



# THINK FORWARD

## The Lanham Act: Beyond Borders

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In recent months, the Ninth Circuit and Fourth Circuit have issued important rulings about how the Lanham Act, with its jurisdiction limited to issues involving U.S. commerce, can be expanded in a world economy that is becoming increasingly borderless. The appeals court rulings evidenced a deviation from the status quo of following the constraints of national boundaries and an advancement toward enforcing and protecting the principle goal of trademark law – preventing consumer confusion in the marketplace.

In *Trader Joe's Company v. Michael Norman Hallat*, the U.S. Court of Appeals for the Ninth Circuit determined that a U.S. federal district court had jurisdiction to decide a trademark lawsuit filed by Trader Joe's, a U.S. grocery store, against a Canadian reseller where the products at issue were sold exclusively in Canada. Trader Joe's accused the Canadian reseller of infringing its trademarks by purchasing Trader Joe's products in Washington and re-selling them in Canada under the name "Pirate Joe's" using a similar logo and design. The appeal to the Ninth Circuit was brought by Trader Joe's after a federal district court ruled that the Lanham Act could not be applied extraterritorially because all of Pirate Joe's sales took place in Canada and Trader Joe's does not operate any stores in Canada.

Trader Joe's appealed to the Ninth Circuit arguing that even though the infringing activities took place in Canada, Trader Joe's reputation in the U.S. was harmed because Pirate Joe's was engaging in poor quality control practices, inflating prices, and providing inferior customer service when offering the Trader Joe's products in Canada. The Ninth Circuit ultimately agreed with Trader Joe's and held that Pirate Joe's conduct could cause reputational harm to Trader Joe's in the United States and decrease the value of Trader Joe's U.S. federal trademarks. As a result of the Ninth Circuit's decision to extend the extraterritorial reach of the Lanham Act, Trader Joe's federal trademark claims were revived and the case will be remanded to the federal district court and proceed past the pleadings stage.

The Fourth Circuit weighed in on a similar cross-border issue when it addressed the question of whether a foreign corporation has standing to bring a Lanham Act claim in the United States over the unauthorized use of a foreign trademark that has never been used in U.S. commerce. In *Belmora LLC v. Bayer Consumer Care AG*, the German pharmaceutical giant Bayer AG accused Belmora LLC under Section 43(a) of the Lanham Act of deliberately using the name FLANAX (Bayer's brand name for Aleve in Mexico) in the United States in an effort to cause confusion in the marketplace. The district court dismissed the case in February 2015, finding that Bayer lacked standing to protect a mark it never used in the United States. On appeal, the Fourth Circuit held that the plain language of Section 43(a) does not require that a plaintiff possess or use a trademark in U.S. commerce, but rather, requires that the defendant's use in commerce of an "offending word, term, name, symbol or device" or "false or misleading description of fact" creates an injury under the terms of the statute. Therefore, to successfully plead a Section 43(a) claim: (1) a plaintiff's claim must fall within the "zone of interests" protected by the statute; and (2) the plaintiff's injury must be proximately caused by violations of the statute. The Fourth Circuit held that Bayer's false association and false advertising claims satisfied

these two elements. To come within the “zone of interests” Section 43(a), a plaintiff must allege an injury to a commercial interest in reputation or sales. In this case, Bayer alleged that Belmora’s misleading association with Bayer’s FLANAX mark caused Bayer’s customers to buy the Belmora FLANAX product in the United States instead of purchasing it in Mexico, which resulted in a loss of revenue for Bayer.

### **Implications**

The recent court rulings have both positive and negative implications for international companies. On one hand, international companies may be subject to trademark infringement claims under the Lanham Act even if such infringement occurs outside of the United States as long as the infringement impacts a trademark in the United States. On the other hand, international companies may be able to assert foreign marks in the United States even though such marks were never used in the United States. While the U.S. and its partner nations are considering whether to make foreign marks more easily enforceable through proposals like the Trans-Pacific Partnership Agreement (TPP), recent case developments in this country reinforce the fact that the scope of protection for foreign activities and foreign marks under the Lanham Act is already evolving.

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