**RECORD NOS. 18-2183, 18-2232**

In The
# United States Court of Appeals
For The Fourth Circuit

**BELMORA LLC,**

*Plaintiff – Appellee/Cross-Appellant,*

v.

**BAYER CONSUMER CARE AG, a Swiss Corporation; BAYER HEALTHCARE LLC, a Delaware Limited Liability Company,**

*Defendants - Consolidated Plaintiffs-Appellants/Cross-Appellees,*

v.

**BELMORA LLC, a Virginia Limited Liability Company; JAMIE BELCASTRO, an individual,**

*Consolidated Defendants – Appellees/Cross-Appellants,*

and

**DOES, 1-10, inclusive,**

*Consolidated Defendants.*

**ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA AT ALEXANDRIA**

**OPENING /RESPONSE BRIEF FOR APPELLEES/CROSS-APPELLANTS**

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UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT
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No. 18-2183(L) Caption: Belmora LLC v. Bayer Consumer Care AG et al.

Pursuant to FRAP 26.1 and Local Rule 26.1,

BELMORA LLC and JAMIE BELCASTRO
(name of party/amicus)

who is appellee, makes the following disclosure:
(appellant/appellee/petitioner/respondent/amicus/intervenor)

1. Is party/amicus a publicly held corporation or other publicly held entity? ☐ YES ☑ NO

2. Does party/amicus have any parent corporations? ☐ YES ☑ NO
If yes, identify all parent corporations, including all generations of parent corporations:

3. Is 10% or more of the stock of a party/amicus owned by a publicly held corporation or other publicly held entity? ☐ YES ☑ NO
If yes, identify all such owners:

4. Is there any other publicly held corporation or other publicly held entity that has a direct financial interest in the outcome of the litigation (Local Rule 26.1(a)(2)(B))? ☐ YES ☑ NO
If yes, identify entity and nature of interest:

5. Is party a trade association? (amici curiae do not complete this question) ☐ YES ☑ NO
If yes, identify any publicly held member whose stock or equity value could be affected substantially by the outcome of the proceeding or whose claims the trade association is pursuing in a representative capacity, or state that there is no such member:

6. Does this case arise out of a bankruptcy proceeding? ☐ YES ☑ NO
If yes, identify any trustee and the members of any creditors' committee:

Signature: /s/ Joel G. MacMull Date: October 22, 2018

Counsel for: Appellees

## CERTIFICATE OF SERVICE

**************************

I certify that on 10-22-2018 the foregoing document was served on all parties or their counsel of record through the CM/ECF system if they are registered users or, if they are not, by serving a true and correct copy at the addresses listed below:

/s/ Joel G. MacMull
(signature)

October 22, 2018
(date)

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## JURISDICTIONAL STATEMENT

In 2014, the U.S. Patent and Trademark Office ("USPTO") canceled Belmora LLC's ("Belmora") FLANAX trademark registration pursuant to § 14(3) of the Lanham Act, 15 U.S.C. § 1064(3). Section 14(3) permits cancellation of a registration "being used . . . to mispresent the source of the goods or services on or in connection with which the mark us used." 15 U.S.C. § 1064(3). The district court had jurisdiction under 15 U.S.C. § 1071(b) because this action is, in part, an appeal from a determination of the Trademark Trial and Appeal Board ("TTAB"). The district court also had diversity jurisdiction under 28 U.S.C. § 1332. The parties filed timely notices of appeal and cross-appeal on October 3, 2018 and October 17, 2018, respectively. J.A.[1] 899-903. This Court has jurisdiction pursuant to 28 U.S.C. § 1291.

## STATEMENT OF ISSUES PRESENTED FOR REVIEW

1. Did the district court conclude correctly that the statute of limitations barred appellants' claims where the evidence established that appellees knew of the allegedly infringing use almost ten years before filing suit?

2. Does the record evidence establish, notwithstanding that the district court did not reach the issue, that each of appellants' claims for relief is barred by laches where the evidence shows appellants knew of the allegedly infringing use

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[1] All citations to parties' Joint Appendix appear herein as "J.A. ___."

almost ten years before filing suit, but unreasonably waited to file suit and the delay prejudiced appellees?

3. Did the district court err when it granted summary judgment in favor of appellants on appellees' counterclaims where the record evidence supports a prima facie case with respect to each of them and the district court weighed the evidence?

4. Did the district court err when it affirmed a 2014 decision by the TTAB where (1) it failed to apply the legal standard set forth in *Kappos v. Hyatt*, 566 U.S. 431 (2012); (2) appellants failed to demonstrate a protectable interest in the FLANAX mark in the United States; and (3) it failed to consider new evidence properly made part of the record pursuant to 15 U.S.C. § 1071(b)?

## INTRODUCTION

This is the second time this Court has presided over this longstanding dispute regarding whether appellees and cross-appellants Belmora LLC and Jamie Belcastro (collectively, "Belmora" or "Appellees") infringed upon the alleged trademark rights or engaged in unfair competition by using the trademark FLANAX. The claimant, Bayer Healthcare LLC ("BHC"), is a U.S. company that does not use FLANAX; rather, its Mexican affiliate, Bayer Consumer Care AG ("BCC")[2], does – in Mexico, not in the U.S. BHC, the U.S. entity, has nevertheless prosecuted civil claims against

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[2] BCC and BHC (collectively, "Bayer") are a part of Bayer AG, a multi-national corporation. J.A. 103.

Belmora, the registrant and only user of the mark in the U.S., to maintain market dominance of its near-identical product, sold under the name ALEVE.

In bringing this action, however, Bayer waited until far past the statute of limitations and until after Belmora had established and invested substantially in the Flanax brand in the U.S. The district court, recognizing this, dismissed the claims as time-barred. J.A. 887-90. Bayer has appealed. Appellees, in turn, cross-appeal from the district court's entry of summary judgment dismissing their counterclaims.

## STATEMENT OF THE CASE

### A. Factual Background

Belmora is a limited liability company formed in 2002 owned and operated by Jamie Belcastro. J.A. 155 Belmora sells over-the-counter pain relievers, particularly analgesic naproxen, under the FLANAX name in the U.S. J.A. 155. It is undisputed this mark was never used in the U.S. before Belmora first used it in 2004.

Belmora has built a growing brand through advertising and marketing, including in print, television, radio and other venues. J.A. 117, 119, 268, 281, 546, 905, 946. It has also registered domain names containing variations of its marks, and actively polices the use of its marks. J.A. 133, 135. The USPTO registered the FLANAX mark, for which Belmora had applied in October of 2013, on February 1, 2005. J.A. 174.

Bayer neither has nor claims U.S. trademark rights in FLANAX. J.A. 309. Bayer de Mexico, which is not a party to this lawsuit, sells FLANAX-branded naproxen sodium products in Mexico. J.A. 136. It licenses the FLANAX trademark from BCC, which it uses to sell naproxen sodium analgesics. J.A. 136. While that product may not be sold in the U.S. because of its dosage, Bayer has admitted knowing about illegal sales of Mexican FLANAX in the U.S. J.A. 107, 219-21. Belmora's counterclaims allege that Bayer has committed trademark infringement and unfair competition and violated the Tariff Act because it is involved in or willfully blind to the unlawful importation and sale of Mexican FLANAX in the U.S. J.A. 107, 266-96.

Belmora's counterclaims also allege that Bayer has engaged in unlawful anticompetitive conduct by prohibiting the sole U.S. manufacturer of naproxen sodium liquidgels from selling to Belmora. J.A. 266-96. Liquidgels, which have certain advantages over tablets and capsules, are an important product option for analgesics. In 2007 the FDA first approved the application of one company, Banner Pharmacaps Inc. ("Banner"), to produce naproxen sodium liquidgels. J.A. 880, 911. Banner then entered into a supply agreement with Bayer, which sells Banner-produced naproxen sodium liquidgels under the ALEVE brand. J.A. 909. In 2015, Bionpharma Inc. ("Bionpharma") bought Banner's business and took over as the only FDA approved source for naproxen sodium liquidgels. J.A. 916. In January

2017 Bionpharma entered into a supply agreement with Bayer. J.A. 916. While Bionpharma also supplies naproxen sodium liquidgels to national chains for private label sale the Bionpharma agreement with Bayer allows Bayer to veto any sale of naproxen sodium liquidgels to Bayer's competitors. J.A. 918-19.

In 2017, a company called PL Developments agreed with Belmora to package naproxen sodium liquidgels for sale under Belmora's FLANAX brand. J.A. 1096-1110, 1281-88. But when Bayer learned that the ultimate customer for this order from Bionpharma was Belmora, it prohibited their sale to PL Developments. J.A. 1096-1100, 1287-88. Unable to purchase these inputs to its production anywhere else, Belmora lost the opportunity to compete with Bayer's Aleve in this growing category.

### B. Prior Proceedings

On June 29, 2007, Bayer petitioned the TTAB to cancel Belmora's registration for the FLANAX mark, claiming that Belmora's use and registration of the FLANAX mark violated § 14(3) of the Lanham Act (15 U.S.C. § 1064(3)) because it misrepresented the source of Belmora's goods. J.A. 60. In 2014, after discovery and a hearing, the TTAB cancelled Belmora's FLANAX registration. J.A. 71.

Belmora appealed the TTAB's cancellation order on June 3, 2014 to the Federal Circuit. J.A. 68. BCC vetoed Belmora's appeal to the Federal Circuit, electing a civil action pursuant to 15 U.S.C. § 1071(a)(1). J.A. 151.

In the district court, Belmora argued that the TTAB erred in finding that Bayer had standing or a cause of action under § 14(3) and that Belmora had misrepresented the source of its goods. Belmora also sought a declaration that it did not violate the false association and false advertising provisions of Lanham Act § 43(a) as alleged by Bayer. Bayer filed a counterclaim challenging the TTAB's dismissal of its Paris Convention treaty claims.

On February 6, 2015, the Hon. Gerald Bruce Lee, U.S.D.J., granted Belmora's motion to dismiss Bayer's claims, distilling them into one 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?" *Belmora LLC v. Bayer Consumer Care AG*, 84 F. Supp. 3d 490, 495 (E.D. Va., 2015). Answering in the negative, the district court dismissed Bayer's claims[3] and ruled that because Bayer made no claim to U.S.

[3] More precisely, the district court declined to exercise supplemental jurisdiction over Bayer's state law claims. 84 F. Supp. at 507.

trademark rights in FLANAX, it had no standing under the Lanham Act. *Id.* at 513-15.

Bayer appealed to this Court and the USPTO intervened to defend the TTAB's decision. This Court reversed and remanded Judge Lee's standing decision, relying on *Lexmark Int'l, Inc. v. Static Control Components, Inc.,* 572 U.S. 118 (2014) while acknowledging that Belmora owned the FLANAX trademark. *See Belmora LLC v. Bayer Consumer Care AG*, 819 F.3d 697, 713-715 (4th Cir. 2016). Belmora's petition for rehearing *en banc* was denied on July 23, 2016, (15-1335, Doc: 65) as was Belmora's petition for a Writ of Certiorari, supported by an amicus brief from the International Trademark Association, on February 27, 2017. (16-548, Oct. 20, 2016.)

Following remand to the Eastern District of Virginia, Belmora on May 5, 2017 answered Bayer's Complaint and filed counterclaims which included the affirmative defenses of the statute of limitations and laches. J.A. 258. Belmora's counterclaims were for (1) trademark infringement under §§ 15 and 33(b) of the Lanham Act, 15 U.S.C. §§ 1065 and 115(b); (2) common law trademark infringement; (3) unfair competition and false designation of origin in violation of the Lanham Act 15 U.S.C. § 1125(a) and common law; (4) importation of unauthorized goods in violation of § 526 of the Tariff Act of 1930 (as amended, 19 U.S.C. § 1526); (5) importation of infringing goods in violation of the Lanham Act 15 U.S.C. § 1124; (6)

monopolization under Section 2 of the Sherman Act; and (7) tortious interference with contract and prospective economic advantage. J.A. 288-295.

On November 17, 2017, the parties filed cross-motions for summary judgment. J.A. 28-29. After oral argument on December 15, 2017 (J.A. 34), the district court, Hon. Claude M. Hilton, U.S.D.J., presiding following Judge Lee's retirement, granted both parties' cross-motions. J.A. 876. An opinion followed on September 6, 2018. J.A. 877. That same day the district court also issued an order granting the cross-motions and affirming the TTAB's 2014 decision. J.A. 898.

## SUMMARY OF ARGUMENT

The district court properly found that each of Bayer's claims were barred by the applicable limitations period in California, which applies because of Bayer's original filing in California. There are no disputed material facts regarding Bayer's delay, and the district court followed settled California law in finding that "Bayer's filing of this action misses the statute of limitations by almost a decade," which began to run from the time Bayer knew or should have known about its Lanham Act claims. J.A. 888.

The record also established that Bayer's claims are barred by laches, because Bayer failed to act after acquiring both constructive and actual knowledge of Belmora's use of FLANAX in the U.S. Bayer had constructive knowledge of Belmora's activities since at least September of 2004 based on Belmora's USPTO filings. It is also undisputed that Bayer had actual knowledge through its in-house counsel no later than June 13, 2006 – eight years before Bayer first brought suit in California.

Bayer's excuses for its delay do not make its presumptively unreasonable delay reasonable. But on appeal Bayer asks this Court to find as a matter of law that its June 2007 petition in the TTAB tolled the limitations period for its infringement claims. Bayer also appeals on a ground not decided by the district court, arguing that Belmora is not entitled to assert laches. But the district court's decision comported with the record and with settled California law, and fell easily within its discretion.

The district court did err, however, in granting Bayer summary judgment on Belmora's counterclaims. The record shows that Belmora demonstrated at least the existence of material facts demonstrating that Bayer was willfully blind to the infringing and unlawful importation of Mexican Flanax into the U.S., which it had the power to stop, and which infringed Belmora's FLANAX trademark. Belmora also came forward with evidence sufficient to go to trial regarding Bayer's liability under the Sherman Act for blocking the sale to Belmora of a needed input, naproxen sodium liquidgels, from the only U.S. supplier. In so doing, the district court disregarded settled principles of summary judgment, misconstrued fundamental legal standards and effectively created an unwarranted rule of legal immunity for Bayer, constituting reversible error.

## STANDARD OF REVIEW

### A. Review of Summary Judgment Based on Statute of Limitations.

An appellate court reviews a district court's grant of summary judgment *de novo*. *See PBM Prods., L.L.C. v. Mead Johnson Nutritionals, L.L.C.,* 639 F.3d 111, 119 (4th Cir. 2011). Summary judgment awarded on grounds that an action is time barred under the applicable statute of limitations under foreign state law is subject to *de novo* review. *See Timothy v. Bos. Sci. Corp.*, 665 F. App'x 295, 296 (4th Cir. 2016).

### B. Review of Summary Judgment Based on Laches.

As an equitable doctrine, the application of laches is primarily addressed to the discretion of the district court. *See Daingerfield Island Protective Soc. v. Kaidanow*, 920 F.2d 32, 38 (D.C. Cir. 1990). The standard of review is, therefore, abuse of discretion. *See PBM Prods.,*639 F.3d at 120. This Court has not hesitated to affirm a district court's discretion to apply equitable defenses on summary judgment. *See*, e.g., *Elliott's Enterprises, Inc. v. Flying J, Inc.*, 141 F.3d 1158 (4th Cir. 1998). Affirmance "is not limited to the grounds the district court relied upon, and we may affirm [a district court's decision] on any basis fairly supported by the record." *Lawson v. Union Cty. Clerk of Court*, 828 F.3d 239, 247 (4th Cir. 2016), *as amended* (July 8, 2016) (internal quotation marks and citations omitted).

## ARGUMENT

### I. EVEN IF TOLLING WERE APPLICABLE, BAYER HAS FAILED TO COMPLY WITH THE STATUTORY SCHEME OF 15 U.S.C. § 1071 PRECLUDING THE TOLLING OF ITS CLAIMS.

As a threshold matter, Bayer's argument for tolling of five claims it asserted for the first time in a California district court in June 2014 is squarely undercut by the statutory scheme of 15 U.S.C. §1071, which gives a party seeking review of a TTAB ruling the option of appeal to the Federal Circuit or *de novo* trial in a federal district court. Under 15 U.S.C. § 1071(a)(1), if one party has already filed an appeal of an *inter partes* dispute to the Federal Circuit, an adverse party may, within twenty (20) days, elect to have the case reviewed by a federal court in a civil action, in which case the Federal Circuit appeal is dismissed. Thus, an appeal to the Federal Circuit can proceed only with the consent of all the parties. By the same token, only the appellant – here, Belmora – has the right to seek review before a district court. *See* 15 U.S.C. § 1071(a)(1). The statute does not provide for an appellee – here, BCC – to elect the forum of a civil action.

In this case, Bayer "elected" to proceed in California – but under § 1071, it had no power to do so. Three days after Belmora filed its June 3, 2014 Notice of Appeal from the TTAB's April 17th cancellation decision to the Federal Circuit pursuant to § 1071, Bayer sued Belmora in the Southern District of California. J.A. 69, 223. On June 9, 2014, Bayer voluntarily dismissed its Complaint because it was "filed in the wrong district" and refiled its Complaint in the Central District of California. J.A. 45, 223. Four days later, on June 13, 2014, BCC filed its Notice of Election to Have Review by Civil Action, which states, "[BCC] hereby gives notice that it elects to have all further proceedings in this matter conducted as a civil action pursuant to 15 U.S.C. § 1071(b)." J.A. 152.

Bayer's argument for tolling is based on the premise that its infringement claims relate back to its cancellation petition in the USPTO and the subsequent proceeding before the TTAB. (Opening Br.[4] at 22, 27-29.) Its analogy is to the general requirement that a party exhaust its administrative remedies before proceeding in the district court. But that does not apply where, as here, there is *no connection* between the administrative proceedings because no district courts *ever had subject matter jurisdiction* over Bayer's claims, as opposed to Belmora's, under 15 U.S.C. § 1071. And subject matter jurisdiction, "because it involves a court's power to hear a case, can never be forfeited or waived." *Arbaugh v. Y&H Corp.*, 546 U.S. 500, 514 (2006).

Bayer cannot tie its affirmative California complaint to the TTAB proceedings because that filing was actually a nullity under 15 U.S.C. § 1071, which provides

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[4] All citations to the Brief of Appellants Bayer Consumer AG and Bayer Healthcare LLC dated December 14, 2018 (Doc: 24) appear herein as "Opening Br. at ___."

that Bayer's only path to relief in the district court was in the form of *counterclaims* to a case filed by Belmora as the party appealing from the TTAB. While Bayer's claims were ultimately consolidated into the action filed by Belmora in the Eastern District of Virginia appealing the TTAB's decision, BCC's failure to timely perfect those claims – due to its eagerness to acquire what it then, for strategic reasons, deemed a superior forum for litigation – is fatal to its equitable tolling argument.

## II. CALIFORNIA LAW DETERMINES THE APPLICABLE LIMITATIONS PERIOD

When the law to be applied to a lawsuit is geographically non-uniform, a transferee court applies the law of the transferor forum. *See Van Dusen v. Barrack,* 376 U.S. 612, 639 (1964); *see also Trull v. Dayco Prod., LLC*, 178 F. App'x 247, 249 (4th Cir. 2006). It is undisputed that California law governs the limitations of actions in this case because Bayer's claims were first filed in a federal court in that state. (Opening Br. at 24.) As shown below, California courts have unequivocally rejected Bayer's argument that by filing a petition to cancel Belmora's FLANAX registration, it tolled the limitations period. (Opening Br. at 22.) Bayer's brief, however, relies extensively on decisions from other jurisdictions. Having chosen California as the place to file its original claim against Belmora, Bayer is in no position to evade the effect of that state's substantive law.

## III. THE DISTRICT COURT CORRECTLY DISMISSED BAYER'S FEDERAL CLAIMS FOR UNFAIR COMPETITION AND FALSE ADVERTISING AND ATTENDANT CALIFORNIA STATE LAW CLAIMS

### A. Federal Unfair Competition Claims Under § 43(a)(1)(A) of the Lanham Act is Governed by a Three or Four-Year Statute of Limitations Period in California.

Citing *Lexmark Int'l, Inc. v. Static Control Components, Inc*., 572 U.S. 118 (2014), Bayer claims "the district court erred by reading a statute of limitations into the Lanham Act where none exists." (Opening Br. at 36.) That argument has long been rejected by the Ninth Circuit. *See Jarrow Formulas, Inc. v. Nutrition Now, Inc*., 304 F.3d 829, 836 (9th Cir. 2002); *Karl Storz Endoscopy America v. Surgical Tech*. 285 F.3d 848, 857 (9th Cir. 2002). Nothing in *Lexmark* changed that, as demonstrated by numerous post-*Lexmark* decisions. *See*, e.g., *Pinkette Clothing, Inc. v. Cosmetic Warriors Ltd*., 894 F.3d 1015, 1025 (9th Cir. 2018) (applying California's four year statute of limitations to federal infringement claim in affirming laches bar); *Tortilla Factory, LLC v. Better Booch, LLC*, Case No. 18-cv-02980, 2018 WL 4378700, at *5 (C.D. Cal. Sept. 13, 2018) (applying California's three year statute of limitations for fraud to federal infringement claim in dismissing complaint); *V.V.V. & Sons Edible Oils, Ltd. v. Meenakshi Overseas LLC*, Case No. 14-cv-02961, 2016 WL 1268008, at *9 (E.D. Cal. Mar. 31, 2016) (applying California's four year statute of limitations to federal unfair competition claims).

Courts in the Ninth Circuit have repeatedly applied California's three-year statute of limitations for fraud to Lanham Act claims brought in California. *See,* e.g., *Karl Storz,* 285 F.3d at 857 (applying fraud statute of limitations to §§ 32 and 43(a) claims); *Small Axe Enters. v. Amscan, Inc.,* Case No. 16-cv-00981, 2017 WL 1479236, at *4 (S.D. Cal. Apr. 24, 2017); *Baby Trend, Inc. v. Playtex Prods., LLC*, Case No. 13-cv-647, 2013 WL 4039451, at *2-3 (C.D. Cal. Aug. 7, 2013). California law is also clear that the limitations period runs from the time the claimant knew or should have known about its Lanham Act claims. *See Karl Storz*, 285 F.3d at 857; *Jarrow* 304 F.3d at 838. Some courts, however, have applied California's four-year period for state trademark infringement and unfair competition claims. *See*, e.g., *Internet Specialties W., Inc. v. Milon-Digiorgio Enters*., 559 F.3d 985, 990 n.2 (9th Cir. 2009); *Fitbug Ltd. v. Fitbit, Inc*., 78 F. Supp. 3d 1180, 1189 (N.D. Cal. 2015).

Whether the three- or four-year limitation is applied, the difference is immaterial because, as the district court correctly noted, "Bayer's filing of this action misses the statute of limitations by almost a decade." J.A. 888. Indeed, there are no fewer than six different dates from the undisputed record that establish Bayer's constructive or actual knowledge before it filed suit on June 9, 2014. J.A. 45. These include:

- September 19, 2004: The USPTO issuance of a suspension letter to BCC's predecessor in interest on for the '157 Application, citing Belmora's earlier filed '029 Application. (J.A. 391-92);

- May 16, 2005: The USPTO mailed BCC's predecessor in interest an office action refusal of its '157 Application, citing Belmora's then-issued '440 Registration for the FLANAX mark. (J.A. 217-18, 387-88);

- June 13, 2006: Bayer's in-house counsel was explicitly aware of Belmora's use of the FLANAX mark in commerce. (J.A. 409, 414);

- February 1, 2005: The date the USPTO registered Belmora's trademark for FLANAX. (J.A. 174);

- July 30, 2009: The date Bayer's in-house counsel, Richard Bullitt, sent an email regarding Belmora's use of the FLANAX mark to Bayer's Lisa Halprin. (J.A. 421-22, 427); and

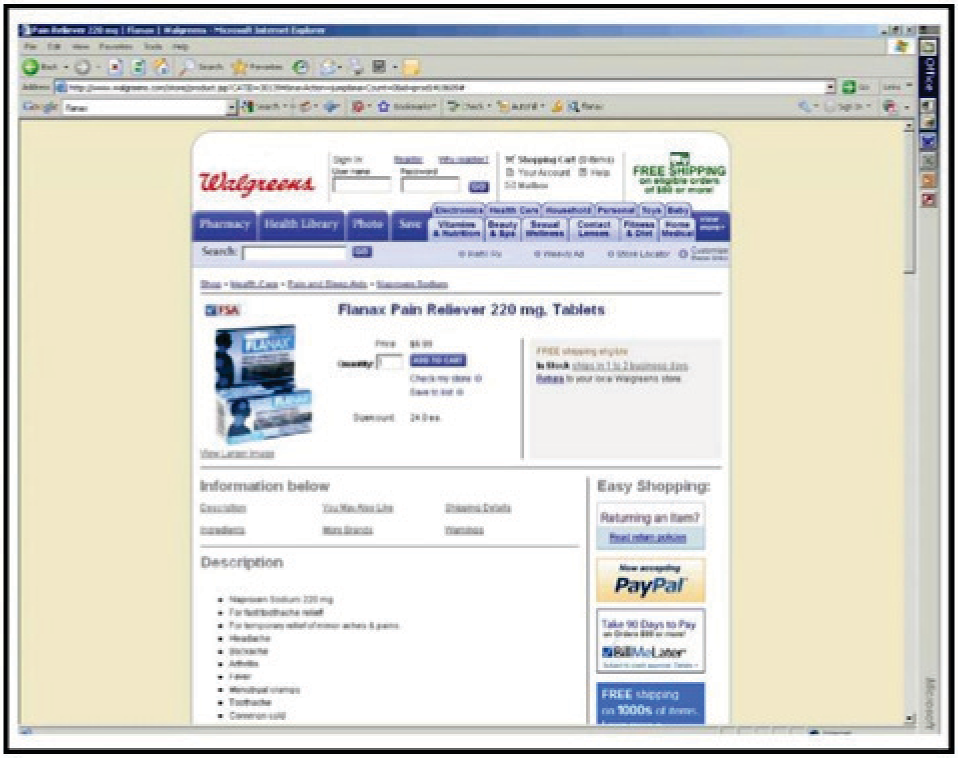
- August 19, 2009: The TTAB deposition of Jamie Belcastro, at some point before which BCC and Bayer Healthcare independently discovered a version of Exhibit B to their Complaint that contained the statements on which their Lanham Act claims are premised. (J.A. 429-31).

Not one of these dates relies on an obscure technicality or a legalistic "gotcha." All but one of them involved hands-on, substantive engagement by Bayer or its predecessor in interest with the fact of Belmora's use, or intended use, of the FLANAX mark. And the one that was not – the date the USPTO registered the mark to Belmora in February 2009 – constitutes a legal imputation of knowledge at the statutory level which is fundamental to the registration scheme of the Lanham Act. "Registration of a mark on the principal register provided by this Act ... shall be constructive notice of the registrant's claim of ownership thereof." 15 U.S.C. § 1072; *see also Maktab Tarighe Oveyssi Shah Maghsoudi, Inc. v. Kianfar*, 179 F.3d 1244, 1249 (9th Cir. 1999) (trademark registration "constitutes prima facie evidence that [the registrant] owns the marks. . . . It also provides constructive notice of the claimed ownership of the marks").

The July 2009 email by Bayer attorney Bullitt about Belmora's use of the FLANAX mark is as powerful a demonstration of an affirmative decision by Bayer to sleep on its rights as could be imagined. In an email bearing the subject line "Flanax in the US???" Bayer's counsel asks, ultimately employing no fewer than eleven question marks, as follows in response to learning about Belmora's activities:

> What the hell is that???
> Belmora LLC is selling Naproxen with our Global Brand name????
> Are you aware of this?

Bullitt's email even includes a screenshot of Belmora's 220 mg Naproxen Sodium FLANAX branded pain reliever available for purchase on Walgreen's online pharmacy, as shown below:




J.A. 421-22, 427. Bayer nonetheless took no action to stop Belmora from using the FLANAX mark until the Bayer Complaint was filed almost eight years later on June 9, 2014. J.A. 45.

While Bayer does not disagree as to the length of the statutory period, i.e., "either three or four years, depending on the claim" it does disagree about its effect. (Opening Br. at 25.) Bayer contends that "[*t*]*his Court* has a well-established rule that plaintiffs are permitted to pursue unfair competition claims as long as the challenged conduct is ongoing, as it is here, even if the plaintiff filed its complaint after an applicable limitations period has expired as to earlier instances of the same conduct." (Opening Br. at 21; emphasis added.) The problem, however, is that "this Court" is the U.S. Court of Appeals for the Fourth

Circuit – but the applicable rule of decision, as Bayer admits, must be based on the law of California. (Opening Br. at 24.) Indeed, Bayer's authority for the proposition that the filing of a TTAB proceeding tolls the limitations consists entirely of cases from districts outside of California that are decades old. (Opening Br. at 22.)

The district court, however, properly applied the law as courts do in California, holding that USPTO proceedings directed at *registration* do not toll the period for bringing an action for *infringement*: "Although an opposition proceeding attacks a pending registration application and a cancellation proceeding attacks an existing registration, both are, as a practical matter, directed to the same goal, i.e., prevention of federal registration of a mark." *JIPC Mgmt., Inc. v. Incredible Pizza Co.,* No. 08-cv-4310, 2009 WL 10671438, at *10, n. 64 (C.D. Cal. June 24, 2009) (time bar analysis applies equally to a cancellation proceeding as it does an opposition proceeding). California's rule is consistent with the consensus of other courts that have considered the question. *See*, e.g., *James Burrough Ltd. v. Sign of Beefeater, Inc.*, 572 F.2d 574, 578 n. 5 (7th Cir. 1978), citing *Merrick v. Sharp & Dohme*, 185 F.2d 713, 716-17 (7th Cir. 1951) (a "Notice of Opposition to Registration is not a claim of infringement; it is merely an assertion by the owner of a trademark that the applicant's proposed mark is likely to confuse the public as to the source of the product or service, and simply seeks to prevent the proposed registration"). The district court was correct on this point, and should be affirmed.

### B. Bayer's Filing of its Petition to Cancel Belmora's FLANAX Registration Did Not Toll the Statutory Limitations Period Barring Bayer's Affirmative Claims for Relief.

Bayer nonetheless argued in the district court, that under California law, the rule of *McDonald v. Antelope Valley Cmty. Coll. Dist.*, 45 Cal. 4th 88, 102 (2008) that "pursuit of an administrative remedy tolls the applicable statute of limitations, even where, as here, the administrative remedy is not a mandatory prerequisite," governs Lanham Act infringement claims. (14-cv-00847, Dkt. No. at 12.) The district court properly disregarded this argument and, notably, Bayer has, on this appeal, abandoned its reliance in *McDonald*. As shown below, its retrofitted approach, however, is no more availing.

#### 1. Registration is Not a Prerequisite to an Infringement Action

The fatal flaw of Bayer's administrative remedy argument is that it is premised on the need to exhaust administrative remedies before proceeding with litigation concerning certain claims. That rubric, however, is irrelevant here, both because of Bayer's failure to comply with the statutory scheme of § 1071, as discussed above, and because "registration is not a prerequisite to an infringement action. Rather, it is a separate proceeding to decide separate rights." *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1305 (2015). This Court also acknowledged that distinction, writing, "If successful, the result of a § 14(3) petition 'is the cancellation of a registration, not the cancellation of a trademark.' . . . Cancellation of registration strips an owner of 'important legal rights and benefits' that accompany federal registration, but it 'does not invalidate underlying common law rights in the trademark.'" *Belmora LLC,* 819 F.3d at 714 (quotations and citations omitted). Bayer's suggestion that its petition to cancel Belmora's FLANAX registration "put Belmora on notice that Bayer objected to both [Belmora's] registration and use of the FLANAX mark" (Opening Br. at 27, 29) is, therefore, a non-starter.

Even if the vague concept of "notice" were the applicable test for tolling the statute of limitations in California, and it is not,[5] Bayer did nothing before filing its infringement action in June 2014 that can be construed as putting Belmora on notice that Bayer intended to take affirmative legal action to "invalidate [its] underlying common law rights" in its FLANAX trademark.[6] As discussed *infra*, the longer

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5 Although addressed in further detail below, laches is based on the plaintiff's delay in beginning litigation, not on the information a defendant has regarding a claim. *See Nealey v. Transportacion Maritima Mexicana, S.A.*, 662 F.2d 1275, 1280 n.6 (9th Cir. 1980) ("[T]he delay, which the defense (of laches) contemplates, is not delay in bringing claims to the attention of the defendant. It is . . . delay on the part of the plaintiff in *instituting litigation* on his claims . . . .") (emphasis added).

6 The use of possessive adjective "its" as opposed to the definite article "the" is intentional here and arises from this Court's language from the prior appeal: "we are not concluding that BCC has any specific trademark rights to the FLANAX mark in the United States. Belmora owns that mark." *Belmora LLC*, 819 F.3d at 713.

Bayer went purporting to take issue with Belmora's *use* of the FLANAX mark without taking legal action to stop it, the weaker its "notice" argument becomes. The *dictum* relied on by Bayer from *Alfred Dunhill of London, Inc. v. Kasser Distillers Prod. Corp.*, 350 F. Supp. 1341, 1367 (E.D. Pa.), *aff'd*, 480 F.2d 917 (3d Cir. 1973), a 45-year-old case decided under Pennsylvania law, is inapposite. (Opening Br. at 28.) *Alfred Dunhill* involved laches, not a statute of limitations; an opposition proceeding, not a cancellation proceeding; and a five-year delay of use without protest from the plaintiff – not a whole decade, as is the case here.

Bayer also misrepresents Professor McCarthy's comments in his treatise, reformulating the section it cites to by stating "filing an opposition or cancellation proceeding before the TTAB constitutes 'a sufficient reason for waiting to file' a suit in federal court." (Opening Br. at 22) Yet, that section makes *no reference whatsoever* to cancellation proceedings. (*Compare id. with* 6 McCarthy on Trademarks and Unfair Competition ("McCarthy") § 31:16 (5th ed. 2018).) In fact, the passage cited by Bayer goes on to state, in reference to patent cases, "in the absence of notice to the alleged infringer that the patentee was delaying enforcement until conclusion of the other litigation, that other litigation is no excuse. . . . *Such a sensible limitation on the "other litigation" defense could be applied to trademark infringement suits as well.*" *Id.*; emphasis added.

Finally, Bayer's suggestion that it is exempt from the statute of limitations because the "district court's decision would lead to unnecessary federal litigation and a waste of judicial resources" has no support in law or common sense. (Opening Br. at 30.) In fact, it ignores the rule of *B&B Hardware*, disregarding the distinction between a cancellation petition and a lawsuit seeking affirmative relief for unfair competition. *See* 135 S. Ct. at 1309.

### C. The District Court Was Correct Not to Apply Equitable Tolling to The Limitations Period.

Even if initiation of TTAB proceedings could ever toll the statute of limitations for affirmative Lanham Act claims, Bayer would not be entitled to equitable tolling under the facts here. That is because a litigant may merit equitable tolling of a statute of limitations only by showing "(1) that he has been pursuing his rights diligently, and (2) that some extraordinary circumstance stood in his way and prevented timely filing.'" *Menominee Indian Tribe v. United States*, 136 S. Ct. 750, 755 (2016). "[T]he second prong of the equitable tolling test is met only where the circumstances that caused a litigant's delay are both extraordinary *and* beyond its control." *Id*. at 756; emphasis added. This is a high bar, and equitable tolling will be "unavailable in most cases." *Miranda v. Castro*, 292 F.3d 1063, 1066 (9th Cir. 2002). "[T]he threshold necessary to trigger equitable tolling is very high, lest the exceptions swallow the rule." *Quick Korner Mkt. v. U.S. Dept. of Agric., Food & Nutrition Serv.*, 180 F.Supp.3d 683, 692-93 (S.D. Cal. 2016). "Circumstances attributable to a party's own misunderstanding of the law or tactical mistakes in litigation do not meet this standard." *Id.* at 693. Moreover, facts in support of equitable tolling must be pled. *See* 730 F. App'x 513, 514 (9th Cir. 2018).

Bayer meets none of these requirements and, what it does serve up – vague policy arguments[7] – cannot equitably toll California's limitations periods, as numerous decisions demonstrate. *See*, e.g., *Mackell v. Wells Fargo Home Mortg.*, No. 16-cv-04202, 2017 WL 373077, at *6 (N.D. Cal. Jan. 26, 2017) (rejecting policy argument in support of equitable tolling of statute of limitations barring home owner's action against lender); *Feinstein v. Serv. Sols. Grp. LLC*, No. 08-cv-1174, 2013 WL 12204399, at *8 (S.D. Cal. May 20, 2013 ) (rejecting plaintiff's policy argument that equitable tolling should be applied to save her claims under California law because it prevents duplicative litigation); *see also Poppe v. United States*, 690

[7] Bayer's reliance on *B&B Hardware* for this argument is misplaced for all sorts of reasons, including that the Supreme Court cautioned in *B&B Hardware* that "[i]ssue preclusion may be inapt if 'the amount in controversy in the first action was so small in relation to the amount in controversy in the second that preclusion would be plainly unfair.'" *B & B Hardware,* 135 S. Ct. at 1309 (alterations removed) (*quoting* Restatement (Second) of Judgments § 28 cmt. j). As the High Court noted, "few litigants would spend $50,000 to defend a $5,000 claim." *Id.* (*quoting* 18 Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, Federal Practice & Procedure § 4423 at 612 (2d ed. 2002)). Further, the holding in *B&B Hardware* did not abandon the traditional requirements of the doctrine's application, i.e., *the actual adjudication of the same issue* in previous litigation *between the same parties*. *See Beauchamp v. Anaheim Union High Sch. Dist.*, 816 F.3d 1216, 1225 (9th Cir. 2016). Here, neither of these two preconditions are met.

Fed. App'x 480, 481 (9th Cir. 2017) (affirming dismissal of time-barred claim because appellant "has not identified any extraordinary circumstance that prevented him from timely filing his…complaint, and additional discovery on the issue would reveal none.").

Bayer sets forth no facts of record showing that it acted diligently in pursuing its claims for injunctive relief and monetary damages after learning of Belmora's activities in June of 2006. Nor does Bayer demonstrate that it proved, on the record before the district court, that its delay in bringing suit was "extraordinary *and* beyond its control." *Menominee Indian Tribe*, 136 S.Ct. at 756. Accordingly, equitable tolling does not save Bayer's claims, and this Court should affirm the dismissal of Bayer's lawsuit.

### D. Belmora's Use of Its FLANAX Registered Trademark is Not an "Continuing Wrong" That Would Toll the Statute of Limitations.

Bayer invokes the "continuing wrong" doctrine as grounds for asserting that its claims were timely brought in June 2014. Of course, under that theory, there would be virtually no case where the statute of limitations would bar a trademark-related claim. That is why, as set forth above, under California law a trademark infringement plaintiff's limitations period begins to run from the time the claimant knew or should have known about its Lanham Act claims. *See*, e.g., *Karl Storz* 285 F.3d at 857 ("Storz's Lanham Act claims are subject to a three-year statute of limitations which began to run upon Storz's actual or constructive knowledge of the wrong.”). As the Ninth Circuit explained in *Jarrow*, a case with facts concerning delay that is quite similar to the ones here:

> We hold that the presumption of laches is triggered if any part of the claimed wrongful conduct occurred beyond the limitations period. To hold otherwise would “effectively swallow the rule of laches, and render it a spineless defense. . . . The plaintiff should not be entitled to the strong presumption against laches simply because some of the defendant’s wrongful conduct occurred within the limitations period. Laches penalizes dilatory conduct; as such, the presumption is that a § 43(a) plaintiff is barred if he fails to file suit promptly when the defendant commences the wrongful conduct.
>
> ...
>
> We further hold, consistent with our precedent, that in determining the presumption for laches, the limitations period runs from the time the plaintiff knew or should have known about his § 43(a) cause of action.

*Jarrow*, 304 F.3d at 837-40. The cases relied on by Bayer to the contrary, i.e., *Lyons P’ship, L.P. v. Morris Customs, Inc.*, 243 F.3d 789 (4th Cir 2001); *Suh v. Yang*, 987 F. Supp. 783 (N.D. Cal. 1997) and *Thrifty Rent-A-Car Sys., Inc. v. Thrifty Auto Sales of Charleston, Inc.,* 849 F. Supp. 1083 (D.S.C. 1991) all predate the Ninth Circuit’s 2002 decisions in *Karl Storz* and *Jarrow* and thus are not persuasive.[8]

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[8] Bayer’s reliance on *Lyons* simply underscores how inconsistent Bayer’s appeal is. *Lyons* involved the application of a four-year limitations period under North Carolina law, and cannot be squared with the Ninth Circuit opinions in *Karl Storz* and *Jarrow*, which are unequivocal in holding that the time of accrual for claims arising under the Lanham Act is measured from the date the claimant “knew or should have known” about them under California law, which is the only applicable law here.

## IV. BAYER'S CLAIMS ARE BARRED BY LACHES

The district court did not reach Belmora's argument that each of Bayer's five claims were barred by the doctrine of laches. It did not need to. The record is clear, however, that laches too is a complete defense to Bayer's claims.

### A. Summary Judgment is Not Disfavored When There is No Factual Dispute.

Contrary to Bayer's suggestion, courts routinely grant and affirm summary judgment, including in trademark disputes, because of laches. *See Grupo Gigante SA De CV v. Dallo & Co.,* 391 F.3d 1088, 1101 (9th Cir. 2004) (upholding grant of summary judgment in favor of trademark infringement defendant on laches); *Jarrow*, 304 F.3d at 840 (upholding grant of summary judgment in favor of defendant on Lanham Act claim); *STX, Inc. v. Bauer, USA*, 1997 WL 337578, at *6 (N.D. Cal., June 5, 1997) ("the Ninth Circuit has determined that a district court may properly grant summary judgment on the basis of laches;" denying summary judgment for determination of fact issue as to whether delay of two years and eight months was unreasonable); *MDT Corp. v. New York Stock Exchange, Inc.*, 858 F. Supp. 1028, 1033 (C.D. Cal. 1994) ("Laches is a question of law and may be determined on summary judgment."). Laches bars claims such as Bayer's where the delay from the initial act that allegedly gave raise to liability was far less than the period contemplated here. *See, e.g., Jarrow*, 304 F.3d at 832 (seven years); *Grupo Gigante*, 391 F.3d at 1105 (four years); *E-Systems, Inc. v. Monitek*, Inc., 720 F.2d

604, 607 (9th Cir. 1983) (six years); *ATM Express, Inc. v. ATM Express, Inc.*, Case No. 07-cv-1293, 2009 WL 2973034, *1 (S.D. Cal. Sept. 11, 2009) (six years).

**B. There is No Triable Issue of Fact With Respect to Belmora's Laches Defense.**

A plaintiff is not "entitled to wait and see whether the [alleged] infringement will become sufficient to warrant litigation." *ATM Express,* 2009 WL 2973034, at *2-3 (rejecting plaintiff's argument "that the period for laches started when it 'determined that litigation was actually necessary' rather than when it discovered defendant's allegedly infringing conduct."). *See also, Jarrow*, 304 F.3d at 835-36 (collecting cases); *E-Systems* 720 at 607 ("Laches can bar recovery in trademark or trade name actions where injunctive relief is sought."). As an "equitable time limitation on a party's right to bring suit," laches will bar a claim where the plaintiff's delay in bringing suit is both unreasonable and would cause prejudice to the defendant. *Jarrow*, 304 F.3d at 835 (quotations omitted). Laches is also a valid defense to Bayer's state law claims. *See Grupo Gigante*, 391 F.3d at 1092 n.3, 1101-05 (applying laches to California unfair competition and trademark claims as well as Lanham Act claims); *Jarrow*, 304 F.3d at 842 (applying laches to California state law unfair competition and statutory claims); *Couveau v. American Airlines, Inc.*, 218 F.3d 1078, 1083 (9th Cir. 2000).

To analyze the reasonableness of delay, courts first look to the relevant statute of limitations. *See Tillamook Country Smoker Inc. v. Tillamook County*

*Creamer Ass'n*, 465 F.3d 1102, 1108 (9th Cir. 2006). If the plaintiff filed within the limitation period, there is a "strong presumption against laches," and if the plaintiff filed outside that period, that strong presumption is reversed. *Id.* The presumption of laches is triggered "if any part of the claimed wrongful conduct occurred beyond the limitations period." *Jarrow*, 304 F.3d at 837. "To hold otherwise would effectively swallow the rule of laches, and render it a spineless defense." *Id.* (quotations omitted).

Even assuming the longer four-year limitation applies to all Bayer's claims, every one of them falls outside that period. Bayer's operative Complaint was filed on June 9, 2014, so all potential claims that Bayer "knew or should have known about" before June 9, 2010 necessarily trigger the presumption of laches.

**C. Bayer's Constructive Knowledge Established that It Unduly Delayed in Filing Suit.**

In general, a party claiming unfair competition "is chargeable with information it might have received had due inquiry been made." *Chattanooga Mfg., Inc. v. Nike, Inc.*, 301 F.3d 789, 793 (7th Cir. 2002). Courts thus routinely bar claims based on laches where a plaintiff had only constructive knowledge of the defendant's allegedly infringing activity. In *E-Systems*, the Ninth Circuit held that the plaintiff's trademark infringement claim was barred by laches based on the plaintiffs constructive knowledge of the infringement by virtue of defendant's registration of its trademark. 720 F.2d at 607 (plaintiff also charged with constructive knowledge because plaintiff and defendant advertised in the same magazines and exhibited at the same trade fairs; plaintiff thus "had ample opportunity to discover defendant's activities before defendant developed a substantial business"). Similarly, in *Hermann Miller, Inc. v. Palazzetti Imports & Exports, Inc.*, laches barred the plaintiff's trademark claim because when the plaintiff became aware that the defendant was reproducing one type of furniture, "it should have been aware or should have become aware" of defendant's infringing conduct as well, and was thus on notice that it should have investigated further. 270 F.3d 298, 321-22 (6th Cir. 2001).

As addressed in the discussion concerning the statute of limitations, the district court correctly found that BCC or its predecessor in interest had constructive knowledge of Belmora's intent to use the FLANAX mark by virtue of the public trademark application process that begin on October 6, 2003 when Belmora filed its trademark application with the USPTO to register the mark FLANAX for "orally ingestible tablets of Naproxen Sodium for use as an analgesic." J.A. 174. Belmora's FLANAX trademark application was published for opposition on August 3, 2004, but no opposition was ever filed. J.A. 51, 156. This is statutorily defined as constructive notice under 15 U.S.C. §1072.

Because California's four-year statute of limitations period had long run by June 2014, the presumption of laches applies to bar all of Bayer's claims. Moreover, even without the presumption of laches, Bayer's extraordinary delay in filing suit, in and of itself, constitutes an unreasonable delay.

**D. Although Constructive Knowledge is Sufficient to Establish Laches, Bayer Cannot Legitimately Dispute That It Or Its Predecessor Had Actual Knowledge of Belmora's Actions.**

As also set forth in the discussion regarding equitable tolling, Bayer also had actual knowledge of Belmora's actions for many years prior to filing suit, having learned of Belmora's application to register FLANAX no later than September 19, 2004. J.A. 387, 391-92.

**E. The Record Shows that Belmora Has Been Prejudiced by Bayer's Lengthy Delay in Filing Suit.**

A defendant can demonstrate that it has been prejudiced by a plaintiff's delay in filing suit by showing that it took actions or suffered consequences that it would not have if the plaintiff had brought suit promptly. *See Danjaq LLC v. Sony Corp.,* 263 F.3d 942, 955 (9th Cir. 2001). One species of such prejudice is expansion of an existing business or monetary outlays. *See,* e.g., *Lotus Dev. Corp. v. Borland Int'l Inc*., 831 F. Supp. 202, 220 (D. Mass. 1993), *rev'd on other grounds*, 49 F.3d 807 (1st Cir. 1995), *aff'd*, 516 U.S. 233, (1996)); *Whittaker Corp. v. Execuair Corp*., 736 F.2d 1341, 1347 (9th Cir. 1984) (prejudice suffered from defendant's business expansion). Even the mere increase in potential liability for damages because the defendant continued to engage in practices that the plaintiff now contends is improper may constitute prejudice. *See Whittaker Corp*., 736 F.2d at 1347; *Herman*

*Miller,* 270 F.3d at 322. Under this standard, the record shows that Belmora has been materially prejudiced by Bayer's extended delay in filing suit. It is undisputed that Belmora expended substantial amounts of money and time in developing its FLANAX brand, contributing greats amounts of time and money to its advertising campaign. J.A. 904-06, 941, 946, 1021-23, 1128, 1139-40. Moreover, it entered into contractual commitments based on its reasonable expectation that Bayer would not interfere with its use of the FLANAX name after years of doing so. J.A. 1015-16.

Bayer nonetheless contends that (1) its petition to cancel Belmora's registration tolled any delay for laches purposes; (2) Belmora's bad faith precludes its laches defense; (3) the Lanham Act's intent to protect consumers precludes the application of laches; and (4) Belmora has not proved economic or evidentiary harm. As discussed below, each of these arguments is meritless.

**1. Bayer's Filing of its Petition to Cancel Belmora's FLANAX Registration Does Not Toll its Delay For Laches Purposes.**

As discussed at length above, Bayer's filing of a petition to cancel Belmora's FLANAX registration did not toll its delay for purposes of applying laches. (*See* §§ II, III and IV *supra.*) Nor has Bayer has come forward facts of record to meet the high burden for equitable tolling. (*See* § IV.C *supra.*)

### 2. There is no Bona Fide Fact Question Regarding Belmora's Bad Faith Because of the Unrebutted Evidence of its Reliance on Counsel.

Embedded within Bayer's argument, albeit not enunciated, is the implication that Belmora is not entitled to claim laches because of Belmora's purported willful "infringement." Bayer does not enunciate this argument because this is not a trademark infringement case – Bayer does not claim trademark rights, and does not have them; Belmora both claims them and has them. *See Belmora LLC*, 819 F.3d at 714 ("[w]e are not concluding that BCC has any specific trademark rights to the FLANAX mark in the United States. Belmora owns that mark.").[9] Ultimately, though, the analogy to willful infringement supplies the best guidance to Bayer's argument, and to why it fails.

While willful infringement can preclude a laches defense, the standard for willful infringement is high, as it must be, because "conceivably, all suits involving Lanham Act claims could involve accusations of fraudulent or deceptive conduct." *Hot Wax Inc. v. Turtle Wax*, 191 F.3d 813, 826 (7th Cir. 1999). An inference of bad

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[9] While Bayer's claim is couched as unfair competition it is in every respect a claim for "infringement" of a trademark from another country. Bayer's brief describes the gravamen of Belmora's conduct as being "aware that the FLANAX trademark was in use in Mexico in association with naproxen sodium-based analgesics when it adopted the FLANAX mark in the United States" and "Belmora's 'initial packaging copied BCC's FLANAX logo as used in Mexico… and other elements of BCC's Mexican packaging," which is no more or less than a description of alleged trademark infringement. (Opening Br. at 43.)

faith thus “requires something more than mere knowledge of a prior similar mark.” *SweatsFashions, Inc. v. Pannill Knitting Co, Inc.*, 833 F.2d 1560, 1565 (Fed. Cir. 1987). “Willful” in this context means “conduct that occurs ‘with knowledge that the defendant’s conduct constitutes . . . infringement.’” *Adidas Am., Inc. v. Kmart Corp.*, Case No. 05-cv-120, 2006 WL 2044857, at *4 (D. Or. June 16, 2006), *quoting Danjaq*, 263 F.3d at 957-58. Negligence or error does not establish culpability or bad faith. *See Wheeler v. Dynamic Eng'g Inc.*, 62 F.3d 634, 641 (4th Cir. 1995).

Notwithstanding the finding of the TTAB regarding bad faith, “where new evidence is submitted, *de novo* review of the entire record is required because the district court cannot meaningfully defer to the USPTO’s factual findings if the USPTO considered a different set of facts.” *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150, 156 (4th Cir. 2014). Given the state of the record following remand which includes proof that Belmora relied on the advice of counsel in deciding to use the FLANAX mark in the U.S., (J.A. 746-47), there is no evidentiary basis on which this Court could conclude that Belmora acted in bad faith – a state of mind that must be proved by clear and convincing evidence. *See Dacotah Mktg. & Research, L.L.C. v. Versatility, Inc.*, 21 F. Supp. 2d 570, 578 n.21 (E.D. Va. 1998). It is well established that such reliance on counsel negates a finding of willfulness unless the advice is ignored or found to be incompetent. *See Chiron Corp. v.*

*Genentech, Inc*., 268 F. Supp. 2d 1117, 1121 (E.D. Cal. 2002), citing *Comark Comm., Inc. v. Harris Corp*., 156 F.3d 1182, 1191 (Fed. Cir. 1998). Bayer has come forward with no evidence on which a fact finder could rely as proof that the advice of counsel on which Belmora relied was ignored, and it is self-evident that it was not. Nor can Bayer claim that the advice was incompetent, considering that the legal opinion on which Belmora relied comported with the district court's original ruling on the matter.

Finally, separate and apart from reliance on counsel, under any interpretation of the facts it is hard to find "equity" in an assignment of bad faith to Belmora under these circumstances. Until this Court's ruling, no court had concluded that the use of a foreign trademark never used in U.S. commerce gave rise to standing for a false advertising claim under the Lanham Act. This Court itself acknowledged that its reversal was premised on a Supreme Court opinion issued years after the conduct by Belmora on which Bayer places so much stock took place. A party's legally justifiable position, while technical and disputed, does not provide grounds for inferring bad faith. *See Custer v. Pan Am. Life. Ins. Co*., 12 F.3d 410, 423 (4th Cir. 1993); *see also Coyne-Delany Co. v. Capital Dev. Bd*., 717 F.2d 385, 390 (7th Cir. 1983) ("It would be unreasonable to require a party to anticipate a change in the law …"). Accordingly, Belmora's reliance on the advice of its counsel militates against a finding of bad faith sufficient to relieve Bayer of its obligation of diligence under the doctrine of laches.

### 3. The Public Interest Does Not Counsel in Favoring of Ignoring the Extraordinary Delay by Bayer in Filing Suit.

Bayer next submits the law school "catchall" argument that the "public interest" compels this Court to reject Belmora's defense of laches. (Opening Br. at 44-45.) Bayer's argument that this interest is defined by the need to "avoid confusion" is, however, an odd one to make in a case where the one asserting it is not using or even claiming rights in the mark at issue.

Besides its inherent incoherence, none of the cases Bayer cites to support its public interest argument was decided under California law – whereas the Ninth Circuit squarely addressed and rejected the very same argument nearly twenty years ago in *Jarrow*, writing,

> [T]he public surely has some interest in ensuring that all product advertisements are materially accurate. However, if a plaintiff could defeat laches simply by asserting the public's interest in accurate advertising, laches would in effect not be a defense to Lanham Act false advertising claims. . . .
>
> [I]n order to ensure that laches remains a viable defense to Lanham Act claims, the public's interest will trump laches only when the suit concerns allegations that the product is harmful or otherwise a threat to public safety and well being.

*Jarrow,* 304 F. 3d at 840-41. *Accord*, *Pinkette Clothing*, 894 F.3d at 1029 ("There is no evidence that Pinkette's clothing is harmful or otherwise a threat to public safety and well being, and the doctrine of inevitable confusion is therefore inapplicable”). There is no merit to Bayer’s public policy argument and, considering the public interest in requiring claimants not to sleep on their rights, much to counsel against it.

#### 4. There is no Bona Fide Question of Fact Going to Whether Belmora Suffered Prejudice Because of Bayer’s Delay in Bringing this Action.

Bayer next argues, in essence, that Belmora is required to demonstrate some form of detrimental reliance on Bayer’s delay before a finding of economic or evidentiary prejudice can be made. (Opening Br. at 46.) This is an incorrect statement of California law. “A defendant may establish prejudice simply by showing that during the delay, it invested money to expand its business or entered into business transactions based on his presumed rights.” *Miller v. Glenn Miller Prods.,* 454 F.3d 975, 999 (9th Cir. 2006).

Bayer intones sarcastically that “the beauty of Belmora’s scheme is that it did not need to spend significant resources to develop goodwill in the FLANAX mark or make the brand successful in the United States . . . [because] it simply traded on the reputation and good will of [Bayer’s] FLANAX mark created by [Bayer] in Mexico.” (Opening Br. at. 47.) This argument is deficient in at least two respects: First, there is *no* competent evidence of record establishing either “reputation” or “goodwill” flowing to Bayer in connection with the FLANAX mark in the United

States. This is as it should be, because Bayer admits it does not use the mark in the U.S. It follows that in depositions, its witnesses were consistently unable to point to any report, analysis or other proof proving the existence of such goodwill. JA. 860-64, 867-70, 872-75.

In contrast, the record is rich in uncontroverted evidence that Belmora invested significant capital, time, effort and foregone alternative opportunities, to grow its Flanax line of products while Bayer did not craft so much as a single cease and desist letter. Admonishing a claimant for the same "say-nothing-do-nothing" approach Bayer now asks this Court to endorse so that its claims can proceed, the Ninth Circuit explained in *Jarrow*:

> Nutrition Now has invested enormous resources in tying PB8's identity to the challenged claims. After waiting for several years, Jarrow now seeks to compel Nutrition Now to abandon its presentation of PB8, forcing it to adopt a materially different characterization of its product. If Jarrow had filed suit sooner, Nutrition Now could have invested its resources in shaping an alternative identity for PB8 in the minds of the public. . . . *In light of the presumption of prejudice* and our deferential standard of review, we must conclude that Nutrition Now would be prejudiced if Jarrow's suit were to proceed. . . .

304 F.3d at 839-840 (emphasis added). *See also*, *Evergreen Safety Council v. RSA Network, Inc.*, 697 F.3d 1221, 1227 (9th Cir. 2012) (finding expectations-based prejudice where defendant "*likely would not have* produced" the allegedly infringing product had plaintiff brought suit promptly) (emphasis added); *Internet Specialties West, Inc. v. Milon-DiGiorgio Enters., Inc.*, 559 F.3d 985, 992 (9th Cir. 2009)

(prejudice occurs where, "had the plaintiff filed suit sooner, [the alleged infringer] *could have* invested resources in an alternative identity"), citing *Jarrow*, 304 F.3d at 835-36 (emphasis added).

Notwithstanding Bayer's characterization of just "how easy" it was for Belmora to build Flanax into a brand sufficiently competitive to elicit something very much like panic among its sales executives by 2014 (J.A. 1242-1262), Bayer came forward with no evidence to rebut the presumption of prejudice inferred by the law and the undisputed facts of record demonstrating that it was not easy, cheap or assured at all.

#### 5. Laches Bars Bayer's Claims for Injunctive Prospective Relief.

Bayer also contends that laches "cannot bar Bayer's claims for prospective injunctive relief." (Opening Br. at 49.) This assertion, however, has been considered and rejected repeatedly in the Ninth Circuit, which holds that there is no such absolute rule. *See Pinkette Clothing*, 894 F.3d at 1027 (collecting cases). Considering the extreme delay by Bayer in bringing its claims against Belmora, coupled with the economic and evidentiary prejudice that has unquestionably been sustained by Belmora arising from Bayer's delay, there are no grounds in equity for this Court to resurrect Bayer's claims despite Bayer's failure to comply with the statute of limitations.

## V. BELMORA RAISED A MATERIAL QUESTION OF FACT TO PROCEED TO TRIAL ON ITS COUNTERCLAIM UNDER SECTION 2 OF THE SHERMAN ACT

Section 2 of the Sherman Act makes it an offense to "monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States[.]" 15 U.S.C. § 2. The statute "forbids both monopolization and attempted monopolization." *Id*. Actual monopolization under § 2 exist when the defendant "(1) possessed monopoly power in the relevant market; and (2) willfully acquire[d], maintain[ed] or enhance[d] its monopoly power." *Aspen Skiing Co. v. Aspen Highlands Skiing Corp*., 472 U.S. 585, 595 (1985). Section 4 of the Clayton Act, 15 U.S.C. § 15, authorizes private causes of action under Section 2 of the Sherman Act. *See Christianson v. Colt Indus. Operating Corp*., 486 U.S. 800, 810 (1988). A defendant is liable for attempted monopolization under § 2 where there is anticompetitive conduct, a specific intent to monopolize and a dangerous probability that monopoly will be achieved. *See Kolon Indus. v. E.I. Dupont De Nemours & Co*., 748 F.3d 160, 177 (4th Cir. 2014). Specific intent may be established by direct proof, or it may be inferred from predatory conduct, which is defined as actions that are either independent violations of the antitrust laws or that have no business justification other than to destroy or damage competition. *See Great Escape, Inc. v. Union City Body Co., Inc*., 791 F.2d 532, 541 (7th Cir. 1986). Evidence of intent in a monopolization claim is merely relevant to the question whether the challenged conduct is fairly characterized as exclusionary or anticompetitive. *See Aspen Skiing Co*., 472 U.S. at 602.

In its summary judgment opinion, the district court, relying on the general principle that "defining markets for antitrust analysis is an extremely complex task," citing *Berlyn, Inc. v. Gazette Newspapers, Inc.,* 223 F.Supp.2d 718, 727 (D. Md. 2002) *aff'd* 73 F. App'x 576 (4th Cir. 2003), declined to even undertake that task. J.A. 894. Stating that the opinion of Belmora's antitrust expert Gordon Rausser, Ph.D., "do not include any opinion about the identification of the relevant market in this case [and] . . . that he was not aware of what definition of the relevant market Belmora offered in its counterclaim," the district court found an "absence of expert testimony establishing the relevant market" and thus dismissed Belmora's Sherman Act claim. J.A. 895. The district court's characterization of Dr. Rausser's opinion, however, and the extent to which the facts meet the legal standard, are clearly erroneous.

**A. Belmora Sufficiently Established the Relevant Markets.**

To appreciate properly what Dr. Rausser's report did, and did not say – a topic that the district court unfortunately gave very short shrift considering the complexity of the issue as well as the record here – requires a complete appreciation of the applicable law. Monopoly power is the power to dominate or control a market. *See*

*United States v. E.I. du Pont de Nemours & Co.*, 351 U.S. 377, 391 (1956). "The determination of the relevant market is generally a question of fact." *Aspen Highlands Skiing Corp. v. Aspen Skiing Co.*, 738 F.2d 1509, 1514 n. 4 (10th Cir. 1984), *aff'd*, 472 U.S. 585 (1985). Defining the relevant market requires demonstrating both a relevant product market and a relevant geographic market. *See M & M Med. Supplies & Serv., Inc. v. Pleasant Valley Hosp., Inc.*, No. 90-3100, 946 F.2d 886, 981 (4th Cir. Oct. 22, 1991).

The geographic market has never been at issue here; it encompasses the United States. The question before the district court on summary judgment, therefore, was whether Belmora demonstrated the existence of a material issue of fact as to the existence of a relevant product market in the battle between Bayer's Aleve and Belmora's Flanax. While considering this question in terms of both precedent and economic theory, it is important to keep at the forefront of the analysis the undisputed fact that the *only* branded products in the nationwide market for naproxen sodium are Bayer's Aleve and Belmora's Flanax. J.A. 1108-1110.

**1. Belmora Sufficiently Proved an Actionable Product Market.**

Defining a relevant product market is the fact-intensive process of establishing "the reasonable interchangeability of use or the cross-elasticity of demand between the product itself and substitutes for it." *Brown Shoe Co. v. United States*, 370 U.S. 294, 325 (1962); *see also E.I. du Pont de Nemours*, 351 U.S. 377, 395, (1956). Put differently, cross-elasticity of demand is "the extent to which customers will change their consumption of one product in response to a price change in another." *Eastman Kodak Co. v. Image Tech. Servs., Inc*., 504 U.S. 451, 469 (1992).

Even within a relatively broad market, "well-defined submarkets may exist which, in themselves, constitute product markets for antitrust purposes . . . . " *Brown Shoe*, 370 U.S. at 325. A product market or cognizable sub-market may be in some instances as narrow as a single brand of a category of products. *See Eastman Kodak Co*., 504 U.S. at 481-482 ("one brand of a product can constitute a separate market"). Moreover, submarkets are, by definition, not defined solely by cross-elasticity of demand. Thus "the boundaries of such a submarket may be determined by examining such practical indicia as industry or public recognition of the submarket as a separate economic entity, the product's peculiar characteristics and uses, unique production facilities, distinct customers, distinct prices, sensitivity to price changes, and specialized vendors." *Brown Shoe*, 370 U.S. at 325.

The record here supports Belmora's allegations that its efforts to identify an appropriate brand name for its new over-the-counter naproxen sodium product – including its efforts to establish the availability of FLANAX as a trademark in the U.S. – were premised on a business strategy meant to address the fact that brand-name over-the-counter naproxen sodium offerings directly compete with each other within its own submarket. Belmora's decision to choose FLANAX as a "non-supported brand" for its product name was, pursuant to an established, widespread and legitimate business strategy was meant to equip Belmora with a brand name suitable for competing with the only dominant brand in the submarket for non-prescription naproxen sodium: Aleve. J.A. 1080-81, 1083-85. Combined with the evidence of Bayer's anticompetitive agreement with the only U.S. supplier of naproxen sodium soft gelatin capsules to prohibit the sale of that product to any would-be branded competitor to the Aleve brand, there is more than an ample basis to deny Bayer's summary judgment motion. J.A. 913 at § 3.3, 919-20 at § 3.3.

The district court did not address either the legal standard nor this evidence of record at all in the context of market definition. Its failure to do so was error, and this Court should, on *de novo* review, conclude that even without consideration of Dr. Rausser's report – which, as will be shown below, provided more than adequate support for Belmora's position – the record developed by Belmora raised an issue of material fact sufficient to go to a jury, and should vacate the summary judgment dismissing this claim.

**a. The Evidence that Naproxen Sodium Monopolizes a Submarket of Analgesics Defined by All Branded OTC Naproxen Sodium Raised a Material Question of Fact as to Market Definition for Determination at Trial.**

In the district court, Bayer argued that there is no sub-market for naproxen sodium but that the relevant markets in which Aleve and Flanax compete can only be defined by the general market for all analgesics. Bayer's own internal documents, however, demonstrate that as a dollars-and-cents commercial matter, Bayer saw the matter quite differently. Moreover, in the realm of academic theory, the expert report of Belmora's expert, Dr. Gordon Rausser, explained why Belmora's market definition is correct in an analysis the district court simply declined to assess.

Regarding Bayer's internal documents, these were produced by Bayer and authenticated at the deposition of Bayer's Rule 30(b)(6) designee as to antitrust issues, Gustavo Pisani. J.A. 1242-62. They consisted of a series of 2014 PowerPoint slides promulgated by Brice Loving, a Bayer sales executive, focusing entirely on "immediate concerns" posed by "Flanax at Walmart," and sent up the Bayer sales hierarchy and eventually to Bayer's lawyers by email. J.A. 1242-62. The entire subject of the analysis, described in an email by John Stertz, Bayer's Customer Business Manager with responsibility for Walmart, is Flanax's surging sales in Walmart – which Bayer anticipated expanding from 800 stores to 2,300, posing a "risk of $ 1 - 3 million impact to Aleve at Walmart" and asking for advice on how to use the "pending litigation" to "build a defense story" and depress Flanax's inroads against Aleve at Walmart. J.A. 1254.

The Stertz email not only sounds a note of panic at Bayer with respect to Flanax as against Aleve, notably in "Hispanic stores," but also observes that Flanax sales are coming at the expense of "both Aleve and PL [private label]" – in other words, *from other naproxen sodium products only*. J.A. 1254. No reference is made to Flanax sales eating into sales of any analgesic besides naproxen sodium, because Bayer logically focused on that sub-market as the one in which Aleve dominates. Stertz's concerns are echoed by Dave Bealey, Bayer's Director of Walmart Analgesics sales, notwithstanding his broad responsibility for *all* analgesics. J.A. 1253. It was self-evident to everyone in the conversation that naproxen sodium was a distinct, gold-plated "market" that had to be protected for Bayer's sake.

The actual presentations forwarded by Stertz all the way up to Bayer's legal team consisted of two presentations, dated August and September 2014 respectively, by Brice Loving, a Bayer sales executive, are entitled "Flanax Risk to Aleve at Walmart." J.A. 1242-62. They painstakingly describe that threat solely in terms of a "naproxen market" defined by Aleve, private label and Flanax and even including a slide with the title, "Current Naproxen Marketshare" that, again, divides the naproxen market into portions assigned to Aleve, private labels and Flanax and then breaks these down by "Non-Hispanic Markets" and "Hispanic Markets" based on the standard source of pharmaceutical sales information, IRI. J.A. 1245, 1260. No reference whatsoever is made to any other analgesic product.

At his deposition, Pisani denied even knowing who the author of the slides was, despite acknowledging that as Bayer's 30(b)(6) designee on antitrust – and as the global brand manager for Aleve – he had reviewed the documents in preparation for the deposition. J.A. 1277-78. Pisani had no answer to the question of why he made no inquiry, once he did see the slides, to ascertain the position and title of their Bayer author, as would be expected of a 30(b)(6) designee. J.A. 1277-78. Pisani's effort to downplay his Bayer colleague's near hysteria over Belmora's sales success as just a salesman "trying to make a case for his own circle of influence" within the organization, (J.A. 1279) is belied by the email chain, expanding both vertically and horizontally, that propelled this correspondence upward through the Bayer hierarchy. J.A. 1252-62.

These documents raised more than a mere question of material fact as to whether there is an economically identifiable market or sub-market for over-the-counter naproxen sodium. They are no less than an *admission* on Bayer's part that there is one. In these documents, Bayer acknowledged that this sub-market mattered to Bayer, and that it mattered a lot. And they demonstrated that Bayer was reaching out to both business and legal resources within the organization as well as outside of it to stop Belmora's Flanax because of the importance of the naproxen sodium sub-market to Bayer's business plans.

This evidence constitutes literal confirmation that Bayer, a business with every incentive to accurately and rigorously identify how cross-elasticity of demand was affecting it, did not hesitate to identify Aleve and Flanax as product substitutes – *to the exclusion* of ibuprofen, acetaminophen and aspirin – in a single, identifiable and valuable product market. The district court completely disregarded it, which was error, and this Court should, on the basis of it, rule that Belmora met its burden of demonstrating that what Bayer, as a business (as opposed to Bayer the litigant) acknowledged to be true.

**b. The Evidence that Bayer Entered into an Agreement to Monopolize the Market for Branded Naproxen OTC Sodium Raised a Material Question of Fact as to Anticompetitive Conduct by Bayer for Determination at Trial.**

There was even more factual evidence in the record, erroneously overlooked and unremarked upon by the district court, to support Belmora's assertion that Bayer itself believed and acted commercially on the belief that the naproxen sodium sub-market was definable, real and quite valuable.

The evidence before the court showed that, when, in 2014, Bayer acknowledged the existence of a distinct naproxen sodium market that was rapidly being divided among Aleve, private labels and Flanax, Bayer acted to ensure that one of the fastest-growing forms of the product – naproxen sodium gelcaps – would be closed off to *all* potential national competitors, including Flanax. Bayer acted effectively to stop Flanax's growth, as well as incursions by other would-be national brands, through the execution of its Amended Agreement. J.A. 919-20. The record showed that Bionpharma, the sole U.S. provider of naproxen sodium gelatin capsules, agreed with Bayer in 2016 to set aside for "Bayer and its Affiliates the *exclusive right to market, distribute and sell* [over-the-counter naproxen sodium soft gelatin capsules]… except to the extent [Bionpharma] has the exclusive right to sell [over-the-counter naproxen sodium soft gelatin capsules] as necessary to engage in the Naproxen Private Label Business … .” J.A. 919. While the district court found, in its ruling dismissing Bayer’s tortious interference claim, that the evidence of Bayer’s interference with Belmora’s attempt to order naproxen sodium gelcaps did not rise to the level of a material fact, it erroneously disregarded the undisputed evidence of this contractual provision, and of how Bayer went about securing it from Bionpharma, in dismissing Belmora’s antitrust claim.

Bayer’s bifurcation of the sodium naproxen market between branded and unbranded products, or private label brands as this latter group is known, aligns with both Bayer’s analyses of Belmora’s nationwide incursion into that market discussed above and the definition of it found in the Belmora antitrust expert report of Dr. Gordon Rausser. J.A. 1109, 1117, 1130-31, 1133. Notwithstanding Bayer’s attacks, Dr. Rausser’s insights on Belmora’s product market readily support the logical inference from the facts of record that naproxen sodium is a coherent, economically identifiable product market in which Aleve has monopoly power. J.A. 1103, *passim*. The district court’s failure even to grapple with his analysis, and instead to take a single sentence from his report out of context in order to deem it insufficient, was reversible error.

## VI. BELMORA RAISED A MATERIAL QUESTION OF FACT TO PROCEED TO TRIAL ON ITS COUNTERCLAIMS FOR FEDERAL AND COMMON LAW TRADEMARK INFRINGEMENT, FEDERAL UNFAIR COMPETITION AND FALSE DESIGNATION OF ORIGIN AS WELL AS THE UNAUTHORIZED IMPORTATION OF INFRINGING GOODS.

The Supreme Court held in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.* that a defendant is liable for contributory trademark infringement if "it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement." 456 U.S. 844, 854 (1982).[10] Under the plain language of *Inwood* liability for contributory infringement depends on supply of a "product." 456 U.S. at 854. Belmora raised five claims of secondary infringement against Bayer – federal trademark infringement; common law trademark infringement; unfair competition and false designation of origin in violation of the Lanham Act and common law; importation of unauthorized goods in violation of § 526 of Tariff Act of 1930 (as amended, 19 U.S.C. § 1526); and importation of infringing goods in

[10] Like Bayer, Belmora also assumes for these purposes that where, as here, the parties' use of a mark is identical for the same class of goods or services, a likelihood of confusion will be presumed. Moreover, "determining the likelihood of confusion is an inherently factual issue that depends on the facts and circumstances in each case." *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.,* 43 F.3d 922, 933 (4th Cir.1995) (internal quotations omitted). In fact, the Fourth Circuit has noted that the issue of confusion is "particularly amenable to resolution by a jury" as "the jury, which represents a cross-section of consumers, is well-suited to evaluating whether an 'ordinary consumer' would likely be confused." *Anheuser-Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 318 (4th Cir. 1992).

violation of the Lanham Act 15 U.S.C. § 1124. The district court erroneously granted summary judgment to Bayer on each of them.

To prove contributory infringement, Belmora must demonstrate that Bayer either (1) "intentionally induces another to infringe" or (2) "continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement." *Inwood Labs.,*456 U.S. at 854; *see also Ga. Pac. Consumer Prods., LP v. von Drehle Corp*., 781 F.3d 710, 723 (4th Cir. Aug. 10, 2010). Cases after *Inwood* have consistently held that contributory liability may lie in instances where the secondary infringer has knowledge of the direct infringers activities or is otherwise willfully blind to such conduct. *See*, e.g., *Fonovisa, Inc. v. Cherry Auction, Inc.,* 76 F.3d 259 (9th Cir. 1996) (flea market organizer's willful blindness to trademark infringement in the face of its vendor's blatant infringement was unreasonable); *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc*., 955 F.2d 1143, 1148-49 (7th Cir. 1992) (affirming that willful blindness amounts to knowledge for purposes of trademark infringement, and defining willful blindness as a deliberate failure to investigate suspected wrongdoing); *Louis Vuitton S.A. v. Lee,* 875 F.2d 584, 590 (7th Cir. 1989).

The district court found that "Belomora has not presented any evidence that Bayer has offered Mexican FLANAX for sale in the U.S., that it induced others to sell the product in the U.S., or that it has continued to supply the product to a party with knowledge or reason to know that party was selling it in the U.S." J.A. 892. This was error. In fact, Belmora proffered evidence to support liability under both prongs of the contributory infringement analysis. Furthermore, while record evidence shows that Bayer has an economic incentive to encourage the sales of illegal Mexican FLANAX into the United States (J.A. 1109, 1242-62), the district court concluded in conclusory fashion that "Bayer has [not] induced others to sell the product in the U.S." J.A. 892.

As to the second prong, the district court stated that "Belmora has not presented any evidence that Bayer … has continued to supply the product to a party with knowledge or reason to know that party was selling it in the U.S." J.A. 892. This conclusion, however, cannot be squared with the evidence Belmora presented, as set forth below.

### A. Bayer Has Been Willfully Blind to the Infringement of Belmora's FLANAX Mark in the United States.

"[A] willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can almost be said to have actually known the critical facts." *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 769-70 (2011). "[E]vidence that notice has been accorded to the alleged infringer before the specific acts found to have constituted infringement occurred is perhaps the most persuasive evidence of willfulness... ." *Chi-Boy Music v. Charlie Club, Inc.,* 930 F.2d 1224, 1227 (7th Cir. 1991) (*quoting Video Views, Inc. v. Studio*

*21*, 925 F.2d 1010, 1021 (7th Cir. 1991)). Here the record shows a total failure by Bayer to investigate the illegal sale and importation of Mexican Flanax products into the United States, despite actual knowledge that it was, and presumably still is, occurring.[11]

Bayer became aware no later than February 8, 2011 that its Mexican Flanax product was available for sale in the United States. J.A. 690, 693. Bayer's Rule 30(b)(6) designee, Michelle Cunningham, besides denying any knowledge of such sales being made into the U.S. – despite the admission in Bayer's own pleadings that it knew about them[12] – admitted that Bayer does not even have a policy regarding the importation of gray goods into the U.S.[13] J.A. 682, Gustavo Pisani, Bayer's Global Brand Leader, also testified that Bayer was unaware of illegal Mexican Flanax sales into the U.S., let alone knowledge of Bayer's policies concerning the

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[11] The "illegality" of Mexican Flanax sales into the U.S. arises not only from Bayer's trademark infringement and other similar violations asserted by Belmora in this case, but also, and even more significantly from a public health perspective, from Bayer's admissions in its Answer to Belmora's Counterclaims that "Mexican Flanax is not approved for sale in the United States and, in its present formulation, cannot be, because it contains a higher dosage of naproxen than that approved for [over-the-counter] use by the FDA." J.A. 308.

[12] *Compare* J.A. 683-88 *with* J.A. 107 "Belmora's FLANAX medicine has appeared on the shelves in the same store as gray market packages of Bayer's FLAXAX medicine in Orange County, California, and possibly elsewhere."

[13] While Ms. Cunningham's response to the question whether Bayer had a policy about gray goods was "*I* don't know about the policy," *her* personal lack of knowledge may be imputed to the corporation in the context of a Rule 30(b)(6) deposition. *See* Fed. R. Civ. P. 30(b)(6).

matter or any investigation conducted by Bayer in connection with such sales into the U.S. J.A. 1267-71. Indeed, presented with a Bayer document dated January 2008, in which Bayer's Head of Global Communications is shown reacting both internally and externally to a CBS television affiliate story about the illegal sale of Flanax in Kansas City, Mr. Pisani testified he had no idea as to whether Bayer conducted an investigation following this same report. J.A. 716-18, 1272-74.

It is hard to imagine a more obvious example of willful blindness. "The standard for willfulness is 'whether the defendant had knowledge that its conduct represented infringement or perhaps recklessly disregarded the possibility.'" *Nike, Inc. v. Top Brand Co.*, Case No. 00 Civ. 8179, 205 WL 1654859, at *6 (S.D.N.Y. July 13, 2005) (*quoting Kepner-Tregoe, Inc. v. Vroom*, 186 F.3d 283, 288 (2d Cir. 1999)); *Tanning Research Labs., Inc. v. Worldwide Imp. & Exp. Corp.*, 803 F. Supp. 606, 610 (E.D.N.Y. 1992). "[K]nowledge includes a willful blindness or a failure to investigate because one was afraid of what the inquiry would yield." *Lorillard Tobacco Co. v. A & E Oil, Inc.*, 503 F.3d 588, 591-92 (7th Cir. 2007) (quotation and citation omitted). Willful blindness lies where "the defendant knew of a high probability of illegal conduct and purposefully contrived to avoid learning of it, for example, by failing to inquire further out of fear of the result of the inquiry." *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 513, 515 (S.D.N.Y. 2008).

It is undisputed that Bayer pled awareness of the offering for sale of a product that it is unlawful to sell in the U.S. in its Complaint. J.A. 107, 232. These sales, axiomatically, constitute trademark infringement as against Belmora, the sole owner and the only lawful user of the FLANAX trademark in the U.S. Yet, Bayer produced not one but two witnesses who have admitted to having no idea of the factual basis of this allegation on which its claims against Belmora rest.

These facts, to say the least, raise a *bona fide* issue for trial on the question of willful blindness to third-party trademark infringement which these defendants, as both an affiliate of the Mexican Bayer entity that makes and sells the product and its parent company, are in the best position to stop. In concluding that this evidence was insufficient to defeat Bayer's motion for summary judgment, the district court engaged in credibility determinations, drew inferences from the evidence, and resolved disputed issues of material facts – all inappropriate at the summary judgment stage. *See Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 255 (1986); *see also Childress v. City of Charleston Police Dep't*, 657 F. App'x 160, 162 (4th Cir. 2016). By engaging in this fact finding, the district court invaded the province of the jury, which alone is a sufficient basis for reversal.

## VII. THE DISTRICT COURT ERRED IN GRANTING SUMMARY JUDGMENT FOR BAYER ON BELMORA'S TORTIOUS INTERFERENCE CLAIM.

Belmora asserted a claim for both tortious interference with contract and prospective economic advantage. To prove tortious interference with contract under Virginia law, Belmora must show "(1) the existence of a valid contractual relationship or business expectancy; (2) knowledge of the relationship or expectancy on the part of the interferor; (3) intentional interference inducing or causing a breach or termination of the relationship or expectancy; and (4) resultant damage to the party whose relationship or expectancy has been disrupted." *T.G. Slater & Son, Inc. v. Donald P. & Patricia A. Brennan LLC*, 385 F.3d 836, 844 (4th Cir. 2004) (*quoting Chaves v. Johnson,* 335 S.E.2d 97, 102 (1985) . "An interferor may escape liability, however, by proving that the interference was justified or privileged because the interferor acted for the purpose of protecting its own "financial interest." *Id*. at 103.[14] The burden rests on the interferor to prove that the interference is justified or privileged. *See id.*

[14] *Chaves* specifically provided five grounds for the use of the affirmative defense of justification or privilege: "legitimate business competition, financial interest, responsibility for the welfare of another, directing business policy, and the giving of requested advice." *Chaves*, 335 S.E.2d at 103, citing *Calbom v. Knudtzon*, 396 P.2d 148, 151 (1964)). None of these defenses were asserted by Bayer in its Answer to Belmora's counterclaims, however. J.A. 339-40.

Although similar in its formulation, a claim for tortious interference with prospective economic advantage requires a claimant to (1) demonstrate the existence of a business relationship or expectancy, with a probability of future economic benefit; (2) prove knowledge of the relationship or expectancy; (3) show that it was reasonably certain that absent intentional misconduct, the claimant would have continued in the relationship or realized the expectancy; and (4) show that it suffered damages from the interference. *Levine v. McLeskey,* 881 F.Supp. 1030, 1057 (E.D.Va. 1995), *aff'd in part, vacated in part, and remanded,* 164 F.3d 210, 211 (4th Cir. 1998) . The critical difference between the two torts under Virginia law is that a claim for prospective economic advantage requires "a plaintiff must also demonstrate that the defendant employed 'improper methods.'" *Commerce Funding Corp. v. Worldwide Sec. Servs. Corp.,* 249 F.3d 204, 214 (4th Cir. 2001) (citations omitted). This Court has previously articulated the kinds of conduct that is deemed to be "improper" in the context of a claim for prospective economic advantage:

> The Virginia Supreme Court identified methods of interference that are considered "improper." Among the most egregious examples of improper conduct are those "that are illegal or independently tortious, such as violations of statutes, regulations, or recognized common-law rules." *Duggin,* 360 S.E.2d at 836 (citation omitted). Other egregious forms of interference "include violence, threats or intimidation, bribery, unfounded litigation, fraud, misrepresentation or deceit, defamation, duress, undue influence, misuse of insider or confidential information, or breach of a fiduciary relationship." *Id.* Less egregious improper methods include violations of "an established standard of a trade or profession ..., unethical conduct ..., sharp dealing, overreaching, or unfair competition...." *Id.* at 837.

*Id.* at 214. "Improper conduct" is not merely that which is illegal or independently tortious. *See id.* at n. 8. In the wake of these considerations, Belmora set forth sufficient facts to survive summary judgment which were altogether ignored by the district court.

**A. Belmora Had a Valid Business Expectancy.**

The evidence before the district court showed that Bayer's anticompetitive contract restricting the sales of naproxen sodium liquidgels to itself and private labels or store brands directly caused a loss of a potentially lucrative opportunity for Belmora. Mr. Belcastro testified that on the basis of discussions in early 2017 with a retail broker for a number of national retail supermarket chains, F&M Merchant Group's ("F&M") George Fiscus, F&M was "very interested in naproxen liquid gels to target the U.S. Hispanic community" and was receptive to Belmora bidding to meet an opportunity for which it was uniquely qualified as the up-and-coming national brand of naproxen sodium and one with a demonstrated emphasis on, and success in, Hispanic markets. J.A. 1087-88, 1092-93. Mr. Belcastro and F&M's discussed "expanding [his] distribution network" into "supermarket chains and smaller chains" in the northeast and southeastern U.S. J.A. 1089-90. F&M was receptive to Mr. Belcastro's expansion ideas, believing "Flanax liquid gels would do well" because there was no other dosage form like that that's targeting the Hispanic community. J.A. 1090.

Based on this very real prospect of a significant new opportunity for both sales and market penetration, Mr. Belcastro then flew to Phoenix to meet with F&M, whereupon Mr. Fiscus and Mr. Belcastro toured supermarkets together evaluating the product category. J.A. 1090-91. Mr. Fiscus, on Belmora's behalf, then had meetings with various supermarket chains, which according to Mr. Fiscus expressed interest in selling Flanax-branded naproxen liquid gels. J.A. 1092. At least two retail chains were prepared to move forward at that point. J.A. 1093. Based on this expectancy of a commercial opportunity, Mr. Belcastro attempted to procure a supply of liquid gels from his supplier to satisfy "two cases per store for each chain as an initial opening order." J.A. 1094-96. The ramp up time to procure and deliver Flanax-branded liquid gels to retailers was going to take at least three months. J.A. 1095. But Belmora was stopped dead by the revelation that, under Bionpharma's agreement with Bayer not to supply any of its competitors with naproxen gel caps – a formulation virtually shouting anticompetitive conduct where there is only one supplier – it could not have any and would literally have no way to compete in the category of naproxen sodium gel caps. J.A. 1097-99.

Without explicitly saying so or otherwise explaining why, the district court adopted Bayer's formulation that "there is no *admissible evidence* that Belmora has 'orders' for FLANAX branded naproxen sodium liquidgels or a reasonable expectation of receiving any." J.A. 895-96; emphasis added. The court did not explain why the evidence recited above would be inadmissible at trial. Obviously "a hearsay objection cannot be used to exclude evidence from the summary judgment record where, as here, the evidence may be presented at trial in an admissible form." *Netscape Communs. Corp. v. Valueclick, Inc.*, 707 F. Supp. 2d 640, 648 (E.D. Va. 2010). "[T]he practical question presented by a motion for summary judgment is whether the case presents a genuine issue of fact for trial rather than whether the parties have put their evidence in final form." *U.S. Dep't of Hous. & Urban Dev. v. Cost Control Mktg. & Sales of Va., Inc.,* 64 F.3d 920, 926 n.8 (4th Cir. 1995).

In this case, Mr. Belcastro's testimony, corroborated in multiple emails authenticated by him, that he indicated his wish to purchase the liquidgel capsules and was told that they are not available (J.A. 1281-1288) are eminently admissible. And they are more than sufficient by themselves to raise a material question of fact sufficient to go to a jury on the issue of a reasonable expectancy of economic benefit in support of Belmora's tortious interference claim. Nor is there any reason, and neither the district court nor even Bayer suggested one, why George Fiscus, with whom Mr. Belcastro spoke and visited with in person, would not be available to testify at trial, along with the supermarket executives with whom he spoke.

### B. The Evidence of Record Demonstrates a Material Question of Fact as to whether Bayer Knew of Belmora's Expectancy in Supplying Liquidgels.

The record before the district court showed that Bayer was not only monitoring, but fundamentally threatened by, Belmora's increasing sales of its naproxen sodium product in the U.S. at least as early as the summer of 2014, distributing internal analyses with fear-inspiring titles as "Flanax Risk to Aleve at Wal-Mart." (J.A. 1242-62.) Bayer's sales analytical team clearly had Belmora's increased Flanax sales within its sights, warning "If Wal-Mart expands Flanax within current Hispanic dominant regions, [Bayer] could forecast tripled distribution and doubled sales for Flanax." J.A. 1258. Bayer's execution, in the fall of 2016 of its exclusive anticompetitive agreement with Bionpharma prohibiting sales by the only U.S. source for the product to any national brand besides Bayer certainly raises a material fact going to its interference with Belmora's expectancy of competing in just that growing category within the market Bayer identified as the naproxen market. J.A. 916, 919-20, 1101-50. As the Bayer "*Current Naproxen Marketshare*" documents demonstrate, Bayer's focus beginning in at least 2014 was on countering the "threat" to Aleve's monopoly by Flanax. J.A. 1256-58. It acted "improperly" by making it impossible for Belmora to compete effectively by offering a line of the increasingly popular gelatin capsules to deliver its Flanax naproxen pain reliever.

In spite of these undisputed facts of record, the district court found "there is no evidence that Bayer knew about the supposed orders or was aware of Belmora's interest in entering the naproxen sodium liquidgel category … [or] that Bayer used 'improper methods' to interfere with Belmora's prospective economic advantage." J.A. 896. The district court made these findings despite having before it proof of the timing of the exclusivity renewal – at least two years *after* Bayer was already on record of being increasingly threatened by the expanded market growth of FLANAX. The district court also disregarded the curious acquiescence to this exclusive-dealing agreement by Bionpharma in 2016, which are contrary to its interest in selling to all buyers. And it ignored the testimony of Bayer's Mr. Pisani, who admitted that after years of corporate wheel-spinning and failed initiatives to increase Aleve's market share among the Hispanic buyers that Flanax was increasingly winning over despite selling its bilingually-labeled product for more than what Aleve costs. J.A. 135, 448, 676-77.

This Court, of course, need not believe either party's version of the story, but the district court, on summary judgment, erred in doing so. In failing to acknowledge that this evidence raises a material question of disputed fact, the district court committed reversible error.

### C. Bayer Acted with Intent to Interfere.

The same can be said concerning the evidence of Bayer's intent to interfere with Belmora's acquisition of naproxen sodium gelatin capsules. Intent is shown by proof that the defendant (1) acted for the purpose of, or even a partial desire to, interfere with the performance of the contract (or prospective economic advantage), or (2) knew that interference is certain or substantially certain to result from these actions. *See Commerce Funding*, 249 F.3d at 212-13. Here too, the record is rife with evidence demonstrating genuine factual disputes on this question.

The facts set out in the previous sections obviously give rise to a ready inference of intent by Bayer to prevent Belmora from being permitted to purchase gelatin capsules, and of having done so during the pendency of this litigation. That Bayer denied these facts below with naked assertions before the district court does not suffice to eliminate the opportunity for a fact-finder to believe it. Nor does the law require Belmora to prove the existence of a specific communication or instrumentation by which commercial or other pressure was applied to nonetheless make out a claim for interference. *See* Restatement (Second) of Torts § 766, cmt. k (stating "*causing* the third person not to perform," with no mention for the need of a direct communication or other technical requirement) (emphasis added).

Finally, Bayer's conduct in maintaining a monopoly or, alternatively, in attempting to monopolize the relevant market constitutes unethical conduct, sharp dealing or unfair competition. *See Duggin v. Adams*, 360 S.E.2d 832, 836 (1987). The district court's opinion, wherein it improperly "cherry-picked" language from *Commerce Funding* for the proposition that Belmora failed to show "violations of statutes or regulations," or "violence, threats or intimidation" was clear error as was its conclusion that "[t]here is simply no evidence to adduce interference in this case," given the language from *Commerce Funding* explaining that "improper conduct" is not merely confined to that which is illegal or independently tortious. J.A. 896. On this record, only a jury can decide if what seems obvious about what Bayer did to insure that Belmora had no access to the supply of gelatin capsules is in fact what really happened and the district court's attempt to assert itself as fact finder on this issue was error.

## VIII. BAYER IS NOT ENTITLED TO SUMMARY JUDGMENT ON BELMORA'S CLAIM FOR JUDICIAL REVIEW OF THE TTAB'S DECISION TO CANCEL BELMORA'S FLANAX REGISTRATION PURSUANT TO § 14(3) OF THE LANHAM ACT

### A. The District Court Applied an Incorrect Standard of Review.

As an alternative to an appeal to the Court of Appeals for the Federal Circuit, the Lanham Act provides that a dissatisfied party may elect to obtain review by a civil action filed in a United States district court. *See* 15 U.S.C. § 1071(b)(1). The purpose of this alternative route of appeal is to provide litigants the option of discovering and presenting new evidence in a trial court. *See CAE, Inc. v. Clean Air Engineering, Inc.*, 267 F.3d 660, 673, (7th Cir. 2001); *Glendale Intern. Corp. v. U.S.*

*Patent & Trademark Office*, 374 F. Supp. 2d 479, 484 n.7 (E.D. Va. 2005) (an appeal from the TTAB through a civil action in federal district court "affords a party the opportunity to introduce new evidence in support of its claims.").

In 2012 the U.S. Supreme Court held that when an applicant for a patent elects to pursue review in a federal district court a decision of the USPTO Board of Patent Appeals and Interferences ("BPAI") and new evidence is presented, the federal court reviews both the new evidence and the BPAI record with *de novo* scrutiny. "[I]f new evidence is presented on a disputed question of fact, the district court must make *de novo* factual findings that take account of both the new evidence and the administrative record before the USPTO." *Kappos v. Hyatt*, 566 U.S. at 446.

Although *Kappos* specifically concerned a federal district court's review of a USPTO patent decision under 35 U.S.C. § 145, its holding applies with equal force to actions challenging a TTAB decision under 15 U.S.C. § 1071(b) that involve the introduction of new evidence. *See Swatch*, 739 F.3d at 155 (discussing the procedural features of § 1071(b) and noting "*Kappos* is the primary case interpreting the patent and *trademark civil action statutes*.") (emphasis added). In *Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. DE C.V.*, the district court observed the uniqueness of its position as a reviewing forum as well as the limitations imposed by giving too much deference to the TTAB's decision following the introduction of new evidence:

> [B]ecause the TTAB, in many respects, considered a 'different set of facts' than has been presented here, the Court finds itself largely unable to 'meaningfully defer' to the TTAB's factual findings, despite the TTAB's expertise on trademark issues. [ …] The Court recognizes that this standard of review may represent a departure from the pre-*Kappos* approach in this Circuit, as well as the Court's own approach at the summary judgment stage of this litigation, but the Court is confident, particularly after the Supreme Court's clarification in *B & B Hardware*, that the proper standard of review is *de novo*.

188 F. Supp. 3d 22, 37-38 (D.D.C. 2016), *aff'd*, 743 F. App'x 457 (D.C. Cir. 2018); *accord* 3 McCarthy § 21:21 ("[I]t is clear that the "*de novo*" review rule in *Kappos* will be applied by the courts to similar trademark cases, changing the prior rule.") The district court here, however, adopted its own hybrid approach to reviewing evidence in an appeal from a TTAB proceeding, writing:

> In sum, any *new evidence* submitted to the court on a disputed factual question is considered *de novo* …, while factual findings made by the Board which are untouched by new evidence presented to the court are reviewed under the substantial evidence standard mandated by the Administrative Procedure Act … .

J.A. 886; emphasis added. The district court's bifurcated approach to its review of the evidence was improper and seriously cheapens the value and purpose of appealing via the district court route. Furthermore, it cannot seriously be argued that the district court's application of this "mishmash" legal standard failed to negatively impact its ruling. The opinion states:

> Belmora has not adduced *any new evidence* that would require this Court to review the underlying evidence *de novo.* Belmora has not produced *any credible new evidence* that allow this Court to find that Mr. Belcastro was unaware of Bayer's Mexican FLANAX when he

> adopted the mark for his own company, that the parties' respective FLANAX packages did not actually look the way the Board said they did, or that the numerous examples of Belmora and its agents attempting to use Bayer's Mexican FLANAX goodwill were never published or used. Because Belmora has not offered *any new evidence*, and the Court finds that the Board's decision was not arbitrary, capricious, or otherwise not in accordance with law, this Court affirms the TTAB decision.

JA. 897; emphasis added. Although the district court simply disregarded the fresh evidence that Belmora presented following the remand of this case (as discussed below), Belmora's mere inclusion of this evidence compelled *de novo* review of the *entire record*, which it was error for the district court to decline doing. *See Swatch*, 739 F.3d at155-56 ("[W)here new evidence is submitted, *de novo* review of the entire record is required because the district court cannot meaningfully defer to the USPTO's factual findings if the USPTO considered a different set of facts.") (citations omitted); *Dacotah Mktg.*, 21 F. Supp. 2d at 578 n. 21.

In sum, the legal standard applied by the district court was plain error and, therefore, mandates reversal as a matter of law. *See Tatum v. RJR Pension Inv. Comm.*, 761 F.3d 346, 368 (4th Cir. 2014) ("Reversal is required when a district court has applied an 'incorrect legal standard that *may* well have influenced its ultimate conclusion,'" *quoting Harris v. Forklift Sys., Inc.,* 510 U.S. 17, 23 (1993)). For these reasons alone, the district court's affirmance of the TTAB decision should be vacated and reversed.

### B. The TTAB's Rulings Were Clearly Erroneous as a Matter of Law in Determining Belmora's FLANAX Mark Should Be Cancelled Pursuant to § 14(3).

Section 14(3) allows for the cancellation of a registration if the registrant is using the registered mark "to misrepresent the source of the goods or services on or in connection with which the mark is used." 15 U.S.C. § 1064(3). This provision of the Lanham Act is meant to prevent "passing off" – classic trademark infringement. Thus, "application of § 14(3) under the decisional law has ... been limited to cases involving deliberate and blatant misrepresentation of source wherein the registration is merely a vehicle for the misuse rather than evidence of even a colorable ownership claim, and where the mark is intentionally displayed in such a manner as to facilitate passing off the goods as those of another." *Galleon S.A. v. Havana Club Holdings, S.A.,* 2004 WL 199225, at *23 (TTAB Jan. 29, 2004) (citation and internal quotations omitted). *See also*, *Karoun Dairies, Inc. v. Karoun Daries, Inc.,* No. 08-cv-1521, 2010 WL 3633109, at *10 (S.D. Cal. Sept. 13, 2010) ("A cancellation claim for misrepresentation under § 14(3) requires a pleading that registrant deliberately sought to pass off its goods as those of petitioner"); 3 McCarthy § 20:60 ("A cancellation claim for misrepresentation under § 14(3) requires a pleading that registrant deliberately sought to pass off its goods as those of petitioner"); Ted Davis, "Cancellation Under § 14(3) For Registrant Misrepresentation of Source," 85

*Trademark Rep*. 67, 86 (Jan.-Feb. 1995) (the purpose of the 1962 amendments relating to § 14(3) was to inhibit "egregious passing off by registrants").[15]

"Usually, the proponent of trademark rights in a designation satisfies its burden of proof by showing that it *has used the designation* in such a manner that both customers and competitors are likely to recognize it as an indication of origin" 3 McCarthy § 3:4; emphasis added. But Bayer does not use, and has admitted to having no interest in ever using, its Mexican FLANAX mark in the United States. J.A. 309. BCC nonetheless argued before the TTAB that § 14 of the Act "imposes no use requirement, distinguishing it (and other provisions of the Act), from § 2(d)." J.A. 138. After reversal by the district court, Bayer successfully reargued this same point before this Court, taking the position that despite precedent such as *Lamparello v. Falwell*, 420 F.3d 309, 313 (4th Cir. 2005) requiring that to establish a claim under § 43(a)(l)(A), a party must prove, *inter alia*, that "it possesses a mark," in fact no trademark or trademark use – the *sine qua non* of trademark ownership – was required.

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15 Davis's article notes that the legislative predicate "behind the original formulations of Sections 10, 14(3), and 33(b)(3) is that lawmakers were concerned about the possibility of anti-trust violators hiding their activities behind a cloak of assignments." *Id.*, at *70. Whatever can be said about the proceedings before the TTAB that underlie this action, they certainly did not involve any antitrust issues. Thus, it is at least debatable whether the §14(3) findings made by the TTAB were even appropriate in the first place in light of the facts presented.

Nonetheless, this Court did not merely adopt the reasoning and findings of the TTAB. Instead, it remanded this case for further proceedings by which BCC would actually *prove* its claim, presumably by demonstrating that although it never used FLANAX as a trademark in the United States, the alleged "misrepresentation" by Belmora damaged it by virtue of *some* association of FLANAX in the minds of U.S. consumers – at least as the soil of goodwill in which Belmora's "misrepresentation" could take root. J.A. 754-64. Bayer failed to make that showing, however; the record is barren. The failure of the district court to acknowledge that failure by Bayer is another reason to reverse its decision on this claim.

### C. The District Court's Decision in this Case Merely Confirmed the TTAB's Legal Error.

The distinction between this Court ruling on a Rule 12 motion and a finding on the merits was also disregarded by the district court on the issue of false association under § 14(3). This Court's ruling that "BCC's cancellation claim falls within the Lanham Act's zone of interests because it confronts the 'deceptive and misleading use of marks.'" *Belmora LLC*, 819 F.3d at 715, came with an explicit reminder that its ruling applied only to the sufficiency of the pleadings, and was not a determination on the merits. The district court erred in disregarding that caveat.

It is well established, of course, that a false association claim is not merely another form of a classic infringement or passing-off claim for an unregistered trademark under § 14(3). For false association cause of actions, such as a § 14(3) claim, a claimant must assert infringement of a proprietary right, as opposed to misuse of a designation of non-proprietary terms (such as descriptive or generic terms) or misuse of a designation that causes non-trademark damage (such as scandalous and immoral terms).

On remand, however, Bayer did not prove that it had a proprietary interest of any kind – trademark rights or any other rights – in the TTAB; it did not even try, and the district court did not even pretend that Bayer had met its evidentiary burden of doing so. On this basis alone, the application of a *de novo* standard of review warrants reversal of the district court's rubber-stamping of TTAB's decision, because Bayer failed to prove that it had any proprietary interest entitled to protection under § 14(3).[16]

### D. The Expanded Record Now Before this Court Precludes an Award of Summary Judgment in Favor of Bayer.

As stated above, the new evidence Belmora proffered before the district court raised a material issue for trial on the issue of the TTAB's findings that Belmora

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16 "Although Rule 56 does not provide for situations in which the court desires to enter summary judgment *sua sponte*, or in which the nonmoving party is entitled to summary judgment, it is widely acknowledged that courts have this power, provided that the nonmoving party has sufficient notice and opportunity to respond." *Haughton v. Crawford*, Case No. 1:16-cv-634 (LMB/IDD), 2016 WL 5899285, at *4 (E.D. Va. Oct. 7, 2016), citing *Amzura Enterprises. Inc. v. Ratcher*, 18 F. App'x 95, 103 (4th Cir. 2001); *see also Ramsey v. Coughlin*, 94 F.3d 71, 73-74 (2d Cir. 1996) (holding that if a motion for summary judgment has been made, a district court may grant summary judgment to any party, including the non-movant).

engaged in bad faith and willfulness in initially adopting and using the FLANAX mark. This evidence was developed primarily in support of Belmora's eleventh affirmative defense, i.e., that it acted reasonably and in good faith based on the advice of its earlier trademark counsel. J.A. 265, 992-94. That evidence is corroborated by correspondence drafted by prior counsel to Mr. Belcastro. J.A. 746-47 ("we now understand that by the Spring of 2003, you already had been actually undertaking steps to bring the FLANAX mark to market which would be considered "analogous use" *sufficient to accord you rights in terms of determining priority of rights in the FLANAX® mark in the U.S.*") (emphasis added.)

There is no question about the relevance of this evidence to the TTAB's bad faith finding given that the district court was engaged in a *de novo* review of that ruling. *See Flexible Bens. Council v. Feltman*, No. 1:08-cv-371, 2009 WL 1351653, at *7 n.3 (E.D. Va. May 14, 2009) (reasonable reliance on the competent advice of counsel may negate a finding of willfulness). Yet the district court not only failed to credit this evidence for purposes of establishing a triable issue given the obvious questions it raises concerning the pernicious conduct the TTAB found Belmora engaged in in selecting the FLANAX mark when it did, it failed so much as to even describe it, declaring only that "Belmora has not produced *any credible new evidence* that allow[s] this Court to [reverse the TTAB decision]." J.A. 897;

emphasis added. Credibility determinations, however, are entirely improper on summary judgment. (*See* § VII.A, *supra*.)

The district court also refused, improperly, to consider the facts Belmora put forth below in support of its laches defense. Belmora's seventh cause of action in its counterclaim asserts an affirmative claim for laches. J.A. 170. These facts – some that were not included in the prior TTAB proceeding – raise a material issue for trial. Most obviously, the factual issues to be tried include why Bayer did not take any action whatsoever against Belmora's FLANAX Registration until June 2007, almost four years after Belmora applied for its FLANAX mark with the USPTO in October 2003 and almost two and a half years after the same mark was registered on February 1, 2005. J.A. 120, 174. Accordingly, regardless of what standard of review was ultimately applied to these facts by the district court, summary judgment in favor of Bayer of its 14(3) was inappropriate.

## IX. BAYER DOES NOT HAVE STANDING UNDER THE LANHAM ACT TO ASSERT CLAIMS UNDER §§ 14(3) and 43(a).

Finally, by this cross-appeal Belmora respectfully places before this Court again its contention that Bayer's §§ 14(3) and 43(a) claims, as initially determined by the district court, are not protected under the Lanham Act because Bayer lacks standing to assert them. As Belmora has previously argued, this Court's prior holding that "the Lanham Act's plain language contains no unstated requirement that a § 43(a) plaintiff have used a U.S. trademark in U.S. commerce to bring a Lanham

Act unfair competition claim" and that the "Supreme Court's guidance in *Lexmark* does not allude to one" (*Belmora LLC*, 819 F.3d at 710) failed to distinguish material differences between *Lexmark* and this case.

Belmora, far from conceding claimant's standing to assert a claim for false association as it relates to either the alleged reputational injuries Bayer complains of or, more fundamentally, the doctrine of trademark territoriality – which, per this Court's holding in *Barcelona.com, Inc. v. Excelentisimo Ayuntamiento de Barcelona*, 330 F.3d 617, 628 (4th Cir. 2003) is designed to ensure that United States trademark law protects trademarks *used* in United States commerce – these were the subjects of the first appeal and remain at issue in this case unlike in *Lexmark*.

Naturally, Belmora acknowledges that this Court resolved these questions against Belmora in the first appeal, but raises them again now to preserve its rights and to give the Court the opportunity to reconsider the application of its holdings in light of the new, expanded evidentiary record.

## CONCLUSION

For all the foregoing reasons, this Court should (1) affirm the district court's dismissal of Bayer's claims; (2) reverse the district court's Order (i) dismissing each of Belmora's affirmative counterclaims in Bayer's favor; and (ii) affirming the TTAB's 2014 decision and remand this case to the district court for trial on these issues.

## REQUEST FOR ORAL ARGUMENT

Pursuant to Federal Rule of Appellate Procedure 34(a) and Local Rule 34(a), Belmora respectfully requests oral argument. Belmora submits that the decisional process would benefit from oral argument given the voluminous evidentiary record and the number of significant legal and factual issues presented.

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Dated: February 13, 2019

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**CERTIFICATE OF FILING AND SERVICE**

I hereby certify that on this 13th day of February, 2019, I caused this Brief of Appellees/Cross-Appellants to be filed electronically with the Clerk of the Court using the CM/ECF System, which will send notice of such filing to the following registered CM/ECF users:

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I further certify that on this 14th day of February, 2019, I caused the required copy of the Brief of Appellees/Cross-Appellants to be hand filed with the Clerk of the Court.

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