**RECORD NO. 15-2284**

**IN THE**

# United States Court of Appeals

**FOR THE FOURTH CIRCUIT**

THE RIGHT REVEREND CHARLES G. VONROSENBERG, individually and in his capacity as Provisional Bishop of the Protestant Episcopal Church in the Diocese of South Carolina,

*Plaintiff - Appellant,*

v.

THE RIGHT REVEREND MARK J. LAWRENCE; JOHN DOES 1-10, being fictitious defendants whose names presently are unknown to Plaintiff and will be added by amendment when ascertained,

*Defendants - Appellees.*

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA AT CHARLESTON

## OPENING BRIEF OF APPELLANT THE RIGHT REVEREND CHARLES G. VONROSENBERG

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UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT
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No. 15-2284 Caption: Charles vonRosenberg v. Mark Lawrence

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(name of party/amicus)

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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(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
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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/ Thomas S. Tisdale Date: 11/04/15

Counsel for: Appellant Charles vonRosenberg

## CERTIFICATE OF SERVICE

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I certify that on 11/04/15 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/ Thomas S. Tisdale
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## STATUTES

## JURISDICTIONAL STATEMENT

This appeal is taken from an order issued by the Honorable C. Weston Houck of the District of South Carolina. The complaint alleged violations of 15 U.S.C. §§ 1051 *et seq.* (the "Lanham Act"). Joint Appendix ("JA") 12. The basis for the district court's subject matter jurisdiction was 15 U.S.C. § 1121(a) and 28 U.S.C. §§ 1331, 1338. The basis for appellate jurisdiction is 28 U.S.C. § 1291. An effectively final and immediately appealable order abstaining from jurisdiction and staying the case was issued on September 21, 2015. JA 1153. *See Moses H. Cone Memorial Hospital v. Mercury Construction Corp.*, 460 U.S. 1, 9 (1983) ("[T]he stay order was final for purposes of appellate jurisdiction."). Appellant filed a timely notice of appeal on October 20, 2015. JA 1175.

## STATEMENT OF ISSUES PRESENTED FOR REVIEW

1. Did the district court err in abstaining from jurisdiction over Bishop vonRosenberg's federal Lanham Act false advertising claim?

2. Is Bishop vonRosenberg entitled to a preliminary injunction, which the district court effectively denied by errantly abstaining from jurisdiction?

## STATEMENT OF THE CASE

### A. Factual Background

This is a federal Lanham Act false advertising case between two competing clergymen: Bishop vonRosenberg and Bishop Lawrence. JA 10, 26-28. Each

advertises himself and his services as a "Bishop" of an "Episcopal" "Diocese" in a variety of contexts and ways in interstate commerce. JA 10-11, 26-28, 165-172. Bishop vonRosenberg is authorized by The Episcopal Church to advertise as such, and Bishop Lawrence is not. JA 10-11, 26-28, 165-172. Bishop Lawrence, a former bishop of The Episcopal Church, alleges instead that his authority to advertise as such derives from a corporate entity, which formerly operated as a diocese of The Episcopal Church, and which he led in repurposing and disaffiliating from The Episcopal Church in late 2012. JA 669-670. His allegations, however, even taken as literally true, are not dispositive; rather, this Lanham Act case is ultimately about how the public perceives these competing advertisements and how they influence consumers of religious services. JA 10-11, 26-28.

The public correctly and fairly perceives Bishop vonRosenberg's advertisements as indicators of his authority and affiliation as a bishop of a diocese of The Episcopal Church; and likewise, that the nature, characteristics, and qualities of the services he provides are consistent with those prescribed and sanctioned by The Episcopal Church. JA 10-11, 26-28, 165-172, 179-180.

The public falsely perceives Bishop Lawrence's advertisements as indicators of the same. JA 10-11, 26-28, 165-172, 179-180. Bishop Lawrence, in other words, is confusing and misleading the public regarding his authority and

affiliation with The Episcopal Church and the services he provides, to Bishop vonRosenberg's detriment. JA 10-11, 26-28, 165-172, 179-180. His literal pretext for doing so – having a cloak of authority deriving from a disaffiliated and repurposed corporation – does not exculpate him. JA 669-670.

The public perception of these competing advertisements is driven by the strength of The Episcopal Church's national brand. JA 10-11, 26-28, 165-172, 179-180. People across the country, particularly consumers of religious services – including approximately 2 million individuals in 7,500 parishes and 110 dioceses – are familiar with The Episcopal Church and its interstate structure of dioceses and bishops. JA 13-15. When they see and hear advertisements that include various combinations of the words "Bishop," "Episcopal," and "Diocese"– without any clear differentiating words or disclaimers such as "Reformed" or "African Methodist" – they naturally think they are dealing with a leader in The Episcopal Church, and one who is providing services consistent with those prescribed and sanctioned by The Episcopal Church. JA 10-11, 26-28, 165-172, 179-180. Bishop Lawrence is disabusing this public perception, intentionally, and creating confusion that is irreparably harmful. JA 10-11, 26-28, 165-172, 179-180.

As the district court correctly recognized very early in this case, Bishop vonRosenberg has standing to bring this Lanham Act claim and would be entitled to a remedy against Bishop Lawrence if he proves his allegations at trial. JA 1050

("Thus, Bishop vonRosenberg, through the allegations contained in his complaint, sufficiently alleges a cognizable injury individual to him as an ecclesiastical authority within TEC's hierarchical organization to satisfy the injury in fact prong of constitutional standing.").

**B. Procedural History**

**i. This Federal Action**

This Lanham Act case was filed on March 5, 2013 by Bishop vonRosenberg. JA 10. It has been mired in abstention proceedings and appeals ever since. JA 1153, 1158-1160. The case remains stayed as of the date of this briefing. JA 1173-1174.

Although the complaint initially raised two causes of action under the Lanham Act – trademark infringement and false advertising – the trademark infringement claim was dropped by Bishop vonRosenberg two years ago, and the only claim that remains is the false advertising claim. JA 1159.

**ii. The State Action**

The question of abstention involves a state action filed around the same time as this action in the South Carolina Court of Common Pleas in Dorchester County. JA 1153. The initial complaint in that state action was filed on January 4, 2013 in the name of two diocese-related corporate entities and numerous parish corporations. JA 52. The complaint named a single defendant, The Episcopal

Church, an unincorporated national religious organization. JA 52. The central allegation in the complaint was that the named plaintiffs had disaffiliated from The Episcopal Church in late 2012 under the leadership and corporate authority of Bishop Lawrence. JA 64-65.

Specifically, the named plaintiffs included: a South Carolina nonprofit corporation chartered in 1973 by the name of "The Protestant Episcopal Church in the Diocese of South Carolina"; a trust incorporated in the 1880 and 1902 Acts the South Carolina General Assembly by the name of "Trustees of The Protestant Episcopal Church in South Carolina"; and numerous South Carolina religious corporations, mostly incorporated in the latter part of the twentieth century, such as "Christ St. Paul's Episcopal Church." JA 60, 66-67.

The named plaintiffs asserted state law claims only, which included: (i) a declaratory judgment regarding certain real and personal property, pursuant to S.C. Code Ann. §§ 15-53-10 *et seq.*; (ii) state trademark infringement of certain South Carolina state trademark registrations,[1] pursuant to S.C. Code Ann. §§ 39-15-1105 *et seq.*; and (iii) improper use of corporate names, pursuant to S.C. Code Ann. §§ 16-17-310 & 320. JA 60.

[1] The state trademark registrations include: "The Protestant Episcopal Church in the Diocese of South Carolina"; "The Episcopal Diocese of South Carolina"; "The Diocese of South Carolina"; and a seal. (State Cmplt.) Notably, none of the state trademark registrations include the word "Bishop." JA 64.

After the state action was filed, and in response to the alleged disaffiliation of the diocese-related corporation led by Bishop Lawrence, The Episcopal Church, and a great many individuals and parishes in South Carolina who remained loyal to The Episcopal Church, continued operating and reorganized The Episcopal Church's diocese. JA 21, 165-167. They did so in the form of an unincorporated religious body operating under the name "The Episcopal Church in South Carolina," [2] and they installed Bishop vonRosenberg as the Bishop of the reorganized diocese. JA 21, 24, 1154. The named plaintiffs, in turn, added The Episcopal Church in South Carolina as a second defendant to the state action on March 5, 2013 – the same day that Bishop vonRosenberg filed this action. JA 566-567.

The state court defendants' central allegation in response to the complaint was that the suit had not been lawfully filed in the names of the plaintiffs. JA 285, 339-340, 407-408. Accordingly, they attempted to join Bishop Lawrence and other individuals they alleged were responsible for filing the suit, and sought to

[2] This name was adopted in compliance with an *ex parte* temporary restraining order and a subsequent consent order entered in the state court. JA 24. The word "Episcopal" is the dominant identifier in this new name, just as it is in the old names of the diocese. "The Episcopal Church in South Carolina" is able to use this name without deceiving, misleading, or confusing the public because it is indeed a part of The Episcopal Church. Bishop Lawrence's use of such a name, on the other hand, would be deceptive, misleading, and confusing, just like his current use of the old names of the diocese.

assert claims against them personally, including Lanham Act claims. JA 1156. Those attempts were ultimately denied, which, as will be discussed, is important to this appeal. JA 1156.

Incidentally, it should be understood that neither Bishop vonRosenberg nor Bishop Lawrence ever personally became parties to the state action. Their involvement was limited to their respective roles as alleged agents of the named parties. JA 1156-1157.

The state action was tried in July of 2014. JA 1157. An order in favor of the named plaintiffs on their state law claims was entered on February 3, 2015. JA 1078, 1120. The order described the state action as being limited to issues of "church property and corporate control" that "can be completely resolved using neutral principles of South Carolina law," and that "the sole issue with respect to the Diocese is corporate control." JA 1100, 1102. The state court declined to adjudicate any Lanham Act claims against any party, and moreover, declined to adjudicate any claims whatsoever against Bishop Lawrence, holding that no such claims were asserted in the pleadings or were otherwise before it. JA 1156 ("Thus, the state court held that the proposed Lanham Act claims were not before the court.").

An appeal of the trial court's decision followed, and is currently pending before the South Carolina Supreme Court. JA 1158.

### iii. The Abstention Orders

The district court abstained in this case for the first time on August 23, 2013. JA 1043. In doing so, the district court opted to apply the relatively liberal abstention doctrine set forth in *Brillhart v. Excess Insurance Co. of America*, 316 U.S. 491 (1942) and *Wilton v. Seven Falls Co.*, 515 U.S. 277 (1995). JA 1054. At the core of its decision to abstain, the district court relied on its contemporaneous understanding that similar Lanham Act claims were pending concurrently in this action and the state action. JA 1058 ("[I]n its state action counterclaims, TEC prays for the same declaratory and injunctive relief under the Lanham Act that is sought here by Bishop vonRosenberg."); JA 1061 ("Bishop vonRosenberg's claim seeks the same relief as TEC's counterclaim in the state action.").

An appeal of that abstention decision followed. On March 31, 2015, this Court vacated that decision and remanded the case, instructing the district court to apply the more rigorous abstention doctrine set forth in *Colorado River Water Conservation Dist. v. United States*, 424 U.S. 800 (1976), and expressing "no view" as whether abstention would be appropriate under that doctrine. JA 1075-1076.

On remand, the district court abstained again, on September 21, 2015. JA 1153. Though circumstances had changed in the two years since the district court first abstained – namely, that it had become clear that there were no concurrent

Lanham Act claims before the state court – the district court refused to reconsider its prior findings regarding the substantial sameness and parallelism between the state and federal actions, which it imported from its vacated decision as the law of the case in its application of the *Colorado River* abstention doctrine. JA 1164.

In abstaining, the district court stayed the case, as opposed to dismissing it, pending the resolution of the state court appeal, and subject to the following instruction: "If the South Carolina Supreme Court affirms the Circuit Court's opinion, then this action is resolved as well. However, if the South Carolina Supreme Court reverses the Circuit Court's opinion, only the underlying issues in this action will be resolved and Bishop vonRosenberg will then proceed in this Court to receive relief as to his personal claims." JA 1173-1174.

The aforementioned abstention orders, at least in effect, were also denials of Bishop vonRosenberg's motion for a preliminary injunction.[3] JA 31-32, 1173-1174.

This appeal was timely filed on October 20, 2015. JA 1175.

[3] In its first abstention order, the district court explicitly denied Bishop vonRosenberg's motion for a preliminary injunction without prejudice. JA 1064. After this Court vacated that order and remanded the case, the district court issued its second abstention order, again effectively (but this time not explicitly) denying Bishop vonRosenberg's motion for a preliminary injunction. JA 1173-1174.

## SUMMARY OF ARGUMENT

Errors of law and abuses of discretion pervade the district court's application of the *Colorado River* exceptional circumstances test for abstention, both with respect to the threshold requirement of parallelism and the additional factors.

The district court failed to appreciate that a Lanham Act false advertising claim "goes beyond trademark protection," and that Bishop vonRosenberg's complaint does as well, when construed, as it must be, in the light most favorable to him. The district court also failed to give due consideration to the contemporaneous circumstances as of the time-of-abstention, namely, that there were no concurrent Lanham Act claims before the state court. Furthermore, the district court failed to appreciate that a cognizable Lanham Act claim cannot be precluded or preempted by a state court's application of state law. For these dispositive reasons, the actions cannot be said to be substantially the same, nor parallel, and abstention is conclusively inappropriate under *Colorado River*.

As to the additional factors under *Colorado River*, the district court correctly found that the first two factors counseled against abstention, but erred by not giving them appropriate weight. The district court's analysis of the other four factors was errantly skewed by the aforementioned failures to appreciate the full extent of the law, allegations, and circumstances at issue.

Simply put, Bishop vonRosenberg's federal Lanham Act false advertising claim was not adjudicated in the state action. He has a right to have his claim considered in this action.

The clear merits of his claim, moreover, entitle him to a long-overdue preliminary injunction. The extrinsic evidence in the record demonstrates that Bishop Lawrence is misleading and confusing consumers of religious services, to Bishop vonRosenberg's detriment, and causing irreparable harm.

## STANDARD OF REVIEW

### A. Abstention

"We begin with the premise that '[a]bstention from the exercise of federal jurisdiction is the exception, not the rule.' As has been reiterated time and again, the federal courts have a 'virtually unflagging obligation ... to exercise the jurisdiction given them.'" *Gannett Co., Inc. v. Clark Const. Group, Inc.*, 286 F.3d 737, 741 (4th Cir. 2002) (citing *Colorado River*, 424 U.S. at 813).

Commensurate with this exceptionally high standard, abstention is reviewed for abuse of discretion. *Gannett*, 286 F.3d at 741. "Of course, an error of law by a district court is by definition an abuse of discretion." *Id.* (citing *Hunter v. Earthgrains Co. Bakery*, 281 F.3d 144, 150 (4th Cir. 2002)). "Abuse of discretion is normally a deferential standard, but in the abstention context our review is 'somewhat rigorous': 'In abstention cases, because we are considering an

exception to a court's normal duty to adjudicate a controversy properly before it, the district court's discretion must be exercised within the narrow and specific limits prescribed by the particular abstention doctrine involved.'" *Niagara Mohawk Power Corp. v. Hudson River-Black Regulating Dist.*, 673 F.3d 84, 99 (2d Cir. 2012) (quoting *Dittmer v. Cnty. Of Suffolk*, 146 F.3d 113, 116 (2d Cir. 1998).

*Colorado River*'s exceptional circumstances test for abstention begins with the "threshold question" of whether the state and federal actions are parallel. *Chase Brexton Health Services, Inc. v. Maryland*, 411 F.3d 457, 463 (4th Cir. 2005). This parallelism requirement is "strictly construed." *Id.* "Suits are parallel if substantially the same parties litigate substantially the same issues in different forums." *Id.* at 464.

"If parallel suits exist, then a district court must carefully balance several factors, with the balance heavily weighted in favor of the exercise of jurisdiction." *Id*. at 463. "Although the prescribed analysis is not a 'hard-and-fast' one in which application of a 'checklist' dictates the outcome, six factors have been identified to guide the analysis: (1) whether the subject matter of the litigation involves property where the first court may assume in rem jurisdiction to the exclusion of others; (2) whether the federal forum is an inconvenient one; (3) the desirability of avoiding piecemeal litigation; (4) the relevant order in which the courts obtained jurisdiction and the progress achieved in each action; (5) whether state law or federal law

provides the rule of decision on the merits; and (6) the adequacy of the state proceeding to protect the parties' rights." *Id.* "In the end, however, abstention should be the exception, not the rule, and it may be considered only when the parallel state-court litigation will be an adequate vehicle for the complete and prompt resolution of the issues between the parties." *Id.*

As this Court explained when it remanded this case, "*Colorado River* permits a court to abstain only in the rare circumstance in which the needs of judicial administration are so pressing as to supersede the court's otherwise 'virtually unflagging obligation' to exercise its jurisdiction over that federal action." JA 1073 (emphasis in original). "[A] federal court's task 'is not to find some substantial reason for the exercise of federal jurisdiction [but] . . . to ascertain whether there exist 'exceptional' circumstances . . . to justify the surrender of that jurisdiction.'" JA 1075 (emphasis in original).

**B. Preliminary Injunction**

"In this circuit, the entry of a preliminary injunction is governed by the four-part test set forth in *Blackwelder Furniture Co. of Stateville, Inc. v. Seilig Mfg. Co., Inc.*, 550 F.2d 189 (4th Cir. 1977), which requires a court to consider '(1) the likelihood of irreparable harm to the plaintiff if the preliminary injunction is denied, (2) the likelihood of harm to the defendant if the requested relief is granted,

(3) the likelihood that the plaintiff will succeed on the merits and (4) the public interest.'" *Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 271 (4th Cir. 2002).

In the typical situation, when a motion for a preliminary injunction is decided based on weighing these four factors, it is reviewed on appeal for an abuse of discretion. *Id*. at 272.

However, where a motion for a preliminary injunction is effectively disposed of as a matter of law, it may be considered on appeal *de novo*. *See Eisenberg v. Montgomery County Public Schools*, 197 F.3d 123, 128 (4th Cir. 1999) ("We review the denial of the preliminary injunction *de novo* since the district court based its decision solely on a premise and interpretation of the applicable rule of law and the facts are established.").

## ARGUMENT

### A. The District Court Failed To Appreciate The Full Extent Of The Law, Allegations, And Circumstances At Issue In Its Application Of The *Colorado River* Abstention Test, Both As To The Threshold Requirement Of Parallelism And The Additional Factors

#### i. Bishop vonRosenberg's Federal Lanham Act False Advertising Claim "Goes Beyond Trademark Protection" Issues Adjudicated In The State Action

Bishop vonRosenberg's federal Lanham Act false advertising claim "goes beyond trademark protection." *Pom Wonderful LLC v. Coca-Cola Co.*, 573 U.S. __ (2014) (slip op. at 3). It arises from Section 43(a) of the Lanham Act, 15 U.S.C. §1125(a)(1), which provides as follows:

> 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.

As is self-evident, the word "trademark" does not appear in this statutory language. Indeed, trademark ownership is neither an element nor a defense to such a claim. *See Scotts*, 315 F.3d at 272 ("Thus, a plaintiff asserting a false advertising claim under the Lanham Act must establish that: (1) the defendant made a false or misleading description of fact or representation of fact in a commercial advertisement about his own or another's product; (2) the misrepresentation is material, in that it is likely to influence the purchasing decision; (3) the misrepresentation actually deceives or has the tendency to deceive a substantial segment of its audience; (4) the defendant placed the false or misleading statement in interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the misrepresentation, either by direct diversion of sales or by a lessening of goodwill associated with its products."); *id.* at 273 (where the representation is

misleading, but literally true, the plaintiff must produce extrinsic evidence of actual consumer confusion).

The state court's finding regarding the corporate ownership of certain *state* trademark registrations[4] is therefore not dispositive of such a claim, as the district court errantly concluded. JA 1165, 1167-68, 1171-1173. Nor is the state court's finding that Bishop Lawrence is the "Chief Executive Officer" and "Ecclesiastical Authority" of the diocese-related corporation, as a literal finding of fact. JA 1173.

The dispositive question in this case, rather, is whether Bishop Lawrence is deceiving and confusing consumers of religious services in interstate commerce, regardless of his literal pretext for doing so, corporate, ecclesiastical, or otherwise. *See Scotts*, 315 F.3d at 272-3 ("For liability to arise under the false advertising provisions of the Lanham Act, 'the contested statement must be either false on its face or, although literally true, likely to mislead and confuse consumers given the merchandizing context."); *id*. at 280 [T]he relevant issue in a false advertising case is the consumer's reaction to the advertisement as a whole and in context."); *Pom*,

[4] It must be noted here that state trademark registrations, different than federal registrations, are administratively approved without a federal or interstate search and analysis, and consequently, they convey no unyielding rights. The South Carolina Trademark Act itself provides that state registrations are subject to others' common law rights and federal registrations, and that state registrations cannot otherwise be used to deceive or confuse the public. S.C. Code Ann. §§ 39-15-1110, 1180, & 1145. Corporate ownership of a state trademark registration, in other words, is not a license for any corporate officer to make false or misleading representations.

(slip op. at 7) ("The position Coca-Cola takes in this Court that because food and beverage labeling is involved it has no Lanham Act liability here for practices that allegedly mislead and trick consumers, all to the injury of competitors, finds no support in precedent or the statutes."); *Purcell v Summers*, 145 F.2d 979, 991 (4th Cir. 1944) (holding that dissident members of a church "have no right to use the name of the organization from which they have withdrawn and thus hold themselves out to the community as a continuation of or as connected with that organization").

The state court did not answer that dispositive question, and moreover, expressly declined the opportunity to adjudicate it. The district court acknowledged this, but failed to appreciate its consequence. JA 1156 ("Thus, the state court held that the proposed Lanham Act claims were not before the court."). It means, conclusively, that this action and the state action are not substantially the same, and certainly not parallel. *See Chase Brexton*, 411 F.3d at 465 ("…not parallel because the remedies sought and the issues raised were not the same.").

As an important aside to this dispositive point, it is clear that Bishop vonRosenberg's affiliation and authority to provide services as a bishop of a diocese of The Episcopal Church is not disputed by Bishop Lawrence, nor could it be. *See Dixon v. Edwards*, 290 F.3d 699, 718 (4th Cir. 2002) ("[I]t was for the Episcopal Church to determine whether Bishop Dixon was acting within the

bounds of her role as Bishop Pro Tempore of the Diocese of Washington."); *Serbian Eastern Orthodox Diocese For United States of America and Canada v. Milivojevich*, 426 U.S. 696, 698 (1976); *Hosanna-Tabor Evangelical Lutheran Church & Sch. V. EEOC*, 565 U.S. __, 132 S. Ct. 694, 704 (2012). In other words, it may be literally true, applying the findings of the state court, for Bishop Lawrence to say that he is the Bishop of a disaffiliated and repurposed corporation, but it is beyond dispute that Bishop vonRosenberg is the Bishop of The Episcopal Church's diocese. The state court did not and could not say otherwise. JA 1080 ("vonRosenberg, an agent of TECSC and a Bishop in TEC").

**ii. The District Court Effectively Dismissed The Complaint Without Construing It In The Light Most Favorable To The Plaintiff**

It is black letter law that, in ruling on a motion to dismiss, a complaint must be construed in the light most favorable to the plaintiff. *See Wolman v. Tose*, 467 F.2d 29, 35 (4th Cir. 1972) ("It is elementary that a motion to dismiss will be denied unless it appears to a certainty that no possible set of facts could be proved to support plaintiff's claim. Equally established is the rule that, on a motion to dismiss, the facts are to be taken in the light most favorable to the plaintiff.") (internal citations omitted).

That standard is equally applicable here, where the district court's order staying the case will effectively and automatically become an order dismissing the case if the state court's decision is affirmed on appeal. JA 1173 ("The Court finds

that a stay, as opposed to dismissal, is appropriate in this case. If the South Carolina Supreme Court affirms the Circuit Court's opinion, then this action is resolved as well.").

The district court, however, did not construe the complaint in a light most favorable to the plaintiff. To the contrary, the district court, in effectively dismissing the complaint, relied on its own loose characterization of what it deemed to be the "substance" of the complaint, stating: "The *substance* of this action asks the federal court to declare who controls the Diocese, a South Carolina non-profit corporation that owns the Diocese's marks at issue in this case." JA 1171 (emphasis added).

It is true that some of the allegations in the complaint make reference to the diocese-related corporation and the state trademark registrations. JA 17. It is also true that the complaint included a claim for trademark infringement (which was dropped two years ago). JA 24, 1159. But the complaint also goes beyond that. The *substance* of the allegations, particularly as it relates to the remaining claim – the false advertising claim – is that Bishop Lawrence is misleading religious consumers that he is the Bishop of a diocese that is affiliated with The Episcopal Church, and that he is providing services consistent with those prescribed and sanctioned by The Episcopal Church. JA 10-11, 26-28. Such allegations support a Lanham Act claim, irrespective of any issues relating to the diocese-related

corporation or state trademark registrations. *See Scotts*, 315 F.3d at 280 ("[T]he relevant issue in a false advertising case is the consumer's reaction to the advertisement as a whole and in context."). Construed favorably, Bishop vonRosenberg has a Lanham Act false advertising claim that would survive any application of *res judicata*, regardless of what happens in the state court appeal.

As such, Bishop vonRosenberg must be given the opportunity to present at trial "extrinsic evidence, that the challenged advertisements tend to mislead or confuse consumers." *Id*. at 273. Affidavits in the record affirm that such extrinsic evidence exists. JA 165-172, 179-180. Bishop vonRosenberg would offer those affiants and many other individuals to testify accordingly, and he would also offer a survey establishing consumer confusion as well. *See Scotts*, 315 F.3d at 276 ("Consumer confusion 'is most often proved by consumer survey data, but full-blown consumer surveys are not an absolute prerequisite at the preliminary injunction stage.") (internal citation omitted). The district court has deprived him of that opportunity.

### iii. There Were No Concurrent Lanham Act Claims Pending Before The State Court As Of The Time-Of-Abstention

Abstention must be considered based on the circumstances as of the time-of-abstention. *See United Fin. Cas. Co. v. Shelton*, No. 2:12-CV-02154, WL 771827, at *3 (W.D. Ark. Feb 28, 2013) ("The Court finds that under *Royal Indemnity, Brillhart/Wilton* abstention analysis is properly based on the state of

proceedings as they presently exist, adopting a time-of-abstention rule. *Accord James River Ins. Co. v. Impact Strategies, Inc.*, 699 F. Supp. 2d 1086, 1090 (E.D. Mo. 2010)."); *see also Colorado River*, 424 U.S. at 809 ("in view of the concurrent state proceedings").

Here, the district court explicitly refused to consider the circumstances as of the time-of-abstention. Though circumstances had changed in the two years since the district court first abstained – namely, that it had become clear that there were no concurrent Lanham Act claims before the state court – the district court refused to revisit its prior findings regarding the substantial sameness and parallelism between the state and federal actions, which it imported as the law of the case in its application of *Colorado River*. JA 1164 ("The Court remains steadfast to its prior holding that the actions are parallel as the parties and issues here are substantially the same as the parties and issues in the state court action.").

This refusal to consider the circumstances as of the time-of-abstention was not justified, as the district court suggested, by the "mandate rule." JA 1164 ("[T]he mandate rule bars this Court from reconsidering this issue."). On appeal, this Court vacated and remanded the district court's first abstention decision. JA 1075-1076. In doing so, this Court did not give an implicit instruction, as the district court interpreted, to disregard the threshold requirement and guiding principles of the *Colorado River* exceptional circumstances test: substantial

sameness and parallelism. JA 1075-1076. *See Chase Brexton*, 411 F.3d at 463 ("The threshold question in deciding whether Colorado River abstention is appropriate is whether there are parallel federal and state suits."); *id*. at 464 ("In the end [*i.e.*, after weighing the factors], however, abstention should be the exception, not the rule, and it may be considered only when the parallel state-court litigation will be an adequate vehicle for the complete and prompt resolution of the issues between the parties.").

In any respect, new evidence is an exception to the mandate rule. *See United States v. Pileggi*, 703 F.3d 675, 682 (4th Cir. 2013). The state court's decision not to adjudicate any Lanham Act claims was new evidence that should have been taken into consideration by the district court. This new evidence conclusively establishes that the actions are not substantially the same and not parallel. *See Chase Brexton*, 411 F.3d at 465 ("…not parallel because the remedies sought and the issues raised were not the same.").

**iv. Bishop vonRosenberg's Federal Lanham Act Claim Cannot Be Precluded Or Preempted By The State Court's Application Of State Law**

The district court expressed concern that awarding Bishop vonRosenberg relief under the Lanham Act would "conflict" with the state court injunction. JA

1168. It would not.[5] But even assuming *arguendo* that it would, that is not a valid reason to abstain. Bishop vonRosenberg's federal Lanham Act claim cannot be precluded or preempted by the state court's application of state law. *See Pom Wonderful*, 573 U.S. __ (2014) (slip op. at 7) (explaining that it was not appropriate for the lower court to bar a Lanham Act claim on grounds that it would "risk undercutting . . . expert judgments and authority" and "[o]ut of respect for [another] statutory and regulatory scheme."); *Aluminum Co. of America v. Utilities Com'n of State of N.C.*, 713 F.2d 1024, 1030 (4th Cir. 1983) ("For example, abstention is inappropriate where the federal government has preempted the field, or where there is a direct, facial conflict between state and federal statutes.") (internal citation omitted); *Am. Petroleum Inst. v. Cooper*, 718 F.3d 347, 359 (4th Cir. 2013) (explaining that the Lanham Act preempts state law where there is an actual conflict).

[5] The state court order enjoined the state court defendants from using the state trademark registrations and corporate names of the state court plaintiffs. JA 1120. That is all it did. As mentioned, the state court defendants have complied with that injunction by adopting a different name for their reorganized diocese, "The Episcopal Church in South Carolina." They do not challenge that injunction in this action (notably, they are not even parties in this action). The state court order does not, however, purport to give Bishop Lawrence any affirmative or perpetual right to make representations or use those marks, or the words therein, in a manner that deceives, misleads, and confuses the public. JA 1120. The state court injunction is not, in other words, a license to engage in false and misleading advertising. That is what Bishop vonRosenberg's federal Lanham Act claim is about and what he is seeking to enjoin in this action. Thus, there is no conflict in the relief sought.

### B. The District Court Errantly Analyzed And Weighed The *Colorado River* Factors

#### i. Whether the subject matter of the litigation involves property where the first court may assume in rem jurisdiction to the exclusion of others.

The district court correctly found that the state court has not assumed *in rem* jurisdiction, but did not give this factor against abstention appropriate weight. JA 1164-1165.

#### ii. Whether the federal forum is an inconvenient one.

The district court correctly found that the federal forum is convenient, but did not give this factor against abstention appropriate weight. JA 1165.

#### iii. The desirability of avoiding piecemeal litigation.

A fear of "disjointed or unreconcilable results" between two actions is "not the threat of piecemeal litigation with which *Colorado River* was concerned; it is a prospect inherent in all concurrent litigation." *Chase Brexton*, 411 F.3d at 465. Here, the district court was led astray by precisely such a fear. JA 1168. And that fear, moreover, was predicated on the district court's aforementioned failures to appreciate the full extent of the law, allegations, and circumstances at issue.

To the extent, *arguendo*, that this action and the state action amount to "piecemeal litigation," that simply cannot be avoided in this instance; most conspicuously, because the state court declined to join Bishop Lawrence and declined to adjudicate any Lanham Act claims whatsoever, and the district court

acknowledged that Bishop vonRosenberg would have to return to the district court to "receive relief as to his personal claims." JA 1156, 1174. This factor, therefore, should have been weighed against abstention.

**iv. The relevant order in which the courts obtained jurisdiction and the progress achieved in each action.**

The district court erred in relying "heavily" upon the progress achieved in each action to justify abstention. JA 1170. As the district court conceded, this action and the state action were filed around the same time, so "the order in which the courts obtained jurisdiction matters little." JA 1168. The only reason the state action has progressed further than this federal action in a general sense is because the district errantly abstained from its inception, and has now errantly abstained again. No progress whatsoever, however, has been made on any Lanham Act claim in the state action. JA 1156 ("Thus, the state court held that the proposed Lanham Act claims were not before the court.").

**v. Whether state law or federal law provides the rule of decision on the merits.**

The district court correctly found that "federal law – the Lanham Act – provides the rule of decision on Bishop vonRosenberg's causes of action." JA 1171. This manifest conclusion should have counseled "strongly" against abstention. *See Chase Brexton*, 411 F.3d at 466. The district court nevertheless weighed this factor in favor of abstention. In short, the district court believed that

"South Carolina law provides the rule of decision on the underlying issues." JA 1171. It does not, as already explained.

**vi. The adequacy of the state proceeding to protect the parties' rights.**

The district court erred in concluding that Bishop vonRosenberg's federal Lanham Act rights are being adequately protected by a state court that has declined to adjudicate any Lanham Act claims that give rise to such rights. JA 1172-1173. Once again, the aforementioned failures pervade the district court's analysis of this factor. It should have been weighed against abstention.

## C. Bishop vonRosenberg Is Entitled To A Preliminary Injunction

Since the inception of this case nearly three years ago, the district court has effectively denied Bishop vonRosenberg's motion for a preliminary injunction by errantly abstaining from jurisdiction. JA 1064, 1173-1174. For the same essential reason that abstention was error – namely, because Bishop vonRosenberg has a valid Lanham Act claim – the district court also erred in failing to grant him a preliminary injunction. In effect, the district court erred as a matter of law in analyzing the threshold element for a preliminary injunction, likelihood of success on the merits; and the district court consequently failed to consider the remaining elements for a preliminary injunction: irreparable harm, potential prejudice, and public interest. *Blackwelder*, 550 F.2d at 193; *Scotts*, 315 F.3d at 271. This Court

should therefore consider whether Bishop vonRosernberg is entitled to a preliminary injunction *de novo*. *See Eisenberg*, 197 F.3d at 128.

The likelihood of success on the merits of Bishop vonRosenberg's Lanham Act claim is clear. "[T]he relevant issue in a false advertising case is the consumer's reaction to the advertisement as a whole and in context." *Scotts*, 315 F.3d at 281. A plaintiff "must demonstrate, by extrinsic evidence, that the challenged advertisements tend to mislead or confuse consumers." *Id.* at 273.

"As a whole and in context," the extrinsic evidence here demonstrates that Bishop Lawrence's advertisements that he is the "Bishop" of an "Episcopal" "Diocese" "tend to mislead or confuse consumers." *Id.* at 273. JA 10-11, 26-28, 165-172, 179-180.

The facts establish a context in which confusion is not only likely, but inevitable, and intended. Bishop Lawrence is not a stranger to The Episcopal Church. He was formerly a bishop of one of The Episcopal Church's many nationwide dioceses. Now, undisputedly, he is not. Yet he refuses to change the way he refers to himself and the services he provides. JA 10-11, 26-28, 165-172, 179-180, 669-670. There are countless other names and titles he could adopt for himself that would not violate Bishop vonRosenberg's rights under the Lanham Act. For instance, he could call himself what he now says he is: CEO of a South Carolina corporation that has no affiliation with The Episcopal Church, and one

who provides services that are different from those prescribed by The Episcopal Church. *See Purcell*, 145 F.2d at 991 (holding that dissident members of a church "have no right to use the name of the organization from which they have withdrawn and thus hold themselves out to the community as a continuation of or as connected with that organization").

Bishop vonRosenberg's affidavit, moreover, provides several unrequited examples of actual confusion. JA 165-172. *See Scotts*, 315 F.3d at 273.

The inevitability of confusion reveals itself further from the entirety of extrinsic evidence in the record, which includes affidavits and exhibits detailing the following: the history of The Episcopal Church; its national and interstate structure of dioceses and bishops; the religious services prescribed by its General Convention, its Constitution and Canons, its Book of Common Prayer, and its doctrine, discipline, and worship; Bishop Lawrence's tenure, suspension, removal, and disaffiliation from The Episcopal Church; Bishop vonRosernberg's installation as the Bishop of The Episcopal Church's diocese; and many examples of misleading advertising. JA 34-50, 122-191, 979-1039.

Lastly, as additional evidence of the distinctiveness, secondary meaning, and public perception of the word "Episcopal" in interstate commerce – which helps to explain why there is such confusion here – the record includes a proliferation of federal trademark registrations that have been awarded to The Episcopal Church by

the United States Patent & Trademark Office involving the dominant word "Episcopal" in the context of religious services. JA 1144-1152. Notably, adding geographically descriptive words like "South Carolina" and "Diocese" to these federal marks does not create a distinct and independent impression in the minds of consumers; rather, it suggests a geographic division and affiliation.

Bishop Lawrence responds to all of this extrinsic evidence of actual and likely confusion with literal pretext – *i.e.*, that he has authority deriving from a disaffiliated and repurposed corporation that owns certain state trademark registrations. JA 669-670. This literal pretext may arguably exculpate him from literal false advertising, but certainly not misleading advertising, which is also protected by a Lanham Act false advertising claim. 15 U.S.C. §1125(a)(1); *see Scotts*, 315 F.3d at 273.

The balance between irreparable harm, potential prejudice, and public interest also supports a preliminary injunction here. *See Scotts*, 315 F.3d at 271. Day-by-day, every new instance of confusion makes it more difficult for Bishop vonRosenberg to carry out his mission as the Bishop of a diocese that is truly affiliated with The Episcopal Church. JA 10-11, 26-28, 165-172, 179-180. Bishop Lawrence, on the other hand, suffers no prejudice by being forced to clarify what he is and what services he is providing. And the public interest is served by preventing further confusion. *See Scotts*, 315 F.3d at 286 ("[T]here is a strong

public interest in the prevention of misleading advertisements.") (quoting *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm. Co.*, 290 F.3d 578, 597 (3d Cir. 2002).

This Court, therefore, should grant Bishop vonRosenberg's motion for a preliminary injunction, pursuant to 15 U.S.C. § 1116.

## CONCLUSION

Abstention here is against the letter and spirit of *Colorado River's* exceptional circumstances test. This action and the state action are not substantially the same, nor parallel, and all of the factors weigh against abstention. The district court abused its discretion in finding otherwise, predicated on its failures to appreciate the full extent of the law, allegations, and circumstances at issue.

Bishop vonRosenberg has a cognizable federal Lanham Act claim against Bishop Lawrence that has not and will not be adjudicated in state court. This Court, respectfully, should vacate the district court's decision to abstain, award Bishop vonRosenberg a preliminary injunction based on the extrinsic evidence of confusion in the record, and remand the case for trial.

## REQUEST FOR ORAL ARGUMENT

Bishop vonRosenberg requests oral argument because this appeal presents important and complex questions of law.

Dated: February 22, 2016

Respectfully Submitted,

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## CERTIFICATE OF FILING AND SERVICE

I hereby certify that on the 22nd day of February, 2016, I have filed the required copies of the foregoing Opening Brief of Appellant with the Clerk, United States Court of Appeals for the Fourth Circuit via hand-delivery and electronically using the Court's CM/ECF system which will send notification of such filing to the following:

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## ADDENDUM SETTING FORTH RELEVANT STATUTES

### 15 U.S.C. §1125(a)(1)

(a) Civil action

(1) 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, or

(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. §1116

(a) Jurisdiction; service

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be found.