

NOT FOR PUBLICATION

FILED UNDER SEAL

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

EVERETT LABORATORIES, INC.,)	
)	
Plaintiff,)	
)	
v.)	
)	
RIVER’S EDGE PHARMACEUTICALS,)	
LLC,)	
)	
Defendant.)	

Civil Action No.: 09-3458 (JLL)

OPINION

For Plaintiff: Robert J. Schoenberg (*Riker Danzig Scherer Hyland & Perretti LLP*)

For Defendant: Diane Stolbach (*Kraemer, Burns, Mytelka, Lovell & Kulka*)

LINARES, District Judge.

This matter comes before the Court on the motion to dismiss the Amended Complaint filed by Defendant River’s Edge Pharmaceuticals, LLC (“River’s Edge” or “Defendant”) and the motion to dismiss the Counterclaim filed by Plaintiff Everett Laboratories, Inc. (“Everett” or “Plaintiff”). This Court exercises jurisdiction pursuant to its subject matter jurisdiction and its supplemental jurisdiction. 28 U.S.C. §§ 1331, 1367. For the reasons set forth in this Opinion, Defendant’s motion to dismiss is denied and Plaintiff’s motion to dismiss the Counterclaim is granted in part and denied in part.

INTRODUCTION

As this Court writes only for the parties, and has recently issued several opinions in this matter, it is not necessary to engage in a full recitation of the facts. In short, Everett and River’s Edge produce competing prenatal vitamins. Everett brought suit in this Court against River’s Edge alleging infringement of U.S. Patent No. 7,560,123 (“the ‘123 Patent”) for its Select-OB product and various other claims related to both Select-OB and another Everett product, VITAFOL. River’s Edge answered and filed a counterclaim against Everett.

This Court denied Plaintiff's motion for a preliminary injunction as to its trademark claims, and, after the USPTO granted reexamination of the '123 Patent, stayed all litigation in this case related to the patent claim. (Order of November 24, 2009.) While the preliminary injunction and stay motions were pending, the parties filed cross-motions to dismiss. While those motions were pending, Everett filed an Amended Complaint, and River's Edge filed a new motion to dismiss the Amended Complaint.

DISCUSSION

A. Legal Standard on a Motion to Dismiss

For a complaint to survive dismissal, it "must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" Ashcroft v. Iqbal, --- U.S. ----, 129 S.Ct. 1937, 1949 (2009) (citing Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570 (2007)). "The plausibility standard is not akin to a 'probability requirement,' but it asks for more than a sheer possibility that a defendant has acted unlawfully;" mere consistency with liability is insufficient. Id. However, a plaintiff is not required to plead every element of a prima facie case, but he must at least make "allegations that raise a reasonable expectation that discovery will reveal evidence of the necessary element." Fowler v. UPMC Shadyside, 578 F.3d 203, 213 (3d Cir. 2009) (internal quotations omitted).

In evaluating the sufficiency of a complaint, a court must accept all well-pleaded factual allegations in the complaint as true and draw all reasonable inferences in favor of the non-moving party. See Phillips v. County of Allegheny, 515 F.3d 224, 233 (3d Cir. 2008). But, "the tenet that a court must accept as true all of the allegations contained in a complaint is inapplicable to legal conclusions[;][t]hreadbare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice." Iqbal, 129 S.Ct. at 1949. It is the underlying specific facts alleged in a complaint that should be treated as true and evaluated.

Additionally, in evaluating a plaintiff's claims, generally "a court looks only to the facts alleged in the complaint and its attachments without reference to other parts of the record."

Jordan v. Fox, Rothschild, O'Brien & Frankel, 20 F.3d 1250, 1261 (3d Cir. 1994). However, “a document integral to or explicitly relied on in the complaint may be considered without converting the motion [to dismiss] into one for summary judgment.” In re Burlington Coat Factory Sec. Litig., 114 F.3d 1410, 1426 (3d Cir. 1997) (internal quotations omitted, alteration in original).

B. ANALYSIS OF LEGAL ISSUES PRESENTED IN THE INSTANT MOTIONS

Several events have occurred in this matter that affect the motions presently before this Court. First, this Court stayed all litigation in this matter concerning Select-OB on November 24, 2009. (Order of Nov. 24, 2009.) Second, Defendant has voluntarily dismissed its sixth counterclaim. (Def. Opp. Br. at 9.) Finally, Plaintiff amended its complaint and Defendant filed a new motion to dismiss. These actions render moot Defendant’s original motion to dismiss and a significant portion of the motion to dismiss the Counterclaim. This Court finds that any portions of the instant motions concerning Select-OB are administratively terminated, and motions to dismiss on claims or counterclaims concerning Select-OB may be re-filed when the stay is dissolved. With respect to the sixth Counterclaim, this Court finds that it is dismissed with prejudice, but notes that this dismissal does not impact any deployment of patent misuse arguments as an affirmative defense by the Defendant. (Answer and Counterclaim at 8.)

1. Effect of the 2008 Settlement Agreement

Count Eight of the Amended Complaint is a breach of contract claim against River’s Edge for violating a “Final Settlement Agreement and Release” executed in June 2008 (hereinafter the “2008 Settlement Agreement”). Similarly, in Count Three of the Counterclaim, River’s Edge asserts that Everett breached the 2008 Settlement Agreement by bringing its VITAFOL trademark claims in this litigation.

In its motion to dismiss, River’s Edge argues that the 2008 Settlement Agreement released Everett’s VITAFOL trademark claims laid out in Counts Five, Six, and Seven of the Amended Complaint, and that the River’s Edge interpretation of the 2008 Settlement Agreement

requires dismissal of Count Eight because River's Edge would be excused from performance. (Def. Br. at 4-9, 11-12.) Everett, in its motion to dismiss Count Three of the Counterclaim, argues that the 2008 Settlement Agreement did not apply to claims that the River's Edge VITAPHIL mark infringed the Everett VITAFOL mark and that the 2008 Settlement Agreement does not apply to any claims concerning the VITAFOL mark accruing after the agreement was executed. (Pl. Br. 7-9.)

The disputed release of the 2008 Settlement Agreement reads as follows:

Release of the Parties. Each Party, on behalf of itself and any person or entity claiming by or through them, hereby does release the other Party from any and all charges, claims, complaints, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of whatsoever kind or nature, regardless of whether known or unknown, suspected or unsuspected, which such Party has now or claims to have, or which at any time heretofore had or claims to have had, or which it at any time hereafter may have or claims to have against such other Party as set forth in the Lawsuit, which existed, arose or occurred on or prior to the Effective Date of this Settlement Agreement (individually and collectively, "Claims").

(Answer and Counterclaim at 13-14 (emphasis in original).) Everett's position is that the phrase "as set forth in the Lawsuit" operates to limit the 2008 Settlement Agreement's release to the subject matter of the underlying lawsuit. (Pl. Br. at 8.) River's Edge states that the release's terms "regardless of whether known or unknown, suspected or unsuspected" and "or which it any time hereafter may have" must be given priority in reading the release, and those terms create a broader release that encompasses all claims concerning infringement of the VITAFOL mark by River's Edge's VITAPHIL product. (Def. Opp. Br. at 5; Def. Br. at 7-9.)

This Court previously considered the impact of this language and the issues surrounding the 2008 Settlement Agreement in its November 24, 2009 Opinion denying a preliminary injunction to Everett based on its trademark infringement claim. In its prior Opinion, this Court found that due to unresolved issues regarding the 2008 Settlement Agreement and the alleged

infringement of VITAFOL by River's Edge—including factual determinations of the date of accrual for Everett's trademark infringement claim and the effective date of the agreement—Everett could not meet its burden on the element of likelihood of success on the merits. (Op. of Nov. 24, 2009 at 3.) This Court stated that “substantial questions as to the viability of such claim have been raised,” and denied the injunction Everett sought on that basis. (Id.)

This Court now finds that, consistent with its earlier ruling, it would be premature to construe the effect of the 2008 Settlement Agreement on the claims of the parties at this time. It is apparent from the parties' briefing that information relevant to the scope and interpretation of the 2008 Settlement Agreement exists which is beyond the ambit of a Rule 12(b)(6) motion. River's Edge alludes to materials produced in discovery indicating that the River's Edge VITAPHIL mark was in use prior to the 2008 Settlement Agreement. (Def. Br. at 5 n.1.) Everett asserts that factual issues such as timing and the existence of good faith exist with respect to the 2008 Settlement Agreement that preclude dismissal of its breach of contract claim. (Pl. Opp. Br. at 20, 23.) This Court finds that such factual around the interpretation of the 2008 Settlement Agreement raise the possibility that additional evidence, not presently before the Court, will be required to interpret its terms. See Chubb Custom Ins. Co. v. Prudential Ins. Co. of Am., 948 A.2d 1285, 1289 (N.J. 2008) (permitting use of extrinsic evidence where a contract is “susceptible to at least two reasonable alternative interpretations”). This Court, therefore, declines to dismiss any claims on the basis of the 2008 Settlement Agreement, and as Count Eight of the Amended Complaint and Count Three of the Counterclaim are breach of contract claims based on the 2008 Settlement Agreement, the motions to dismiss of both parties are denied as to those claims.

2. Counts Five to Seven of the Amended Complaint and Count Four of the Counterclaim

Count Four of the Counterclaim alleges that Everett has violated the Lanham Act, 15

U.S.C. § 1125(a), by falsely advertising VITAFOL as “approved” by the United States Food and Drug Administration (the “FDA”) and by falsely claiming that VITAFOL is a registered trademark. (Answer and Counterclaim at 15-16.) Everett argues for dismissal of Count Four because it only advertises VITAFOL as “FDA-regulated,” not “FDA-approved,” and that VITAFOL is a registered mark. (Pl. Br. at 9-12.)

Counts Five, Six, and Seven of the Amended Complaint allege federal and state trademark infringement and unfair competition by River’s Edge against Everett’s VITAFOL mark. River’s Edge argues that those claims must be dismissed because such claims were released by the 2008 Settlement Agreement and because VITAFOL is not a registered mark. (Def. Br. at 4-11.) As this Court has already determined that the scope of the 2008 Settlement Agreement cannot be construed on the instant motions, it will examine only the latter argument in further detail.

a. Marketing of VITAFOL as FDA-Approved

River’s Edge brings its FDA-approval part of Count Four of the Counterclaim under 15 U.S.C. § 1125(a)(1)(B). (Answer and Counterclaim at 15.) That section states:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . **(B)** in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(B). “The plaintiff must prove that the commercial message is either literally false or, if not literally false, literally true or ambiguous with the tendency to deceive consumers.” Santana Prods., Inc. v. Bobrick Washroom Equip., Inc., 401 F.3d 123, 136 (3d Cir. 2005). In a case where an advertising statement is not literally false, the plaintiff has the burden to prove that there was actual deception or that there was a tendency to deceive a substantial part

of the intended audience. Santana Prods., Inc., 401 F.3d at 136.

Here, the only issue presented is whether or not Everett's advertising statement describing VITAFOL as an "FDA regulated, prescription nutritional product[]" misrepresented VITAFOL such that consumers would believe that it was FDA-approved. (Answer and Counterclaim at 15.) Everett seeks support from Mylan Laboratories, Inc. v. Matkari. 7 F.3d 1130, 1137-39 (4th Cir. 1993). In Mylan, the plaintiff sought to plead false advertising under the Lanham Act because its competitors' drugs were packaged in a similar manner to FDA-approved drugs, thus implying—in the plaintiff's theory—that the drugs were FDA-approved. 7 F.3d at 1139. The Fourth Circuit rejected that theory, finding that merely placing a drug in the market "with standard package inserts often used for FDA-approved drugs" could not suffice to successfully plead a false advertising claim under the Lanham Act. Id. Everett also points to a District Court case from the District of Kansas, Braintree Laboratories, Inc. v. Nephro-Tech, Inc., No. 96-2459, 1997 WL 94237, *3-7 (D. Kan. Feb. 26, 1997), and to Mylan in support of an argument that River's Edge seeks to improperly enforce the Food, Drug, and Cosmetic Act, 21 U.S.C. §§ 301-399a, with its Lanham Act claim.

This Court finds that it need not address Everett's second theory of illegitimate private enforcement of the FDCA, as River's Edge's Counterclaim does not comply with Rule 8(a) in presenting its Lanham Act claim with respect to FDA approval. River's Edge does not claim that Everett's "regulated" language is false, only that it misleads its intended audience. (Answer and Counterclaim at 15-16.) It does not, however, provide any basis in its Counterclaim for this Court to find that consumers would be misled by Everett's marketing materials other than its bald assertion that the materials are "likely to cause confusion, or to cause mistake, or to deceive as to the approval of" VITAFOL. (Id. at 16.) Such a conclusory assertion is contrary to the requirements of Rule 8(a), as it is not possible for this Court to discern what would be disclosed in discovery to support the allegation. Fowler, 578 F.3d at 213. River's Edge offers only a conjecture as to the effect of the "regulated" language on Everett's audience, and thus fails to

state a claim upon which relief might be granted. River's Edge's § 1125(a)(1)(B) counterclaim concerning VITAFOL, therefore, is dismissed without prejudice.

b. Registration of the VITAFOL Mark

River's Edge brings its counterclaim that VITAFOL is unregistered under 15 U.S.C. § 1125(a)(1)(A). (Answer and Counterclaim at 15.) That section states:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(A). The gravamen of River's Edge's claim with respect to the registration of VITAFOL is that the mark actually registered by Everett is "VITAFÖL", as opposed to the mark actually used on their product, "VITAFOL;" the difference between the two marks consists solely of the use of a diacritical mark. The same argument underlies River's Edge's remaining argument for the dismissal of Everett's trademark infringement and unfair competition claims.

Everett argues that a trademark tacking concept, as elaborated in Paris Glove of Canada, Ltd. v. SBC/Sporto Corp., 84 U.S.P.Q.2d 1856, (Trademark Tr. & App. Bd. Aug. 22, 2007), provides that if a mark is altered, but the alteration is not material and creates the same commercial impression, it is not abandoned. In Paris Glove, the issue was the change of a mark from a rectangular to a semicircular form, and the mark was found not to have changed in a manner that would render it abandoned, despite the respondent admitting that the mark had changed from the registered form. 84 U.S.P.Q.2d 1856, *5-7. River's Edge, on the other hand, maintains that the issue is purely one of which mark is registered at the present time, and that all other arguments are factual issues not presently ripe for decision. (Pl. Opp. Br. at 8.)

This Court finds that the difference between the two forms of VITAFOL employed in commerce by Everett is too small to render the naked VITAFOL, without the diacritical mark, unprotected by Everett's actual registration of VITAFÖL. Courts have held that when a mark changes minimally in use, retains the "overall commercial impression" of the mark's registered form, and preserves the "key element" of the registered mark, the mark is not deemed abandoned. Sands, Taylor & Wood Co. v. Quaker Oats Co., 978 F.2d 947, 955 (7th Cir. 1992) (discarding of ancillary slogan after 1949 not abandonment of THIRST-AID mark); J. Thomas McCarthy, 3 McCarthy on Trademarks and Unfair Competition § 17:26 (4th ed. 2009) (stressing importance of commercial impression and continuity). Here, deleting the diacritical mark over the second vowel is too insubstantial a change to support a claim that the registration of "VITAFÖL" fails to protect the mark "VITAFOL," and this Court dismisses without prejudice River's Edge's § 1125(a)(1)(A) counterclaim. Sands, Taylor & Wood Co., 978 F.2d at 955; Paris Glove of Canada, Ltd., 84 U.S.P.Q.2d 1856.

River's Edge argues in its motion to dismiss Everett's trademark claims that Everett's use of the registered symbol with the VITAFOL was inequitable conduct and that there is a material difference between "VITAFOL" and "VITAFÖL." (Def. Br. at 10-11.) This Court does not find River's Edge's analysis persuasive in this context. The absence of a diacritical mark does not, as this Court discussed supra, significantly alter the commercial impression of the mark, nor does it raise the specter of inequitable conduct discussed in Horizon Healthcare Servs. v. Allied Nat'l Inc. No. 03-4098, 2006 WL 344277, at * 9-10, n.5 (D.N.J. Feb. 14, 2006). This Court, therefore, denies River's Edge's motion to dismiss Counts Five, Six, and Seven of the Amended Complaint.

3. Count Five of the Counterclaim

Count Five of the Counterclaim alleges, in a single sentence, that Everett's "advertising constitutes unfair competition and an unfair and deceptive business practice at common law and under the laws of each and every state in which Counterclaimant and Counterdefendant

compete[.]” (Answer and Counterclaim at 17.) The parties’ briefing on whether this counterclaim should be dismissed is extremely concise, with Everett maintaining that it is too “broad and open-ended,” and River’s Edge asserting that its unfair competition counterclaim should survive if its Lanham Act counterclaims survive. (Pl. Br. at 12-13; Def. Opp. Br. at 8.)

This Court finds that the unfair competition counterclaim does not comply with the pleading standards of Rule 8(a). “[A] complaint must do more than allege the plaintiff’s entitlement to relief. A complaint has to ‘show’ such an entitlement with its facts.” Fowler, 578 F.3d at 211. Furthermore, the complaint must provide sufficient context to provide fair notice to an adversary of what the claim contends. Phillips, 515 F.3d at 232. The Fifth Counterclaim does not, at present, fulfill these requirements. Not only does it fail to provide facts placing the claim in context, it fails to name any of the states in which the two parties compete, and this Court is significantly hampered in determining whether a party has plead a violation of state law if it does not know which state’s law was allegedly violated. The Fifth Counterclaim, therefore, is dismissed without prejudice with respect to its VITAFOL claims.

CONCLUSION

For the reasons set forth in this Opinion, Defendant’s motion to dismiss is denied, and Plaintiff’s motion to dismiss is denied in part and granted in part. An appropriate Order accompanies this Opinion.

DATED: April 5, 2009

/s/ Jose L. Linares
United States District Judge