BRIDGING THE GAP BETWEEN THE FEDERAL COURTS AND THE UNITED STATES PATENT & TRADEMARK OFFICE: THE JOURNAL OF SCIENCE AND TECHNOLOGY LAW SYMPOSIUM

NO TRADEMARK, NO PROBLEM

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Introduction

Does the Lanham Act permit a foreign business that has neither used nor registered its trademark in the United States to sue the owner of a U.S. trademark for its use of the same mark in the U.S.? A recent case from the Court of Appeals for the Fourth Circuit addressed this consequential question.[1] In *Belmora, LLC. v. Bayer Consumer Care AG*,[2] the Court of Appeals surprised the legal community and answered this question in the affirmative, reversing the district court's decision to reject the trademark claim because it was unsupported by a federally protected U.S. trademark.[3]

The *Belmora* decision has received considerable attention.[4] What has thus far

* Professor of Law, American University Washington College of Law. I am grateful for the excellent research assistance provided by Lauren Jancuska, Dima Budron, and Alex Liebermann as well as for the helpful feedback I received at the Boston University School of Law *Journal of Science & Technology Law*'s 2017 Symposium on "Bridging the Gap between the Federal Courts and the United States Patent & Trademark Office."

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

[2] *Id.*

[3] *Id.* at 715 (granting Bayer the right to bring a cancellation and unfair competition claim against Belmora).

[4] *See* Bill Donahue, *The Top 10 Trademark Rulings of 2016*, LAW360 (Dec. 20, 2016, 6:05 PM), http://ptslaw.com/wp-content/uploads/2016/12/The-Top-10-Trademark-Rulings-Of-2016-Law360.pdf (landing the number two spot on the list of top trademark decisions in

escaped much notice by commentators is the treatment of this dispute below by the Trademark Trial and Appeal Board ("TTAB"). There, the TTAB reached a similar result as the Fourth Circuit. The TTAB ordered the cancellation of the U.S. registered mark for a misrepresentation of source, finding that a cancellation petition need not be supported by a protectable mark.[5]

This article will evaluate the TTAB's receptivity to claims in cancellation proceedings by parties that have neither used nor registered their marks in the U.S. The TTAB has resolved some interesting cancellation proceedings, some of which have extended trademark protections to parties that do not have a mark protectable in the U.S. This article will consider how these types of cases have fared in the courts and in the TTAB, and why the TTAB has accepted certain legal claims that Article III courts have not. Finally, this article will consider the implications of the TTAB's acceptance of these kinds of claims for jurisdiction in Article III courts.

Belmora v. Bayer

Since this case may be one that illustrates the adage, bad facts make bad law, it is important to understand the facts of the case to grasp its legal significance. The *Belmora v. Bayer* case involves the mark FLANAX,[6] a trademark originally owned by Bayer Consumer Care ("Bayer") in Mexico for pharmaceutical products, analgesics, and anti-inflammatories.[7] Bayer acquired the Mexican FLANAX mark in 2005 when it took over Hoffman-la Roche AG's over-the-counter businesses, including Roche's subsidiary company Syntex, the owner of the Mexican FLANAX mark since its registration in 1978.[8] The mark is used

2016) [https://perma.cc/TY5T-NCG8]. *See also Standing to Enforce Foreign Trademark Rights After* Belmora v. Bayer *Certiorari Denial*, JONES DAY (Mar. 7, 2017), http://www.jonesday.com/standing-to-enforce-foreign-trademark-rights-after-ibelmora-v-bayer-certiorarii-denial-03-07-2017/ [https://perma.cc/N3VS-48XX]; Alex MacKay, *Unfair Competition is Such a Headache*, STITES & HARBISON, PLLC: TRADEMARKOLOGY (Mar. 25, 2016), http://www.trademarkologist.com/2016/03/unfair-competition-is-such-a-headache/ [https://perma.cc/V6DP-643Q].

[5] *Belmora*, 110 U.S.P.Q.2d 1632, at*14 (T.T.A.B. 2014) (relying on misrepresentation of source as sufficient grounds to cancel a trademark, even though the claimant does not own a U.S. registered trademark).

[6] To distinguish trademarks from surrounding text, the typical convention is to write the trademark using all capital letters unless the design requires the use of both uppercase and lowercase letters. *See* The Trademark Reporter® *Submission Guidelines*, INTA (Jan. 9, 2017), http://www.inta.org/TMR/Pages/StyleGuide.aspx [https://perma.cc/B596-WZ4D].

[7] Bayer Consumer Care AG, the owner of FLANAX in Mexico, brought its claim against Belmora LLC with its U.S. sister company, Bayer Healthcare LLC. Collectively, they are referred to as "Bayer." *Belmora*, 819 F.3d at 702.

[8] *Belmora*, 110 U.S.P.Q.2d 1632, at *8 (T.T.A.B. 2014). Syntex was bought by Hoffman-

on naproxen sodium tablets.[9] A similar pain reliever product is sold by Bayer in the U.S. under the name ALEVE.[10]

What makes this case so interesting is that Bayer had no U.S. trademark rights to assert against Belmora. In fact, in the course of litigation, Bayer itself admitted that it "does not own, or have any interest in, any federal or state trademark registration for the mark FLANAX in the United States."[11] Moreover, Bayer does not market or sell any products under the FLANAX name in the U.S., nor does it use its Flanax packaging in the U.S.[12] Bayer simply had no creative arguments to make about the existence of any common law trademark rights it possessed in FLANAX.

This lack of any U.S. trademark rights, however, did not stop Bayer from suing Belmora. Belmora is a Virginia-based company that began using the same mark—FLANAX—as a trademark in the U.S. in early 2004 for "orally ingestible tablets of Naproxen Sodium for use as an analgesic[13]—the same products that Bayer sells under that mark. Belmora subsequently filed a U.S. trademark application, and the United States Trademark Office ("USPTO") published Belmora's FLANAX mark for opposition on August 3, 2004.[14] Curiously, Bayer did not oppose Belmora's registration at that time.[15] The USPTO issued Belmora's FLANAX trademark registration on February 1, 2005.[16] Then, on June 29, 2007, almost three years after Belmora first filed its FLANAX application, Bayer finally filed a Petition to Cancel Belmora's registration with the USPTO's Trademark Trial and Appeal Board (TTAB).[17]

Although Bayer lacked a U.S. trademark, it did not want for other helpful

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la Roche in 1994, but continued to hold ownership of the FLANAX mark until it was assigned to Bayer in 2005. *Id.*

[9] *Id.*

[10] *See* BAYER: PRODUCTS, http://www.bayer.us/en/products/ (last visited Apr. 13, 2017) [https://perma.cc/475K-MKEK].

[11] Brief for Petitioner at 2, Belmora LLC v. Bayer Consumer Care AG, 137 S.CT. 1202 (2017) (No. 16-548), 2016 WL 6156565, at *2 (citing Bayer's Answer to Compl. and Countercl., D.Ct. Dkt. #35, at ¶ 30).

[12] *Belmora,* 819 F.3d at 702.

[13] FLANAX, Reg. No. 2,924,440.

[14] *Id.*

[15] *Prosecution History*, USPTO, http://tsdr.uspto.gov/?caseSearchType=US_APPLICATION&searchType=DEFAULT#caseNumber=78310029&caseSearchType=US_APPLICATION&caseType=SERIAL_NO&searchType=statusSearch [https://perma.cc/WF2K-88XP] (last visited Jun. 10, 2017).

[16] FLANAX, Reg. No. 2,924,440.

[17] Cancellation No. 92047741 (grounding its cancellation in petitioner's, and its predecessor's, use of FLANAX "in connection with the advertising and sale of analgesics, including orally ingestible tablets of naproxen sodium").

facts to use against Belmora in litigation. According to Bayer, the case involved evidence of Belmora "invoking the reputation of [Bayer's] foreign product to sell [Belmora's] own goods domestically under the same mark during the 2006-2009 time frame."[18] The facts revealed that Belmora created and used packaging that was remarkably similar to Bayer's packaging, which includes a similar blue and white color scheme, font size, and typeface.[19] In fact, Belmora's initial packaging was almost identical to Bayer's.[20] In the course of litigation, however, Belmora made some changes that resulted in the packaging being confusingly similar, but not identical to Bayer's.[21] As if that was not enough to suggests its bad faith intent to deceive, Belmora circulated brochures to distributors suggesting that its FLANAX brand was the same product that had been sold in Mexico for years.[22] Moreover, it provided telemarketers with scripts containing similar statements.[23] Finally, what is perhaps the utmost bad fact, the CEO of Belmora even falsified evidence by requesting—in the course of litigation—that its graphic designer create a display showing how Belmora evolved the apocryphal phrase "Further Lasting Analgesia Naproxen" into the name "Flanax."[24] The Fourth Circuit may have been persuaded to find for Bayer as a result of these very bad facts.

As to the applicable law, the Fourth Circuit ultimately decided 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."[25] Based on this remarkable conclusion, this became an easy case for the court to decide. Afterall, there was a likelihood of confusion and conduct on the part of defendant that affected commerce. There was no trademark of course. But that was not a problem under the court's understanding of § 43(a).

But what about the principle of territoriality, which is so fundamental to trademark law and posits that trademarks rights are ties to geography?[26] As a result of the Fourth Circuit's ruling, non-U.S. trademark holders have been provided rights that have not previously existed in the Lanham Act.[27] This decision enables foreign parties, which neither have a U.S. trademark nor use the mark in the U.S., to strip U.S. trademark owners of his or her rights.

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[18] *Belmora*, 110 U.S.P.Q.2d 1632, at *14 (T.T.A.B. 2014).

[19] *Id.*

[20] *Id.*

[21] *Id.*

[22] *Id.*

[23] *Id.* at *12.

[24] *Id.* at *11.

[25] Belmora LLC v. Bayer Consumer Care AG, 819 F.3d 697, 706 (4th Cir. 2016).

[26] *See infra* notes 32-34 and accompanying text.

[27] *See* Person's Co., Ltd. v. Christman, 900 F.2d 1565, 1568-69 (Fed. Cir. 1990); ITC Ltd. v. Punchgini, Inc., 482 F.3d 135, 154 (2d Cir. 2007).

The lower court, the District Court for the Eastern District of Virginia, regarded this case quite differently. Although the facts were on Bayer's side, the law, according to the district court, was not.[28] The district court determined that the Lanham Act requires a claimant to have protectable trademark rights in the U.S.[29] The district court therefore dismissed Bayer's Complaint and Counterclaim.[30] The court summarized the case as follows:

> The issues in this case can be distilled into 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?[31]

The Well-Known Marks Exception to Territoriality

Although it is not clear from the Fourth Circuit's opinion, the principle of territoriality is a central tenet of both U.S. and international trademark law. This principle holds that trademark rights are bound by national borders.[32] Under international trademark law, thee major exception to the principle of territoriality is the Well-Known Marks doctrine.[33] The Well-Known Marks doctrine allows the owner of a mark in one country to police the mark and enforce its rights in other countries, even if the mark is not registered or used in those other countries, so long as the mark is "well-known."[34] A mark is well-known if it is recognizable and known as a source indicator for the mark holder in the country where it is being asserted.[35] In effect, the Well-Known Marks doctrine removes the concept of territoriality in trademark law for well-known marks, and creates a presumption of ownership without requiring registration or use.

The Well-Known Marks exception to territoriality is a regular feature of for-

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[28] Belmora LLC v. Bayer Consumer Care AG, 84 F. Supp 3d 490, 495-96 (E.D. Va. 2015), *vacated & remanded*, 819 F.3d 697 (4th Cir. 2016), *cert. denied*, 137 S.Ct. 1202 (2017) (mem.) (dismissing Bayer's false designation of origin claim, its false advertising claim, and its various state law claims).

[29] *Id.*

[30] *Id.*

[31] *Belmora*, 84 F. Supp 3d at 495.

[32] 5 McCarthy on Trademarks and Unfair Competition § 29:1 (4th ed.).

[33] Irene Calboli & Christine Farley, *The Trademark Provisions in the TRIPS Agreement*, *in* INTELLECTUAL PROPERTY AND INTERNATIONAL TRADE: TRIPS AGREEMENT 157-92 (Carlos M. Correa ed., Wolters Kluwer, 3d ed.2016).

[34] *Id.*

[35] *Id.*

eign law and can be found in both the major multilateral treaties that cover trademark law: the Paris Convention for the Protection of Intellectual Property ("Paris Convention")[36] and the Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS").[37] However, the U.S. has thus far failed to fully implement the Well-Known Marks doctrine into the Lanham Act.[38] As a result, the Well-Known Marks doctrine has had an uneven reception in U.S. courts.[39]

A number of circuit courts have confronted cases that raise issues similar to the *Belmora* case. In 1990, the Court of Appeals for the Federal Circuit, in *Person's Co., Ltd. v. Christman*, reaffirmed the principle of territoriality in trademark law.[40] The case involved a U.S. citizen who developed a clothing line based on goods he observed at and purchased from the Person's Co. clothing store in Japan during a business trip there.[41] Many of the resulting U.S. products were copied wholesale and all were marked PERSON'S, bearing the same globe design used by the Japanese Person's Co. Christman, the U.S. citizen, obtained a U.S. registration for PERSON'S before the Japanese Person's Co. expanded its business to the U.S.[42] Nonetheless, the Person's Co. sought to cancel Christman's U.S. mark based on its prior foreign use and due to Christman's bad faith adoption of the mark.[43] The Federal Circuit, however, refused to cancel Christman's mark, finding that the Person's Co.'s use of the mark in Japan did not establish its priority in the U.S.[44] Citing the principle of territoriality, the court held that neither foreign trademark registration nor use abroad can form the basis for U.S. priority.[45] Significantly, the court also held that the well-accepted principle of territoriality in trademark law also negated Person's Co.'s argument of bad faith since Christman is the senior user in the U.S. and the senior user cannot be charged with bad faith.[46] The court stated that "[k]nowledge of a foreign use does not preclude good faith adoption and use in the United States."[47]

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[36] *See id.*

[37] *See id.*

[38] § 26:31.Nationwide protection of registered marks, 5 McCarthy on Trademarks and Unfair Competition § 26:31 (4th ed.) *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 157-58 (2d Cir. 2007).

[39] Lee Ann Lockridge, *Honoring International Obligations in U.S. Trademark Law: How the Lanham Act Protects Well-Known Foreign Marks (and why the Second Circuit was Wrong)*, 84 ST. JOHN'S L. REV.1347 (2011).

[40] Person's Co., Ltd. v. Christman, 900 F.2d 1565, 1568-69 (Fed. Cir. 1990).

[41] *Id.* at 1567.

[42] *Id.*

[43] *Id.* at 1566.

[44] *Id.* at 1571-72.

[45] *Id.* at 1568-69.

[46] *Id.* at 1568-70.

[47] Person's Co., Ltd. v. Christman, 900 F.2d 1565, 1570 (Fed. Cir. 1990).

The Court of Appeals for the Second Circuit has also had an opportunity to consider an extraterritorial trademark claim. In *ITC Ltd. v. Punchgini, Inc.*,[48] an Indian corporation that owns the BUKHARA mark for a foreign restaurant chain sued some of its former employees who opened a BUKHARA restaurant in the U.S.[49] As well as the mark, the U.S. BUKHARA restaurant copied the plaintiff's décor and menu.[50] Although the plaintiff had owned and operated a BUKHARA restaurant in the U.S., it had not used or licensed the use of the BUKHARA trademark or its trade dress in the U.S. for at least the preceding five years, so the court determined that it had abandoned any rights it had in the mark.[51] The Second Circuit held that in order to state a claim of unfair competition against the owner of a U.S. trademark arising from the U.S. owner's use of the mark, "a plaintiff must demonstrate its own right to use the mark or dress in question;" it must establish "a priority right to the use" of the mark "in the United States."[52] Thus, the Second Circuit also affirmed the territoriality principle.

Most recently, the Court of Appeals for the Ninth Circuit has also faced this type of case. In *Grupo Gigante SA De CV v. Dallo & Co.*,[53] the Ninth Circuit, like the Federal Circuit and Second Circuit, recognized that the concept of territoriality is "basic to trademark law."[54] In *Grupo Gigante*, a large Mexican grocery store chain, operating under the Mexican trademark GIGANTE since 1962, sued a U.S. company that began using the mark GIGANTE MARKET in Southern California for trademark infringement and other related claims.[55] The U.S. company opened its first GIGANTE MARKET store in late 1995 in San Diego. The Mexican GIGANTE later expanded its business into the U.S. opening three stores in Los Angeles between 1999 and 2000.[56] At the time of litigation, neither company had a federally registered mark.[57] The Ninth Circuit also appreciated the importance of territoriality in trademark law, putting it in harmony with the Federal Circuit and the Second Circuit.[58] But unlike those courts, the Ninth Circuit adopted the Well-Known Marks doctrine as an exception to territoriality.[59] The foreign mark owner was thus able to prevail under this limited exception.[60]

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[48] ITC Ltd. v. Punchgini, Inc., 482 F.3d 135, 154 (2d Cir. 2007).

[49] *Id.* at 144-45.

[50] *Id.* at 144.

[51] *Id.* at 143-44.

[52] *Id.* at 154.

[53] Grupo Gigante SA De CV v. Dallo & Co., 391 F.3d 1088 (9th Cir. 2004).

[54] *Id.* at 1093.

[55] *Id.* at 1091-92.

[56] *Id.* at 1092.

[57] *Id.*

[58] *Id.* at 1092-99.

[59] *Id.* at 1097.

[60] *Id.*

Territoriality in the TTAB

Although the Fourth Circuit's opinion in *Belmora* confounded the trademark community,[61] Bayer's preceding victory in the TTABseems to have escaped broad notice. There, the TTAB ordered the cancellation of the U.S. registered mark remarkably finding that a cancellation petition based on Section 14(3) of the Lanham Act need not be supported by a protectable U.S. mark.[62]

Section 14(3) of the Lanham Act enables one to petition to cancel the registration of a mark if the mark "is being used by, or with the permission of, the respondent so as to misrepresent the source of the goods or services on or in connection with which the mark is used."[63] In order to prevail, a petitioner must show that the respondent took steps to deliberately pass off its goods as those of petitioner. That is, a petitioner must establish "blatant misuse of the mark by respondent in a manner calculated to trade on the goodwill and reputation of petitioner."[64] Willful use of a confusingly similar mark will be insufficient.[65]

The text of Section 14(3) of the Lanham Act appears to impose no requirement of a protectable mark in order to bring a claim.[66] This distinguishes Section 14(3) from other provisions of the Lanham Act, including Section 2(d), which requires the existence of prior rights in a protectable mark.[67] As a result, the possibility exists for claimants without a U.S. mark to disguise a likelihood of confusion claim as a misrepresentation of source claim under Section 14(3) in order to benefit from the less burdensome standing requirements of Section 14(3). For this reason, the TTAB stringently interprets the cause of action requirements under Section 14(3) in an attempt to limit these claims.[68] Nevertheless, it takes a much more liberal approach when considering a petitioner's standing in cancellation claims than federal courts do in infringement actions.[69]

It was precisely this dynamic that ultimately resulted in Bayer's success in the TTAB *Belmora* case. A careful review of the procedural history reveals how

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[61] *See supra* note 4.

[62] *Belmora*, 110 U.S.P.Q.2d 1632, 2014 WL 1679146, at *2 (T.T.A.B. 2014).

[63] Lanham Act 14(3), 15 U.S.C. § 1064 (2006).

[64] Otto Int'l Inc. v. Otto Kern GmbH, 83 U.S.P.Q.2d 1861, 1863 (T.T.A.B. 2007).

[65] McDonnell Douglas Corp. v. Nat'l Data Corp., 228 U.S.P.Q. 45, 47 (T.T.A.B. 1985).

[66] *See* 15 U.S.C. § 1064 (2006).

[67] *Compare* 15 U.S.C. § 1064 (2006) *with* 15 U.S.C. § 1052 (2006).

[68] E.E. Dickinson Co. v. T.N. Dickinson Co., 221 U.S.P.Q. 713 (T.T.A.B. 1984) (exemplifying one of the few cases, aside from *Belmora*, to successfully plead and cancel a U.S. registration under Section 14(3)).

[69] A.V. Brands, Inc. v. Spirits International, B.V., Cancellation No. 92043340, 2008 WL 1068777, at *4-5 (T.T.A.B. 2008) (discussing the standing requirements for a cancellation proceeding under Section 14).

the case came to be framed as it was in the final TTAB opinion. Bayer's original cancellation petition did not include a misrepresentation of source claim.[70] In two separate decisions, however, the TTAB granted Belmora's motion to dismiss the various other claims initially brought by Bayer.[71] That is, Bayer initially threw several wild punches, but failed to land a blow. These initial off-base claims may indicate why Bayer neglected to oppose Belmora's application and delayed in seeking to cancel its registration. Perhaps Bayer did not think it had the grounds to object to Belmora's mark.

When it finally did bring a cancellation petition, Bayer's initial claims appear as desperate attempts to dispute Belmora's mark as Bayer's claims missed their mark by quite a margin. In its three attempts to cancel Belmora's registration, Bayer made claims under three separate international treaties, a strategy rarely pursued in cancellation proceedings.[72] Most curiously, Bayer's petitions made claims under two treaties, the 1929 General Inter-American Convention for Trademarks and Commercial Protection[73] and the Convention for the Protection of Commercial, Industrial and Agricultural Trade Marks and Commercial Names,[74] that are not only obscure, but Mexico is not even a party to these treaties.[75] Bayer's claim under Article 6*bis* of the Paris Convention was similarly dismissed for failure to state a claim upon which relief may be granted.[76] In addition to these three unfounded treaty claims, the TTAB also dismissed Bayer's Section 2(d) and its fraud claim both because it failed to allege prior use of its mark FLANAX in the U.S.[77]

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[70] Bayer Consumer Care AG v. Belmora, Cancellation No. 92047741, 2008 WL 9870885 (T.T.A.B. 2008).

[71] *Id.* (granting Belmora's Motion to Dismiss, but granting Bayer leave to amend the pleadings); Bayer Consumer Care AG v. Belmora, 90 U.S.P.Q.2d 1587 (T.T.A.B. 2009) (granting Belmora's motion to dismiss in regard to Bayer's claims of likelihood of confusion, priority, fraud, and a violation of the Paris Convention).

[72] Bayer Consumer Care AG v. Belmora, Cancellation No. 92047741, 2008 WL 9870885, at *3 (T.T.A.B. 2008).

[73] General Inter-American Convention for Trade-mark and Commercial Protection 1929 Convention, signed at Washington, Feb. 20, 1929, 46 Stat. 2907, 124 L.N.T.S. 357.

[74] Convention for the Protection of Commercial, Industrial and Agricultural Trade Marks and Commercial Names, 44 Stat. 2494, Apr. 28, 1923.

[75] *Id.*

[76] *Id.* at *5.

[77] Bayer Consumer Care AG v. Belmora LLC, 110 U.S.P.Q.2d 1632, 2014 WL 1679146, at *2 (T.T.A.B. 2014).

Bayer Consumer Care AG v. Belmora LLC, 90 U.S.P.Q.2d 1587, 2009 WL 962811, at *1 (T.T.A.B. 2009).

With the TTAB's tolerance, Bayer persevered until it hit on the claim for misrepresentation of source.[78] As many times as the TTAB dismissed Bayer's claims, it also granted it leave to amend its petition to add new claims.[79] Ultimately, the TTAB dismissed all the claims but the single theory of a misrepresentation of source which resulted in the cancellation of the FLANAX mark.[80] Throughout, the TTAB carefully worked through all of Bayer's many contentions for why they should be able to defeat Belmora's priority.[81]

The TTAB's decision, in sharp contrast with the Fourth Circuit's decision, acknowledged the territorial principle at stake in the *Belmora* dispute. What is perhaps the most remarkable about the Fourth Circuit's *Belmora* decision is that the Court did not discuss, distinguish, or cite to either *Grupo Gigante*, *Punchgini*, or *Person's*.[82] In fact, it did not even once mention the territoriality doctrine or discuss either a well-known or "famous marks" doctrine.[83] In short, the Fourth Circuit failed to acknowledge that its ruling challenged fundamental principles of trademark law.

For this reason, the TTAB wrote a better opinion in the *Belmora* case than the Fourth Circuit did. The TTAB rightfully acknowledged the difficulty that "existing case law does not address whether [Bayer's] alleged use [of the FLANAX mark in Mexico] is sufficient to support a claim of misrepresentation of source."[84] It was also explicit that "[Bayer's] interpretation of Section 14(3) would constitute an extension of existing law."[85]

Remarkably, however, the TTAB did not acknowledge *Person's* as binding precedent in the case. In fact, it did not even mention *Person's* once in the text of its 31-page opinion. It did, however, mention *Person's* in a footnote where it distinguished that case as involving a mark with no reputation in the U.S.[86] Distinguishing *Person's*, the TTAB stated that "the facts before us present a matter of first impression."[87] The Director of the USPTO later intervened in Bayer's Fourth Circuit appeal to defend the TTAB's decision to cancel Belmora's mark, perhaps indicating its support of the TTAB's creative means for extending existing law.[88]

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[78] *Id.* at *6-7.

[79] *Id.*

[80] *Id.*

[81] *See generally id.*

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

[83] *Id.*

[84] *Id.*

[85] *Id.*

[86] *Id.* at 20, note 68.

[87] *Id.* at 10. Actually, the full quotes states: "Although the facts before us present a matter of first impression, they do not present a close case." *Id.*

[88] *See generally Belmora* 819 F.3d 697.

Unlike, the TTAB, the district court was not constrained by any binding precedent. The case was in fact a case of first impression for the district court.[89] And yet, the district court's ruling was consistent with the precedent of both the Federal Circuit and Second Circuit. Citing *Person's* and *Punchgini*, the district court discussed the territorial principle of U.S. trademark in the text of the opinion.[90] It cited *Punchgini* for the proposition that ''United States trademark rights are acquired by, and dependent upon, priority of use,''[91] and ''absent some use of its mark in the United States, a foreign mark holder generally may not assert priority rights under federal law, even if a United States competitor has knowingly appropriated that mark for his own use.''[92] As the only use of the mark in the U.S. was by Belmora, the district court concluded that Bayer could not defeat Belmora's rights.

Standing

In comparison with Article III courts, here and in other cases the TTAB appears to be more receptive to claims by parties that have neither used nor registered their marks in the U.S. In cancellation proceedings, the TTAB has had an interesting history of extending trademark protections.[93]

It is important to understand why the TTAB is seemingly more receptive than Article III courts to claims by parties that lack protectable trademarks. The reason is that its standing requirements are less stringent. The TTAB employs the "reasonable interest" and "reasonable belief" standards, which have been set by the Court of Appeals for the Federal Circuit.[94] Under this standard, a challenger

[89] Belmora LLC v. Bayer Consumer Care AG, 84 F. Supp 3d 490, 495 (E.D. Va. 2015), *vacated & remanded*, 819 F.3d 697 (4th Cir. 2016), *cert. denied*, No. 16-548, 2017 WL 737826 (U.S. Feb. 27, 2017) ("This may be a case of first impression which presents novel questions about the reach of the Lanham Act.").

[90] *Id.* at 510.

[91] *Id.* (citing *Punchgini*, 482 F.3d at 155).

[92] *Id.* (citing *Punchgini,* 482 F.3d at 156 (citing *Person's Co. v. Christman,* 900 F.2d 1565, 1569–70 (Fed.Cir.1990)).

[93] *See* British-American Tobacco Co. Ltd. v. Philip Morris Inc., 55 U.S.P.Q.2d 1585 (T.T.A.B. 2000); Diaz v. Servicios De Franquicia Pardo's S.A.C., 83 U.S.P.Q.2d 1320 (T.T.A.B. 2007); Corp. Cimex S.A. v. D.M. Enterprises & Distributors Inc., 2008 WL 5078739 (T.T.A.B. 2008) (not precedential); Franpovi S.A. v. Wessin, 89 U.S.P.Q.2d 1637(T.T.A.B. 2009).

[94] NH Beach Pizza, LLC v. Christy's Pizza Inc., Cancellation No. 9205895, 2015 WL 7772759, at *3 (Nov. 20, 2015); Jewelers Vigilance Comm. Inc. v. Ullenberg Corp., 823 F.2d 490, 493 (Fed. Cir. 1987) ("[Section 13] 'requires only a belief of damage resulting from the applicant's registration, and while that belief must have some reasonable basis in fact, this statutory provision . . . has been liberally construed . . . .") (quoting Universal Oil Prod. Co. v. Rexall Drug & Chem. Co., 463 F.2d 1122, 1124 (C.C.P.A. 1972)); Lipton Indus., Inc. v.

"must demonstrate that he possesses a 'real interest' in a proceeding beyond that of a mere intermeddler, and 'a reasonable basis for his belief of damage.'"[95]

The standing standard applicable in the TTAB enables a foreign trademark owner with no U.S. trademark to have standing. For instance, in *Empresa Cubana Del Tabaco v. Gen. Cigar Co*.,[96] where the Cuban owner of the Cuban COHIBA mark for cigars had neither a registration nor use in the U.S, the Federal Circuit held that it nonetheless "has a real interest in cancelling the Registrations and a reasonable belief that the Registrations blocking its application are causing it damage."[97] Likewise in *Belmora*, the TTAB held that Bayer had satisfied the standing requirement because, "petitioner has shown that it has an interest in protecting its Mexican FLANAX mark."[98] The impending damage to Bayer's reputation based on Belmora's FLANAX mark was sufficient to show a reasonably belief of damage.[99] The TTAB even acknowledged that the standing requirement was not much of an obstacle by stating that Bayer had "satisfied the relatively low threshold to establish its standing."[100]

This very standing test was recently rejected by the Supreme Court in *Lexmark International Inc. v. Static Control Components, Inc*. in a case involving the Lanham Act.[101] In *Lexmark*, the Court held that courts must consider whether a plaintiff fell "within the class of plaintiffs whom Congress has authorized to sue under" Section 43(a).[102] The Court further held that the Lanham Act extends a cause of action "only to plaintiffs whose interests fall within the zone of interests protected" by the statute, and only "to plaintiffs whose injuries are proximately caused by violations of the statute."[103] The *Lexmark* test for standing under Section 43(a) therefore has two components: (1) the zone-of interest test and (2) the proximate causality requirement.[104] The zone of interest test

Ralston Purina Co., 670 F.2d 1024, 1029 (C.C.P.A. 1982) ("To establish a reasonable basis for a belief that one is damaged by the registration sought to be cancelled, a petition may assert a likelihood of confusion which is not wholly without merit. . . ."). *Ritchie* set out the "real interest" and "reasonable belief" tests which added greater definiteness to the "mere intermeddler" standard. Ritchie v. Simpson, 170 F.3d 1092, 1095, 1097 (Fed. Cir. 1999).

[95] *Id.*

[96] Empresa Cubana Del Tabaco v. Gen. Cigar Co., 753 F.3d 1270, 1274 (Fed. Cir. 2014), *cert. denied*, 135 S. Ct. 1401 (2015).

[97] *Id.*

[98] *Belmora*, 110 U.S.P.Q.2d 1632, 2014 WL 1679146, at *9 (T.T.A.B. 2014).

[99] *Id.* at *10.

[100] *Id.*

[101] Lexmark International Inc. v. Static Control Components, Inc., 134 S. Ct. 1377, 1388-90 (2014).

[102] *Id.* at 1387.

[103] *Id.* at 1388, 1390.

[104] Belmora LLC v. Bayer Consumer Care AG, 84 F. Supp 3d 490, 500 (E.D. Va. 2015).

centers on whether "it can be reasonably assumed that Congress authorized that plaintiff to sue."[105]

Lexmark addressed standing in civil suits in Article III courts.[106] In a 2015 case, the TTAB distinguished *Lexmar*k as limited to Section 43(a) and not applicable to standing under sections 13 and 14.[107] Both Sections 14(3) and 43(a), however, permit suit by "any person who believes that he or she is or is likely to be damaged" by defendant's acts.[108]

Since cancellation petitions only defeat registration, while Section 43(a) actions defeat rights,[109] it may make sense to have a less stringent standing test for cancellation proceedings and a more stringent standing test for injunctions. But both types of cases are essentially disputes about which party has priority of rights in the U.S.[110] When a priority battle involves a foreign mark owner, perhaps the bar should be raised to a standard where the complainant has "protectable rights" given the principle of territoriality.[111] To achieve this recognition of territoriality, the "zone of interests" analysis in these cases should address the absence or presence of protectable rights.[112]

The district court in *Belmora* did just that: it concluded that Bayer did not fall within the zone of interests protected by Section 43(a) because it did not hold "a protectable interest in a trademark."[113] The district court used the Supreme Court's test from *Lexmark* to determine that Bayer did not have standing to

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[105] *Id.* Proximate causality requires that the plaintiff's economic or reputational injuries be tied to defendant's conduct.

[106] *Id.* at 1386.

[107] SFM, LLC v. Corcamore, LLC, Cancellation No. 92060308, at 5-6 (T.T.A.B. 2015) ("Lexmark involved a case of false advertising in a civil action arising under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); that is not the statutory provision(s) at issue in this Board cancellation proceeding.").

[108] *See* 15 U.S.C. §§ 1064, 1125(a) (2006).

[109] *Id.*

[110] Belmora LLC v. Bayer Consumer Care AG, 84 F. Supp 3d 490, 495-96 (E.D. Va. 2015), *vacated & remanded*, 819 F.3d 697 (4th Cir. 2016), *cert. denied*, No. 16-548, 2017 WL 737826 (U.S. Feb. 27, 2017).

[111] *See* DeWalt, Inc. v. Magna Power Tool Corp., 289 F.2d 656, 661 (C.C.P.A. 1961) (opining that "we think registration might well be damaging to protectible [sic] rights of opposer").

[112] *See* Lexmark International Inc. v. Static Control Components, Inc., 134 S. Ct. 1377, 1388-89 (2014).
Elk Grove Unified Sch. Dist. v. Newdow, 542 U.S. 1, 12 (2004) (quoting Allen v. Wright, 468 U.S. 737, 751)).

[113] Belmora LLC v. Bayer Consumer Care AG, 84 F. Supp 3d 490, 502 (E.D. Va. 2015), *vacated & remanded*, 819 F.3d 697 (4th Cir. 2016), *cert. denied*, No. 16-548, 2017 WL 737826 (U.S. Feb. 27, 2017).

sue.[114] The district court held that Bayer did not fall within the zone of interests because it does not hold "a protectable interest in a trademark."[115] The district court concluded that it could not reasonably be assumed that Congress authorized a plaintiff like Bayer to sue the owner of a registered U.S. trademark without a registered U.S. trademark or even a mark used in commerce in the U.S., especially when Congress specifically described the purpose of the Lanham Act to be "to protect registered marks used in [] commerce."[116] The district court noted that the Supreme Court explained that the Act "provides national protection of trademark in order to secure to the owner of the mark the goodwill of his business . . . ."[117] Further, the district court explained that the Fourth Circuit itself has "recognized that a key purpose of the Lanham Act is to protect the interests of those with a protectable interest in a mark."[118] The district court thus maintained the principle of territoriality in trademark law in the way that it approached the question of Bayer's standing.

The Reach of the Belmora Precedent

As a result of the Fourth Circuit's *Belmora* decision, a contrast exists between the Fourth Circuit and the Federal Circuit in their appreciation of the principle of territoriality. Each of these two circuits play a significant role in TTAB disputes. This is because under Section 21(b) of the Lanham Act, a litigant may forego an appeal to the Federal Circuit and opt instead to appeal a TTAB decision via a civil action.[119] Such a suit, according to the act, shall be brought in the Eastern District of Virginia. Significantly, *Belmora* is now controlling precedent in the Eastern District of Virginia. As a result, foreign mark owners like Bayer, who lack U.S. trademarks would be wise to take the option of bringing their appeal to the Eastern District of Virginia. This strategy has the dual benefit of coming within the controlling precedent of *Belmora*, and avoiding the Federal Circuit and its precedent of *Person's*.

This litigation strategy broadens the reach of *Belmora*. As a result, the major impact of the Fourth Circuit's decision in *Belmora* is that the principle of territoriality—the notion that trademark rights are national in character—has essentially been abrogated in unfair competition cases. The *Grupo Gigante* precedent, which only makes an exception to territoriality in certain cases, is binding only

[114] *Id.* at 500-06.

[115] *Id.* at 502.

[116] *Id.* at 501 (citing 15 U.S.C. § 1127).

[117] *Id.* (citing *Park 'N Fly v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198 (1985)).

[118] *Id.* (citing *Am. Petroleum Inst. v. Cooper*, 718 F.3d 347, 359 (4th Cir. 2013); *Mobil Oil Corp. v. Va. Gasoline Marketers & Auto. Repair Ass'n, Inc.*, 34 F.3d 220, 226 (4th Cir. 1994)).

[119] 15 U.S.C. § 1071 (2011).

in the Ninth Circuit.[120] But the *Belmora* precedent is not just binding in the Fourth Circuit because a party does not need to have jurisdiction in a district court in that circuit to get its benefit.[121] Instead, any party that can bring a Section 14(3) cancellation petition in the TTAB can then bring an appeal in the Eastern District Court of Virginia and in this way bypass an initial action in a district court outside of the Fourth Circuit.

Thus, the ruling in *Belmora* combined with the TTAB's flexible standing requirements actually have a broader impact. This combination enables a party to bring an unfair competition case styled as a Section 14(3) misrepresentation of source cancellation proceeding in the TTAB, then move the case to the Fourth Circuit. Therefore, the *Belmora* precedent is available to any party without a mark.

Conclusion

The Fourth Circuit's decision in *Belmora*, which allows a foreign entity to cancel a U.S. trademark registration even if the foreign entity neither has a registration nor uses the mark in the U.S., overlooks one of the fundamental principles of trademark law, territoriality. The Fourth Circuit focused its decision on whether Bayer had standing, concluding that it satisfied the *Lexmark* standard and the damage was within Bayer's "zone of interest."[122] Interestingly, the *Belmora* decision in the TTAB applied an even less demanding standard to show standing. The damage to Bayer's reputation was enough to show reasonable damage, thus satisfying standing in the TTAB.[123]

The flexible standing requirements in both the TTAB and Fourth Circuit, which allowed the Fourth Circuit to find in favor of *Bayer*, has in effect removed the principle of territoriality in trademark law. The Fourth Circuit's decision, which contrasts with decisions in the Federal Circuit, the Second Circuit and the Ninth Circuit, creates a very favorable forum for foreign litigants to attack U.S. trademarks. The TTAB oversees all cancellation claims under Section 14.[124] All of these decisions can be appealed directly to the Eastern District of Virginia, which sits in the Fourth Circuit.[125] Thus, the standing requirements upheld in *Belmora* are creating an avenue for foreign mark owners to get around the registration and use requirements of trademark law, and still have the ability to cancel U.S. marks. This goes against the principle of territoriality, a fundamental concept of trademark law.

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120 Grupo Gigante SA De CV v. Dallo & Co., 391 F.3d 1088 (9th Cir. 2004).

121 Belmora, LLC. v. Bayer Consumer Care AG, 819 F.3d 697 (4th Cir. 2016).

122 *See supra* note 97 and accompanying text.

123 *Belmora*, 110 U.S.P.Q.2d 1632, 2014 WL 1679146, at *10 (T.T.A.B. 2014).

124 15 U.S.C. § 1064 (2006).

125 15 U.S.C. § 1071 (2011).