

'Flanax' TM Case Could Bring High Court Clarity On 2 Issues

By **Robert Cumbow** (November 8, 2021)

The certiorari petition filed by pharmaceutical company Belmora LLC and its pharmacist founder Jamie Belcastro against worldwide pharmaceutical giant Bayer Consumer Care AG and Bayer Healthcare LLC gives the U.S. Supreme Court a rare opportunity to bring clarity to two unresolved and long-debated Lanham Act issues.



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The August petition[1] asks the court to review two pivotal questions in a case that has been knocking around the federal system for the better part of this century. It began in June 2007 when Bayer Consumer Care, a Swiss subsidiary of Bayer AG, asked the Trademark Trial and Appeal Board to cancel Belmora's registration of the trademark "Flanax."

The Case to Date

The "Flanax" trademark has designated a high-strength pain reliever, naproxen sodium, in Mexico since 1976. Bayer acquired the "Flanax" rights through its Mexican affiliate in 2005. Another Bayer entity owns the "Aleve" trademark, used in the U.S. to brand a lower-strength, over-the-counter naproxen sodium pain reliever.

Belcastro founded Belmora in 2002 to distribute lower-strength, bilingually labeled, U.S. Food and Drug Administration-approved, over-the-counter naproxen sodium pain relievers targeted specifically to Hispanic communities in the U.S. Belmora chose the name Flanax because of its familiarity to many Hispanic consumers as a top-selling pain reliever in Mexico[2] and registered the mark with the U.S. Patent and Trademark Office in 2005.

Bayer Consumer Care's cancellation petition alleged that Belmora was using the "Flanax" mark to misrepresent its U.S. product as emanating from the owners of the Mexican mark and product. Bayer stated that it doesn't intend to use the Flanax brand in the U.S. because it doesn't wish to compete with its own successful Aleve brand of the same product.[3]

After a seven-year battle, the TTAB canceled Belmora's registration in 2014,[4] holding that while Bayer did not itself own a "Flanax" mark in the U.S., it had standing to seek cancellation of Belmora's registration. Trademark registrations may be opposed or canceled by "any person who believes that he is or will be damaged" by registration of a trademark.[5]

In 2014, Bayer Consumer Care and Bayer Healthcare filed an action in the U.S. District Court for the Central District of California against Belmora alleging false advertising and false association under Section 43(a) of the Lanham Act. Belmora filed an action in the U.S. District Court for the Eastern District of Virginia challenging the cancellation.

The two actions were consolidated in the Virginia court, which dismissed Bayer's suit and ordered reversal of the cancellation in 2015.[6] The court's rationale was that the Lanham Act does not allow the owner of a foreign mark not registered or used in the U.S. to assert priority rights over a U.S.-registered mark, and thus Bayer did not have standing to bring its Lanham Act Section 43(a) claims or to cancel Belmora's registration.

Bayer appealed to the U.S. Court of Appeals for the Fourth Circuit, which reversed in

2016.[7] The Fourth Circuit stressed that Bayer's case was an unfair competition case, not a trademark case, and that Lanham Act Section 43(a) contains no language suggesting that ownership of a mark used or registered in the U.S. is a prerequisite to filing either an unfair competition action under Lanham Act Section 43(a) or a cancellation petition under Lanham Act Section 14(c). The court reinstated Bayer's claims.

On remand, the Eastern District of Virginia again dismissed the unfair competition claim in 2018,[8] this time on grounds that applicable statutes of limitation foreclosed the action. The court held that Bayer knew or should have known of its rights against Belmora well in advance of filing suit, and thus the claims were time-barred.

Bayer again appealed, and in 2021 the Fourth Circuit again reversed.[9] The district court erred, the Fourth Circuit held, by applying analogous state statutes of limitation. Because the Lanham Act is silent on the subject of limitations on timing of actions, the only proper test is laches, not reference to analogous state or federal statutes of limitation. It is from this most recent holding of the Fourth Circuit that Belmora now applies for review by the Supreme Court.

The Issues on Petition for Certiorari

Belmora cites two questions as ripe for Supreme Court review:

1. Whether the owner of a mark not registered, used or intended to be used in the U.S. has standing, in view of the principle of trademark territoriality and the "zone of interests" requirement, to bring a Lanham Act Section 43(a) action to constrain another party's registration and use of the same mark for similar goods in the U.S.; and
2. Whether Lanham Act actions may be found to be time-barred by reference to applicable state or federal statutes of limitation or only by applying the equitable doctrine of laches.

Bayer has filed a brief in response to Belmora's certiorari petition,[10] urging the Supreme Court to deny certiorari. Having been consistently successful at the appellate level during the ongoing saga of the dispute, Bayer naturally has little to gain from Supreme Court review.

On the other hand, at the district court level — where the case will eventually be decided regardless of what the court does — Bayer has been repeatedly denied the relief it seeks, underscoring the abiding confusion and uncertainty of courts regarding the issues Belmora asks the court to review.

In a reply[11] to Bayer's brief, Belmora argues that district court opinions demonstrate a variety of views on when and how to apply territoriality analysis in Lanham Act Section 43(a) cases and whether foreign-injury-based claims like Bayer's are sufficiently within the Section 43(a) ambit to confer standing.

The Standing Issue

Critics of the Fourth Circuit's opinions in this case point, among other things, to the fact that the Fourth Circuit not only did not apply but made no mention of the well-established legal principle that trademark rights are by definition territorial in nature. They argue that a party who has no established trademark rights in the U.S. cannot constrain a U.S. party's use and registration of a similar or identical trademark.

Proponents of the Fourth Circuit's opinion argue, by contrast, that Bayer's claim is not for trademark infringement, nor does Bayer seek to assert prior rights in the "Flanax" mark in the U.S. Rather, Bayer asserts a cause of action for harm caused to its Mexican brand and business arising from Belmora's use and promotion of the Flanax product in the U.S. and thus alleges unfair use of Belmora's trademark, not infringement of Bayer's trademark.

Should the trademark territoriality principle bar Bayer's action, or was the Fourth Circuit right to give that principle no consideration on the ground that Bayer's claim is for unfair competition not trademark infringement?

Applying the territoriality principle would run counter to the fact that Section 43(a) of the Lanham Act contains no language requiring trademark ownership or territorial analysis. On the other hand, not applying territoriality could make Section 43(a) an open door to foreign litigants to use the U.S. legal system to protect purely foreign interests.

But the question is not whether territoriality analysis should be part of the Section 43(a) standing test; we already know that the answer is "sometimes." Section 43(a) provides several causes of action, some more likely than others to involve trademarks and to implicate the territoriality principle.

Bayer's cancellation of Belmora's trademark registration is specifically a trademark action and would seem to require territoriality analysis. But the Fourth Circuit's reasoning relies on the Lanham Act's language that a cancellation petition may be brought by anyone who feels harmed or likely to be harmed by the mark's registration; infringement of a mark in which the petitioner has prior rights need not be part of the petitioner's pleading.

Some critics of the Fourth Circuit's position argue that Bayer's unfair competition claims are simply a cover for what is in essence a claim of prior rights in a particular trademark.

Proponents wonder whether that is so, since nothing in Section 43(a) suggests a territorial limitation on false advertising and false association claims, and nothing in Section 14(c) suggests that only the owner of a similar U.S. trademark may petition to cancel a U.S. trademark registration. Indeed, several recognized grounds for cancellation do not relate to infringement.

But Belmora and critics of the Fourth Circuit reasonably ask whether Bayer's stated lack of interest in registering or using its "Flanax" mark in the U.S. should militate against its Lanham Act claims.

Until the landmark 2014 Supreme Court holding in *Lexmark International Inc. v. Static Control Components Inc.*,^[12] standing to bring a Section 43(a) action for such unfair competition claims as false advertising and false association required a plaintiff to show competitive harm reasonably resulting from defendant's conduct.

But *Lexmark* ushered in a new two-prong analysis, asking whether the plaintiff's claims lie within the zone of interests the Lanham Act protects and whether the defendant's conduct proximately led to the plaintiff's alleged harm. The once-required competitive status of the litigating parties has given way to a new analysis, in which a plaintiff must show that its alleged harm is within the "zone of interests" protected by the Lanham Act.

The Fourth Circuit held that Bayer's claims were within that zone and that Bayer had pled the requisite proximate cause. But Belmora asks whether the trademark territoriality principle shouldn't have been part of the "zone of interest" inquiry.

Should the increasing spirit of globalism in intellectual property enforcement and jurisprudence compel courts to regard the Section 43(a) zone of interest as including purely foreign impacts of purely U.S. trade practices?

Practitioners and academics on both sides of the issue have stressed the practical importance of this question. There are many reasons a trademark may or may not be valid, not all of them relating to territoriality. Lanham Act Section 43(a) enables numerous types of claims, some of which do not involve trademarks at all.

But the question is not whether Section 43(a) always requires or should always require territoriality analysis in determining standing. Rather, *Belmora* asks the court to determine whether, in cases like this one, where the plaintiff alleges extraterritorial harm arising from purely domestic use of a trademark, and has no intention of using that mark in the U.S. itself, territorial analysis should be a necessary part of the determination of standing.

Answering this question must go beyond the language of Section 43(a) itself, to questions of legislative intent and an effort to define specifically what interests are within the zone of Section 43(a) protection and when.

In the first two decades of the 21st century, cases involving foreign harm from domestic trademark use or vice versa have increased, and courts have considered such principles as the so-called famous marks doctrine^[13] and common law likelihood of confusion^[14] in an effort to answer the question — not always reaching the same result.

As a practical matter, and regardless of which party ultimately prevails, Lanham Act standing under *Lexmark* is urgently in need of clarification as to when and if ownership of a U.S. trademark is required and when and if territoriality matters.

The Time-Limitation Test

Many federal courts deciding Lanham Act issues have routinely looked to the most analogous state or federal statutes of limitation to determine whether a plaintiff filed its action in a timely manner. While giving lip service to laches, such courts refer to analogous statutes as a more objective shortcut to the otherwise highly subjective laches analysis.

The Fourth Circuit, however, appears to maintain that the only permissible analysis is what one might call "pure laches" — a two-step assessment asking whether the plaintiff's delay between awareness of its right of action and filing its action was reasonable and whether that delay unduly prejudiced the defendant, irrespective of specific time frames reflected in arguably analogous statutes.

If that is the correct test, then many litigants have been or stand to be prejudiced by courts' continuing tendency to consult analogous federal and state statutes of limitation.

The overriding practical need for consistency, predictability and fairness in determining whether a Lanham Act action is time-barred has long needed clarification and guidance from the Supreme Court.

Of course the laches issue applies only to Bayer's Section 43(a) claims, not to the challenged cancellation of *Belmora*'s "Flanax" registration. Whether *Belmora*'s "Flanax" registration remains canceled depends solely on whether the territoriality principle bars Bayer's claims against both *Belmora*'s trademark use and its registration.

Not only Belmora but Bayer itself, as well as Lanham Act litigants and litigators, trademark practitioners, academics, and law students all need and deserve clear direction from the Supreme Court on the territoriality, standing and timing questions. One can only hope that the court rises to the occasion.

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Disclosure: The author's firm filed an amicus brief in *Belmora v. Bayer*, supporting Belmora's petition for certiorari on behalf of Hispanic communities in the U.S.

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[1] *Belmora LLC & Jamie Belcastro v. Bayer Consumer Care AG & Bayer Healthcare LLC*, petition for cert. filed (U.S. 2021) (No. 21-195).

[2] *Belmora LLC v. Bayer Consumer Care AG & Bayer Healthcare LLC*, 987 F.3d 284 (4th Cir. 2021) at 290.

[3] *Belmora LLC v. Bayer Consumer Care AG & Bayer Healthcare LLC*, 819 F.3d 697 (4th Cir. 2016) (No.15-1335).

[4] 110 USPQ2d 1623 (TTAB 2014).

[5] 15 U.S.C. § 1125(a)(1)(B).

[6] *Belmora LLC v. Bayer Consumer Care AG & Bayer Healthcare LLC*, 84 F. Supp. 3d 490 (E.D.Va. 2015).

[7] *Belmora LLC v. Bayer Consumer Care AG & Bayer Healthcare LLC*, 819 F.3d 697 (4th Cir. 2016).

[8] *Belmora, LLC v. Bayer Consumer Care AG & Bayer Healthcare LLC*, 338 F. Supp. 3d 477 (E.D.Va. 2018).

[9] 987 F.3d at 294.

[10] *Belmora LLC & Jamie Belcastro v. Bayer Consumer Care AG & Bayer Healthcare LLC*, Brief in Opposition (U.S. 2021) (No. 21-195).

[11] *Belmora LLC & Jamie Belcastro v. Bayer Consumer Care AG & Bayer Healthcare LLC*, Reply Brief (U.S. 2021) (No.21-195).

[12] *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118 (2014).

[13] *Grupo Gigante S.A. de C.V. v. Dallo & Co.*, 391 F.3d 1088 (9th Cir. 2004).

[14] ITC Ltd. v. Punchgini, Inc., 482 F.3d 135 (2d Cir. 2007).