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Pattishall Prevails for Bayer in Landmark Unfair Competition Case

April 12, 2016

Phil Barengolts and Bradley Cohn prevailed in the U.S. Court of Appeals for the Fourth Circuit for Bayer Consumer Care AG and Bayer Healthcare LLC in *Belmora LLC v. Bayer Consumer Care AG and Bayer Healthcare LLC*, No. 15-1335 (4th Cir. March 23, 2016). The Court held that ownership of a U.S. trademark is not a prerequisite for asserting unfair competition and related claims under Section 43(a) of the Lanham Act, or to cancel a trademark registration for misrepresentation under Section 14(3). This is an important clarification of U.S. unfair competition law.

Bayer Consumer Care sells naproxen sodium pain reliever in Mexico under the trademark FLANAX, which is well known in that country. Bayer does not sell FLANAX in the United States, instead selling ALEVE. Bayer sued a U.S. company, Belmora LLC, for using the FLANAX mark in the U.S. to falsely suggest to U.S. consumers--in particular, Mexican-Americans--that Belmora's FLANAX pain reliever was the same as Bayer's Mexican FLANAX pain reliever. Bayer sued for unfair competition and false advertising, and petitioned to cancel Belmora's trademark registration for FLANAX because of Belmora's misrepresentation.

On March 23, the Fourth Circuit held Bayer was entitled to sue Belmora, reversing the trial court ruling that Bayer could not proceed with its claims because it does not own the FLANAX mark in the U.S. The Fourth Circuit found that "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 the cause of action." Based on that finding, and relying on the Supreme Court's 2014 landmark decision in *Lexmark v. Static Control*, the Fourth Circuit held Bayer's claims fell within the Lanham Act's zone of interest and that Bayer had alleged injuries that were proximately caused by Belmora's actions.

Many courts previously assumed a party must own a U.S. trademark to bring Section 43(a) claims. However, the Fourth Circuit held that assumption is wrong. A defendant who passes off its products as the plaintiff's is liable under Section 43(a), regardless of whether the plaintiff actually owns a U.S. trademark. For instance, as the Fourth Circuit explained, a plaintiff can sue a defendant who uses a generic (and hence unprotectable) word to falsely associate its products with the plaintiff's. Or, as in the present case, a plaintiff can sue a defendant who uses the plaintiff's non-U.S. trademark to create a false association in the United States.

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The Fourth Circuit noted that in a situation where merely "a few isolated consumers . . . confuse a mark with one seen abroad," the owner of the non-U.S. trademark will "face difficulty" in establishing a Section 43(a) claim. But "the story is different when a defendant, as alleged here, has -- as a cornerstone of its business -- intentionally passed off its goods in the United States as the same product commercially available in foreign markets in order to influence purchases by American consumers." In such a situation, the owner of the non-U.S. trademark has viable Section 43(a) claims.