup> *Id.*

<sup>33</sup> *Id.* (quoting 15 U.S.C. § 1127).

<sup>34</sup> *Id.* at 1390.

<sup>35</sup> *Id.* at 1391.

<sup>36</sup> *Id.* at 1390.

<sup>37</sup> *Id.* at 1391.

<sup>38</sup> *Id.* at 1393-94.

<sup>39</sup> *Id.*

43(a).<sup>48</sup> The court noted that, although there is no express “use” requirement in Section 43(a), “courts have consistently required a plaintiff to use the mark in United States commerce in order to state a claim under that statute.”<sup>49</sup>

The court reasoned that it is appropriate to read a similar “use” requirement into Section 14(3), particularly given that 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.”<sup>50</sup> Therefore, the court essentially imported its analysis of Section 43(a) into the Section 14(3) realm as well.

## Issues Raised by the District Court’s Analysis

### 1. Whether Section 14(3) Should Be Interpreted to Include a ‘Use’ Requirement

The plain language of Section 14(3) does not require use by the petitioner in U.S. commerce. Section 14(3) grants a right to cancel a trademark registration “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.”<sup>51</sup> The only express “use” language in this section refers to use by the registrant.

As noted above, the court relied on its analysis for Section 43(a) to conclude that Section 14(3) also requires use of a trademark by the petitioner even though the statutory text does not explicitly say so.<sup>52</sup> However, given that Section 14(3) is directed to misrepresentation of source, rather than false designation of origin, another potential interpretation is that “use” by the petitioner should not be required; under this interpretation, it should be enough for the petitioner to show that its mark is sufficiently well known in the United States that consumers associate it with a particular source.<sup>53</sup>

While the court focused on Section 43(a) of the Lanham Act, there are several other sections of the statute relating to registration of marks that contain no “use” requirement. The plain language of Sections 2(a) and 2(e) of the Lanham Act, both of which are directed to deceptive marks, also does not address use of a mark by the petitioner in the U.S.,<sup>54</sup> and the TTAB has interpreted these sections to not require such use.<sup>55</sup> The Fourth Circuit will have to decide whether it is more appropriate to compare Section 14(3) with Section 43(a), where use of a mark by the petitioner is a prerequisite, or with Sections 2(a) and 2(e), where use of a mark by

the petitioner is not a prerequisite to establish a cause of action.

### 2. Scope of the Zone-of-Interests Test

In discussing the zone-of-interests test, the court acknowledged that, as stated in *Lexmark*, the test is not “‘especially demanding’” and that “when applying the zone of interests test, the plaintiff receives the ‘benefit of any doubt.’”<sup>56</sup> However, the court then took a narrow view of the scope and purposes of the Lanham Act. The court recited Section 45 of the Lanham Act setting forth the intent of the statute and concluded that “a key purpose of the Lanham Act is to protect the interests of those with a protectable interest in a mark.”<sup>57</sup>

However, several of the purposes set out in Section 45 do not clearly require use of a trademark by a plaintiff or petitioner in U.S. commerce.<sup>58</sup> Moreover, Congress and the courts have recognized that the Lanham Act provides protection not only for the property rights of mark owners but also for consumers.<sup>59</sup> In passing the Lanham Act, Congress stated that the purpose was “to protect legitimate business and consumers of the country.”<sup>60</sup> To fulfill this purpose, the Lanham Act “protect[s] the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get.”<sup>61</sup>

The Supreme Court has recognized the dual purposes of the Lanham Act, namely to provide “national protection of trademarks in order to secure the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers.”<sup>62</sup> Similarly, in a case involving a foreign mark, the Ninth Circuit has also emphasized that trademark law is focused on protecting consumers: “Trademark is, at its core, about protecting against consumer confusion and ‘palming off.’ There can be no justification for using trademark law to fool immigrants into thinking that they are buying from the store they liked back home.”<sup>63</sup> The court here appears not to have addressed the second consumer-oriented purpose, focusing instead on the first interest relating to trademark owners.

<sup>48</sup> *Id.* at 516, fn 10.  
<sup>49</sup> *Id.* at 517.

<sup>50</sup> *Id.*

<sup>51</sup> 15 U.S.C. § 1064(3) (emphasis added).

<sup>52</sup> District Court Decision, at 516.

<sup>53</sup> See Brief for Michelle K. Lee, Director of the United States Patent and Trademark Office at 63-64, *Belmora LLC v. Bayer Consumer Care AG and Bayer Healthcare LLC*, No. 15-1335 (4th Cir. May 26, 2015).

<sup>54</sup> 15 U.S.C. § 1052(a); 15 U.S.C. § 1052(e).

<sup>55</sup> See Brief of Appellants, *Bayer Consumer Care AG and Bayer Healthcare LLC at 72-73, Belmora LLC v. Bayer Consumer Care AG and Bayer Healthcare LLC*, No. 15-1335 (4th Cir. May 26, 2015) (citing, e.g., *Corporacion Habanos SA v. Rodriguez*, 99 U.S.P.Q.2d 1873, 1875 (T.T.A.B. 2011) (82 PTCJ 656, 9/16/11) (“there is no requirement for [a] petitioner to establish a property interest as that is not an element required for standing under Sections 2(a) or 2(e)(3).”)).

<sup>56</sup> District Court Decision at 501; see also *Lexmark* at 1389.

<sup>57</sup> *Id.*

<sup>58</sup> 15 U.S.C. § 1127 (“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 prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; . . .”).

<sup>59</sup> *Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198, 224 U.S.P.Q. 327 (1985); 92 Cong. Rec. 7524 (1946); S. Rep. No. 79-1333 at 3 (1946), reprinted in 1946 U.S.S.C.A.N. 1274; TTAB Motion to Dismiss Decision at 1591 (citing *Nitro Leisure Products, LLC v. Achushnet Co.*, 341 F.3d 1356, 67 U.S.P.Q.2d 1814, 1818 (Fed. Cir. 2003); *In re Spirits International N.V.*, 86 U.S.P.Q.2d 1078, 1083 (T.T.A.B. 2008)).

<sup>60</sup> TTAB Final Decision (citing 92 Cong. Rec. 7524 (1946)).

<sup>61</sup> TTAB Final Decision (citing S. Rep. No. 79-1333 at 3 (1946), reprinted in 1946 U.S.S.C.A.N. 1274).

<sup>62</sup> District Court Decision at 501 (quoting *Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198, 224 U.S.P.Q. 327 (1985)).

<sup>63</sup> *Grupo Gigante S.A. de C.V. v. Dallo & Co.*, 391 F.3d 1088, 1094, 73 U.S.P.Q.2d 1258 (9th Cir. 2004) (69 PTCJ 186, 12/24/04).

Finally, the court's analysis of the zone-of-interests test in the context of Bayer's false designation of origin claim arguably is at odds with its analysis in the context of Bayer's false advertising claim. With respect to false designation of origin, the court held that Bayer did not meet either the zone-of-interests test or the proximate cause requirement; but with respect to false advertising, the court held only that Bayer failed to meet the proximate cause requirement, implicitly suggesting that it did meet the zone-of-interests test for that claim. The court did not explain why Bayer's allegations apparently were sufficient to satisfy the zone-of-interests test for false advertising but not for false designation of origin.

One could argue that Bayer's interest in protecting its brand identity and reputation is within the statute's zone of interest for both sections. There was no dispute that Bayer's FLANAX mark has a substantial reputation among American consumers even though Bayer does not use the mark in U.S. commerce.<sup>64</sup> This is presumably why Belmora sought trademark registration for FLANAX in the U.S. in the first place.

Thus, the Fourth Circuit will be required to determine whether the Lanham Act's zone of interests protects consumers from potentially deceptive misappropriation of another company's brand, regardless of whether or not that brand is protected by a trademark in the United States.

### 3. The Proximate Cause Requirement

According to the Supreme Court, the proximate cause requirement presents one question: Does "the harm alleged [have] a sufficiently close connection to the conduct the statute prohibits?"<sup>65</sup> In the false advertising context, the Supreme Court cited economic or reputational injury flowing from the defendant's deception as examples of the types of injury that normally would satisfy the proximate cause requirement.<sup>66</sup> Here, Bayer alleged both: (1) economic injury in the form of lost sales, resulting from customers purchasing Belmora's FLANAX product instead of Bayer's ALEVE product, thinking that Belmora's FLANAX product was the same as FLANAX in Mexico; and (2) reputational injury as a result of its inability to control the quality of products sold under the FLANAX brand in the United States. According to the district court, Bayer's alleged loss of potential sales does not satisfy the proximate cause requirement because it is not the "type of economic loss recognized by the Lanham Act."<sup>67</sup>

<sup>64</sup> See District Court Decision at 518.

<sup>65</sup> *Lexmark*, 134 S. Ct. at 1390 (emphasis added).

<sup>66</sup> *Id.* at 1391.

<sup>67</sup> District Court Decision at 504 (emphasis added).

The court rejected Bayer's allegations, in essence because in its view only injuries "emanating from infringement of a mark protected in the United States" are sufficient to meet the proximate cause requirement.<sup>68</sup> This interpretation seems to conflate the proximate cause requirement with the zone-of-interests test. The question of proximate cause focuses not on the type of injury against which Congress meant to protect but rather on the proximity of the alleged injury to the conduct that the statute prohibits.

Assuming that Belmora's use of the FLANAX mark in the U.S. deceived consumers into believing there was some association between Belmora's product and Bayer, one could argue that Belmora's actions then directly harmed both Bayer, who loses sales and whose reputation is damaged, and consumers, who buy the FLANAX product thinking that the manufacturer is Bayer, a well-established pharmaceutical company. Indeed, as noted in the prior section, the court implicitly seemed to recognize that, for the false advertising claim, Bayer does fall within the Lanham Act's zone of interests.

The Fourth Circuit will have to decide whether the connection between Belmora's complained-of actions and Bayer's alleged injuries is sufficiently similar to the link between *Lexmark's* conduct and *Static Controls'* alleged injuries in the *Lexmark* case, which the Supreme Court found sufficient to satisfy the proximate cause requirement.

## Conclusion

From a public policy perspective, parties in Bayer's position may argue that if they are not permitted to pursue a cause of action under the Lanham Act, then this would set a precedent for competitors in Belmora's position to seemingly misuse registered U.S. trademarks to confuse consumers. This, they may argue, is problematic, as consumer protection is especially important when the products at issue are pharmaceuticals that may affect consumers' health and safety.

Practically speaking, regardless of the outcome of Bayer's appeal to the Fourth Circuit, companies should heed the lessons of the district court's decision by seeking U.S. trademark protection as part of a global strategy to prevent potential competitors from taking advantage of the territorial aspect of U.S. trademark law. Companies should understand the potential risks of not registering promptly for trademark protection in the U.S.

<sup>68</sup> *Id.* at 503.