

BLANK ROME LLP

A Pennsylvania LLP
STEPHEN M. ORLOFSKY
DAVID C. KISTLER
New Jersey Resident Partners
301 Carnegie Center, 3rd Floor
Princeton, NJ 08540
Telephone: (609) 750-7700
Facsimile: (609) 750-7701
Orlofsky@BlankRome.com
Kistler@BlankRome.com
Attorneys for Defendant

DEBEVOISE & PLIMPTON LLP

David H. Bernstein (*pro hac vice filed*)
Jyotin Hamid (*pro hac vice filed*)
Zheng Wang (*pro hac vice filed*)
919 Third Avenue
New York, NY 10022
Telephone: (212) 909-6696
Facsimile: (212) 521-7696
JHamid@Debevoise.com
DHBernstein@Debevoise.com
ZWang@Debevoise.com
Attorneys for Defendant

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY**

MERCK & CO., INC., and MERCK SHARP & DOHME CORP., Plaintiffs, v. MERCK KGAA, Defendant.
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Civil Action No. 2:16-cv-00266-ES-MAH

Electronically Filed

ANSWER TO COMPLAINT

Defendant Merck KGaA, for its Answer to the Complaint of Plaintiffs (together, “MSD”), states as follows:

Preliminary Statement

This case, filed nearly twenty years after MSD recognized Merck KGaA’s right to engage in the conduct MSD now challenges, is nothing more than an attempt to divert attention from MSD’s own unlawful activities. It is no coincidence that this suit was filed and publicized by MSD only hours after the English High Court entered a judgment against MSD for breaching Merck KGaA’s contractual and trademark rights.

Merck KGaA is the original Merck and rightfully uses the name Merck globally except in the U.S. and Canada, where it is known as Merck KGaA, Darmstadt, Germany. It is the oldest pharmaceutical and chemical company in the world, with nearly 350 years of history.

Merck KGaA and MSD share a common heritage, starting out as a single pharmacy in Darmstadt, Germany, founded in 1668 by the Merck family, which still is the majority owner of Merck KGaA today. Merck KGaA grew to be one of the most reputable pharmaceutical and chemical companies in the world. It started doing business in the U.S. in 1890, more than 200 years after the company's founding.

After World War I, the U.S. branch was split from the main branch and MSD became a separate company (though it continued, for a time, working with Merck KGaA and selling Merck KGaA's products in the United States). Realizing that confusion could arise from having two pharmaceutical companies using the identical name, the two companies entered into a series of coexistence agreements under which MSD obtained certain rights to use the "Merck" trademark in the United States and Canada, and Merck KGaA retained its rights to the "Merck" trademark in the rest of the world, with the parties agreeing to use different trade names incorporating the Merck name in the other's territory.

Merck KGaA carefully adheres to the terms of its agreements with MSD and has taken appropriate steps to comply with those agreements and respect MSD's rights, including, with respect to its more recent online activities, using geo-targeting technology to comply with the geographic restrictions to which the parties have agreed. For example, Merck KGaA's main website, merckgroup.com, is only accessible outside of the United States and Canada; Internet users in the United States and Canada who try to access that website are instead automatically redirected to Merck KGaA's special website for the U.S. and Canada. That website is designed

to omit uses of “Merck” that are inconsistent with the coexistence agreement or U.S. trademark laws. Other than those omissions, the website provides the full range of information that is available to visitors to merckgroup.com. Merck KGaA takes robust measures to avoid isolated uses of “Merck” and addresses such mistakes when they are identified. It is noteworthy that, despite the extensive communications Merck KGaA publishes on an annual basis, MSD has managed to identify only a handful of inadvertent mistakes, nearly all of which have already been updated.

In contrast to Merck KGaA’s responsible approach, MSD has steadfastly refused to take appropriate measures, such as use of geo-targeting technology, to comply with its obligations. Instead, MSD indiscriminately uses the “Merck” name and trademark outside of the United States and Canada, rampantly and intentionally, in willful violation of the parties’ agreement. To protect its rights, Merck KGaA brought actions against MSD in the United Kingdom, France, Germany, Switzerland and Mexico. The English High Court has held MSD to be in breach of the parties’ coexistence agreement and liable for trademark infringement, and the French District Court has held MSD to be liable for trademark infringement. MSD’s request for relief against Merck KGaA, which has taken extensive steps to comply with the parties’ coexistence agreement, should be considered in this broader context given MSD’s willful, unclean hands.

MSD’s challenge to Merck KGaA referring to itself as “Merck KGaA, Darmstadt, Germany” in the United States is particularly misleading because it omits the fact that MSD has accepted that usage for nearly twenty years. The parties’ 1955 and 1970 coexistence agreements expressly permitted Merck KGaA to use its company name in the United States (which in 1955 was “Emanuel Merck offene Handelsgesellschaft” and in 1970 was “E. Merck”), so long as “Darmstadt, Germany” was also included: e.g., “E. Merck, Darmstadt, Germany.”

Subsequently, when Merck changed its name to “Merck KGaA” in 1995, Merck KGaA notified MSD and MSD accepted Merck’s right to use its new name in the United States following the same format: “Merck KGaA, Darmstadt, Germany.” Indeed, MSD’s Vice President for Intellectual Property at the time, Paul Matukaitis, recently testified in the English High Court proceeding that, although MSD initially objected to the change, MSD eventually accepted it, and specifically decided to let Merck use “Merck KGaA, Darmstadt, Germany” in the United States. In the intervening decades, Merck KGaA has used that formulation to refer to itself in countless communications in the United States and is therefore known under the name “Merck KGaA, Darmstadt, Germany” in the United States.

MSD’s allegations of false advertising are similarly without merit. Merck KGaA’s truthful statements about its corporate history and its history of doing business in the United States are accurate and do not give rise to liability for false advertising (nor, in any event, are they statements in connection with the sale of goods or services that would be material to consumers’ purchasing decisions). In any event, as Merck KGaA has already informed MSD, the 125th anniversary was last year and the campaign has already ended, so any dispute as to those statements is moot.

For MSD to suddenly complain that Merck KGaA’s use of “Merck KGaA, Darmstadt, Germany,” which MSD has accepted for nearly twenty years, is now unlawful, and for it to sue for federal false advertising over truthful statements about the company’s history, reveals that MSD is using this case as nothing more than a means to try to divert attention from its own misconduct and from its continued refusal to comply with its obligations under the parties’ coexistence agreement and under trademark law in the many countries around the world where Merck KGaA is the exclusive owner of the MERCK trademark.

Response to Enumerated Allegations

AND NOW, incorporating the foregoing, Merck KGaA states as follows in response to the enumerated allegations in the Complaint:

Allegations Concerning Nature of Action

1. Admits that MSD purports to bring an action as described in Paragraph 1, but otherwise denies the allegations in Paragraph 1.

Allegations Concerning Parties

2-3. Admits the allegations in Paragraphs 2-3.

4. Admits the allegations in Paragraph 4, except denies that it is a German “corporation,” and avers that it is organized as a *Kommanditgesellschaft auf Aktien* (“KGaA”), which has elements of both a limited partnership and a corporation.

Venue and Jurisdiction

5. Admits that MSD purports to bring an action as described in Paragraph 5, but otherwise denies the allegations in Paragraph 5.

6-7. Admits that this Court has subject matter jurisdiction over the federal and state law claims in this action.

8. Admits that venue is proper in this District.

9. Denies the allegations in Paragraph 9, except admits that its predecessor entered into a contract with MSD’s predecessor and that it has advertised, promoted, distributed, offered to sell and/or sold its products in this District.

Allegations Concerning History & Background

10. Admits the allegations in the first and second sentences of Paragraph 10; admits the allegations in the third sentence of Paragraph 10 on information and belief (except admits that Merck & Co. was incorporated in 1891 and avers that the U.S. business began in 1890 when

Theodor Weicker and George Merck entered into an agreement to establish the U.S. branch); and admits the allegations in footnote 1 and in the fourth sentence of Paragraph 10 on information and belief.

11. Admits the allegations in the first and second sentences of Paragraph 11; denies the allegations in the third sentence of Paragraph 11 and avers that Merck Sharp & Dohme (and its predecessor entities) and Merck KGaA (and its predecessor entities) have been separate since the end of World War I (though the Merck family in Germany continued to provide assistance to George Merck in the U.S.); and denies the allegations contained in the fourth sentence of Paragraph 11, except admits that the parties' predecessors entered into coexistence agreements and refers to such agreements for the full contents thereof.

12. Admits the allegations in Paragraph 12 and refers to the 1955 and 1970 coexistence agreements, as well as amendments thereto, for the full contents thereof.

13. Denies the allegations in Paragraph 13, except (a) admits that Exhibit A to the Complaint appears to be a true copy of the 1970 coexistence agreement, (b) refers to such contract for the full contents thereof, and (c) refers also to the 1975 correspondence and other subsequent developments modifying the terms of the 1970 coexistence agreement, which MSD has failed to acknowledge or reference in its Complaint.

14. Admits the allegations in Paragraph 14, and avers that, starting in 2013, Merck KGaA felt compelled to initiate litigation against MSD and has now filed suit in the United Kingdom, Germany, France, Switzerland and Mexico because MSD had engaged in a pattern of intentionally violating Merck KGaA's contractual and trademark rights all around the world.

15. Denies the allegations in Paragraph 15, except (a) admits that the Paris Court of First Instance issued a judgment finding against MSD on December 17, 2015, (b) admits that the

English High Court entered a judgment against MSD on January 15, 2016 and avers that the English High Court entered a final order against MSD on March 3, 2016, and (c) refers to those judgments and order and to all the pleadings and proceedings had in the French and United Kingdom litigations for the full contents thereof.

16. Denies the allegations in Paragraph 16, and avers that (a) Merck KGaA has been the corporate name of Defendant since 1995, (b) Merck KGaA has used the name “Merck KGaA, Darmstadt, Germany” in the United States for more than twenty years and has specifically directed such use in the United States, and (c) for nearly twenty years prior to MSD’s filing of this lawsuit (which was filed only hours after it received the adverse judgment in the United Kingdom), MSD had accepted Merck KGaA’s use of “Merck KGaA, Darmstadt, Germany” to refer to itself in the United States.

17-18. Denies the allegations in Paragraphs 17-18.

19. Denies the allegations in Paragraph 19, except (a) admits that Stefan Oschmann was Merck KGaA’s head of pharmaceuticals in 2013 and previously was employed by MSD, (b) admits that he gave a press interview as described in Exhibit B to the Complaint, and (c) refers to such interview for the full contents thereof.

20-21. Denies the allegations in Paragraphs 20-21.

22. Denies the allegations in Paragraph 22, except avers that it briefly had a website that was (but is no longer) accessible from the United States that featured some of its U.S. employees declaring their pride in working for Merck KGaA (which is the original).

23. Denies the allegations in Paragraph 23, except (a) avers that it ran a “125 Years” campaign in 2015 and early 2016 (though that anniversary campaign has now ended because the anniversary has passed), (b) refers to the materials comprising such campaign for the full

contents thereof, and (c) avers that Merck KGaA (directly and/or through intermediaries or subsidiaries) has done business in the U.S. continuously since 1890.

24. Denies the allegations in Paragraph 24, except (a) admits that Exhibit C to the Complaint appears to be a true print-out of a “Corporate History” page that appears on Merck KGaA’s U.S.-directed website, (b) refers to the page and the rest of the website for the full contents thereof, (c) admits that, at the end of World War I, Merck & Co. became a separate company, (d) admits that Merck KGaA lost its subsidiaries abroad during World War II and started over in 1945, and (e) avers that Merck KGaA (directly and/or through intermediaries or subsidiaries) has done business in the U.S. continuously since 1890.

25. Denies the allegations in Paragraph 25, except (a) admits that it has recently undertaken a re-branding initiative, and (b) refers to its response to Paragraph 52 below.

26. Denies the allegations in Paragraph 26 and avers that the allegations are ironic given that the UK and French courts have already found that it is MSD that has disregarded its contractual obligations and its obligations under trademark law.

Allegations Concerning MSD’s Marks and Trade Names

27-34. Denies having knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraphs 27-34, except refers to the various trademark registrations referenced in paragraphs 29 and 30 for the full contents thereof.

Allegations Concerning Merck KGaA’s Uses of MERCK

35. Admits the allegations in Paragraph 35.

36. Denies the allegations in Paragraph 36, except (a) refers to the 1970 coexistence agreement for the full contents thereof, and (b) refers also to the 1975 correspondence and other

subsequent developments modifying the terms of the 1970 coexistence agreement, which MSD has failed to acknowledge or reference in its Complaint.

37. Denies the allegations in Paragraph 37, except (a) refers to the 1970 coexistence agreement for the full contents thereof, (b) refers also to the 1975 correspondence and other subsequent developments modifying the terms of the 1970 coexistence agreement, which MSD has failed to acknowledge or reference in its Complaint, and (c) avers that MSD accepted Merck KGaA's use of the trade name "Merck KGaA, Darmstadt, Germany" nearly twenty years ago.

38-40. Denies the allegations in Paragraphs 38-40.

Allegations Concerning Uses of MERCK on the Internet

41. Denies the allegations in Paragraph 41, except avers that on rare, isolated occasions uses of "Merck" in the U.S. that are not consistent with the parties' agreements have been made inadvertently and that Merck KGaA diligently corrects such inadvertent errors when made aware of such.

42. Admits the allegations in Paragraph 42, except denies the last sentence of Paragraph 42.

43. Denies the allegations in Paragraph 43, avers that the "WE ARE MERCK" language referenced in Paragraph 43 no longer appears on the referenced webpage, and refers to the referenced webpage for the full contents thereof.

44. Denies the allegations in Paragraph 44 and refers to the referenced webpage for the full contents thereof.

45. Denies the allegations in Paragraph 45 and refers to the referenced www.emdgroup.com website for the full contents thereof.

46. Denies the allegations in Paragraph 46, avers that the document referenced in the paragraph no longer appears on the referenced webpage, and refers to the referenced webpage for the full contents thereof.

47. Denies the allegations in Paragraph 47, except admits that the language “We are the Original” appears on the current version of the referenced webpage, and refers to the referenced webpage for the full contents thereof.

48. Denies the allegations in Paragraph 48, avers that the referenced product name no longer appears on the referenced webpages, and refers to the referenced webpages for the full contents thereof.

49. Denies the allegations in Paragraph 49, except (a) admits that it owns and operates the website located at the domain name www.displayingfutures.com which contains content related to the U.S., (b) admits that the website is accessible to users in the United States, (c) admits that material on the website promoted a symposium in 2015 and made certain isolated and inadvertent uses of “Merck” that are not consistent with the parties’ agreements and that such mistakes have been corrected, and (d) refers to the referenced website for the full contents thereof.

Allegations Concerning Uses of MERCK on Social Media

50. Denies the allegations in Paragraph 50, except (a) admits that some of Merck KGaA’s YouTube channels, Facebook pages or Twitter pages are accessible in the United States, (b) avers that, in each such media, Merck KGaA uses geo-blocking technology or takes appropriate steps to ensure that the content is not directed at viewers from the United States and Canada, (c) avers that on rare, isolated occasions uses of “Merck” in the U.S. that are not consistent with the parties’ agreements have been made inadvertently in such media and that

Merck KGaA diligently corrects such inadvertent errors when made aware of such, and (d) refers to the referenced websites for the full contents thereof.

Allegations Concerning Uses of MERCK in Press Releases

51. Denies the allegations in Paragraph 51.

52-54. Denies the allegations in Paragraphs 52-54, except (a) admits that the referenced news releases (making use of “Merck” on a stand-alone basis) inadvertently were available for a short time to users specifically searching for those press releases on the U.S. facing website but denies that they were directed to a U.S. audience, (b) avers that other versions of the same news releases that did not make use of “Merck” on a stand-alone basis were also available at the same time to users browsing the U.S. facing website, (c) avers that the versions of the releases making use of “Merck” on a stand-alone basis are no longer available on the referenced website, and (d) refers to the referenced releases and website for the full contents thereof.

Allegations Concerning Uses of MERCK at Conferences and Presentations

55-57. Denies the allegations in Paragraphs 55-57, except (a) avers, on information and belief, that at conferences in the U.S., a third party unaffiliated with Merck KGaA called “Salesforce” made certain uses of “Merck” that were not authorized by Merck KGaA and that were not promoting any of Merck KGaA’s goods or services, but rather were promoting Salesforce’s services, and (b) denies having knowledge or information sufficient to form a belief as to whether the pictures displayed in Paragraphs 55-57 were taken at such conference.

58. Denies the allegations in Paragraph 58, except (a) admits that Inese Lowenstein, a Merck KGaA employee, participated in a welcome address at a Harvard University conference in Chicago, Illinois and that Harvard University included a short biography of Ms. Lowenstein in the conference materials and (b) refers to the conference materials for the full contents thereof.

59. Denies the allegations in Paragraph 59, except (a) admits that it and MSD participated in the 2016 JP Morgan Healthcare Conference in San Francisco and that it tweeted about the event using the hash tags #Merck and #Merck-presentation on a non-U.S. targeted Twitter account and (b) refers to the referenced Twitter account for the full contents thereof.

Allegations Concerning Uses of MERCK on Products

60. Denies the allegations in Paragraph 60, except (a) avers that the Merckognost product is no longer available on the referenced website and has not been available in the U.S. for years, and (b) avers that “MRCK β ” is the scientific name of a certain protein and has no relation to Merck KGaA’s trademark or name.

Allegations Concerning Confusion

KGaA’s Original Campaign

61. Denies the allegations in Paragraph 61, except (a) admits that it has encouraged employees to indicate why they are proud to be an “Original” on a website, (b) avers that the first webpage depicted in Paragraph 61 (making use of “Merck” on a stand-alone basis) inadvertently appeared on its U.S. facing website for a short time to users specifically searching for this press release but denies that it was directed to a U.S. audience and avers that a different version, not making use of “Merck” on a stand-alone basis, was also available at the same time to users browsing the U.S.-facing website, (c) avers that both webpages depicted in Paragraph 61 no longer appear on the referenced websites, and (d) refers to the websites for the full contents thereof.

62. Denies the allegations in Paragraph 62 of the Complaint, except (a) admits that Karl-Ludwig Kley is Chairman of the Executive Board of Merck KGaA, (b) admits that he gave an interview on September 22, 2014, and (c) admits, on information and belief, that he made the

statements attributed to him in Paragraph 62 and in Exhibit D to the Complaint and refers to the entire interview for the full content thereof.

63. Denies having knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 63, except admits that personnel of one of Merck KGaA's U.S. subsidiaries attended a 2015 Bio-Pharma Sustainability Conference.

64. Denies the allegations in Paragraph 64.

Allegations Concerning the 125 Years Campaign

65. Denies the allegations in Paragraph 65, except (a) avers that it ran a "125 Years in the U.S." campaign in 2015 and early 2016, (b) avers that the campaign is no longer active because the anniversary has passed, (c) refers to the materials comprising such campaign for the full contents thereof, and (d) avers that Merck KGaA (directly and/or through intermediaries or subsidiaries) has done business in the U.S. continuously since 1890.

66-67. Denies the allegations in Paragraph 66-67.

68. Denies the allegations in Paragraph 68, except (a) admits one of its subsidiaries had a booth and ran an advertisement for The 125 Years Campaign at the 2015 BIO International Convention in Philadelphia, (b) refers to the actual advertisement for the full contents thereof, and (c) denies having knowledge or information sufficient to form a belief as to the number of attendees at the 2015 BIO International Convention.

69. Denies the allegations in Paragraph 69, except admits it ran an advertisement for The 125 Years Campaign in the *Washington Post* and refers to the actual advertisement for the full contents thereof.

Allegations Concerning Registration of Domain Names

70. Denies the allegations in Paragraph 70, except (a) admits that Merck KGaA has registered the referenced domain names, and (b) avers that such domain names inadvertently resolved to the Merck Group website but that the error was corrected and such domain names no longer resolve to any webpages.

71. Denies having knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 71, except admits the allegations in the second sentence of Paragraph 71 on information and belief.

72. Denies the allegations in Paragraph 72.

Purported Evidence of Alleged Confusion

73. Denies the allegations in Paragraph 73.

74. Denies having knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 74.

75. Denies the allegations in Paragraph 75, except admits that it runs an “A Woman is More than a Mother” initiative and that the Twitter account @ARC Fertility posted a tweet stating: “‘More Than a Mother’ campaign, run by @Merck, tries to end the stigmatization of #infertility in Africa. <http://ow.ly/Q8Kwh>”; and refers to the referenced tweet for the full contents thereof.

76. Denies the allegations in Paragraph 76.

77-80. Denies the allegations in Paragraphs 77-80, except refers to the referenced articles for the full contents thereof.

81. Denies the allegations in Paragraph 81.

82. Denies the allegations in Paragraph 82, except admits that it had knowledge of the coexistence agreements and certain of MSD's trademark registrations.

83. Denies the allegations in Paragraph 83.

84. Denies the allegations in Paragraph 84, except admits that MSD purports to use a defined term as stated in Paragraph 84 and avers that many of the referenced uses were not unauthorized, thus rendering the defined term inaccurate.

85. Denies the allegations in Paragraph 85.

Count One

86. Repeats its responses to Paragraphs 1-85 as though fully set forth herein.

87. Denies having knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 87.

88-92. Denies the allegations in Paragraphs 88-92.

Count Two

93. Repeats its responses to Paragraphs 1-92 as though fully set forth herein.

94-99. Denies the allegations in Paragraphs 94-99.

Count Three

100. Repeats its responses to Paragraphs 1-99 as though fully set forth herein.

101. Denies the allegations in Paragraph 101 except denies having knowledge or information sufficient to form a belief as to the truth of the allegations concerning MSD's common law and federal trademark rights.

102-103. Denies the allegations in Paragraphs 102-103.

104. Denies having knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 104.

105-108. Denies the allegations in Paragraphs 105-108.

Count Four

109. Repeats its responses to Paragraphs 1-108 as though fully set forth herein.

110. Admits that MSD purports to bring a cause of action as described in Paragraph 110, but otherwise denies the allegations in Paragraph 110.

111. Denies the allegations in Paragraph 111.

112. Denies the allegations in Paragraph 112 except denies having knowledge or information sufficient to form a belief as to the truth of the allegations concerning MSD's common law and federal trademark rights.

113-115. Denies the allegations in Paragraphs 113-115.

Count Five

116. Repeats its responses to Paragraphs 1-115 as though fully set forth herein.

117. Admits that MSD purports to bring a cause of action as described in Paragraph 117, but otherwise denies the allegations in Paragraph 117.

118. Denies the allegations in Paragraph 118.

119. Denies the allegations in Paragraph 119 except denies having knowledge or information sufficient to form a belief as to the truth of the allegations concerning MSD's common law and federal trademark rights.

120-121. Denies having knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraphs 120-121.

122. Denies having knowledge or information sufficient to form a belief as to the truth of the allegations in Paragraph 122.

123-125. Denies the allegations in Paragraphs 123-125.

Count Six

126. Repeats its responses to Paragraphs 1-125 as though fully set forth herein.

127. Admits that MSD purports to bring a cause of action as described in Paragraph 127, but otherwise denies the allegations in Paragraph 127.

128. Denies the allegations in Paragraph 128.

129. Denies the allegations in Paragraph 129 except denies having knowledge or information sufficient to form a belief as to the truth of the allegations concerning MSD's common law trademark rights.

130-132. Denies the allegations in Paragraphs 130-132.

Count Seven

133. Repeats its responses to Paragraphs 1-132 as though fully set forth herein.

134. Admits that MSD purports to bring a cause of action as described in Paragraph 134, but otherwise denies the allegations in Paragraph 134.

135. Denies the allegations in Paragraph 135 except denies having knowledge or information sufficient to form a belief as to the truth of the allegations concerning MSD's common law trademark rights.

136-138. Denies the allegations in Paragraphs 136-138.

Count Eight

139. Repeats its responses to Paragraphs 1-138 as though fully set forth herein.

140. Admits that MSD purports to bring a cause of action as described in Paragraph 140, but otherwise denies the allegations in Paragraph 140.

141-144. Denies the allegations in Paragraphs 141-144.

Count Nine

145. Repeats its responses to Paragraphs 1-144 as though fully set forth herein.

146. Admits that MSD purports to bring a cause of action as described in Paragraph 146, but otherwise denies the allegations in Paragraph 146.

147-150. Denies the allegations in Paragraphs 147-150.

Count Ten

151. Repeats its responses to Paragraphs 1-150 as though fully set forth herein.

152. Admits that MSD purports to bring a cause of action as described in Paragraph 152, but otherwise denies the allegations in Paragraph 152.

153. Denies the allegations in Paragraph 153, except (a) admits that it is bound by the 1970 coexistence agreement, (b) refers to such contract for the full contents thereof, and (c) refers also to the 1975 correspondence and other subsequent developments modifying the terms of the 1970 coexistence agreement, which MSD has failed to acknowledge or reference in its Complaint.

154-155. Denies the allegations in Paragraphs 154-155.

Count Eleven

156. Repeats its responses to Paragraphs 1-155 as though fully set forth herein.

157. Admits that MSD purports to bring a cause of action as described in Paragraph 157, but otherwise denies the allegations in Paragraph 157.

158-159. Denies the allegations in Paragraphs 158-159.

Answer to Prayer for Relief

Merck KGaA specifically denies that MSD is entitled to the relief requested or any other relief.

AFFIRMATIVE DEFENSES

First Affirmative Defense

MSD's claims are barred by the equitable doctrine of laches. MSD first learned that Merck was using "Merck KGaA, Darmstadt, Germany" in the United States in 1995 but waited more than twenty years before bringing this action. Merck KGaA has been highly prejudiced by this delay of twenty years, including because it has invested significant time and money in the challenged usage.

Second Affirmative Defense

MSD's claims are barred by the doctrines of acquiescence, forfeiture, waiver and estoppel. After Merck KGaA first began using "Merck KGaA, Darmstadt, Germany" in the United States in 1995, MSD and Merck KGaA discussed whether the use was permitted. Following such discussion, MSD accepted Merck KGaA's use of "Merck KGaA, Darmstadt, Germany" in the United States, a decision MSD reaffirmed in its testimony in Merck KGaA's lawsuit against MSD in the English High Court. Relying on MSD's consent, Merck KGaA has invested significant time and money in the challenged usage, which is protected by the safe harbor in paragraph 2(a) of the coexistence agreement.

Third Affirmative Defense

MSD's claims are barred by the parties' modification to the contract. After Merck KGaA first began using "Merck KGaA, Darmstadt, Germany" in the United States in 1995, MSD and Merck KGaA discussed whether the use was permitted. Following such discussion, MSD accepted Merck KGaA's use of "Merck KGaA, Darmstadt, Germany" in the United States, a decision MSD reaffirmed in its testimony in Merck KGaA's lawsuit against MSD in the English High Court. Relying on this modification, Merck KGaA has invested significant time and

money in the challenged usage, which is protected by the safe harbor in paragraph 2(a) of the coexistence agreement.

Fourth Affirmative Defense

MSD's claims are barred by the applicable statutes of limitations. Merck KGaA first started using "Merck KGaA, Darmstadt, Germany" in the United States twenty years ago, long before all applicable limitations periods.

Fifth Affirmative Defense

MSD's claims are barred by the doctrine of unclean hands. MSD has engaged in the very actions it now alleges to be unlawful – as held by two different overseas courts – and comes to this Court with unclean hands. MSD has extensively used MERCK, including on the Internet, overseas in direct violation of the parties' coexistence agreement and the trademark laws of several countries around the world. Unlike Merck KGaA, which uses geo-targeting technology to prevent U.S. consumers from viewing unauthorized uses of MERCK, MSD has refused to take steps to prevent confusion overseas, where it has no rights to the MERCK name and trademark. MSD cannot now seek to enjoin Merck KGaA when it itself is liable for egregious, intentional violations of Merck KGaA's contractual and trademark rights.

Sixth Affirmative Defense

MSD's claims are barred by the doctrine of fair use. Merck KGaA has used "MERCK" and "Merck KGaA, Darmstadt, Germany" to truthfully identify the company, to describe its relationship to MSD, and/or to explain the history behind the two companies, and not as trademarks. Such uses reduce, rather than exacerbate, the likelihood of confusion.

Seventh Affirmative Defense

MSD's claims are barred by the First Amendment. Merck KGaA's advertising campaigns, including the "Original" and "125 Year" campaigns referenced in the Complaint, constitute fully expressive speech. None of these campaigns propose a commercial transaction.

Eighth Affirmative Defense

MSD's claims are barred because the Complaint fails to state a claim upon which relief can be granted. Merck KGaA asserts this defense, upon all the allegations contained in the Complaint, pursuant to Fed. R. Civ. P. 12(h)(2)(A), without waiver.

Dated: April 14, 2016

Respectfully submitted,

/s/ Stephen M. Orlofsky

BLANK ROME LLP

A Pennsylvania LLP

STEPHEN M. ORLOFSKY

DAVID C. KISTLER

New Jersey Resident Partners

301 Carnegie Center, 3rd Floor

Princeton, NJ 08540

Telephone: (609) 750-7700

Facsimile: (609) 750-7701

Orlofsky@BlankRome.com

Kistler@BlankRome.com

DEBEVOISE & PLIMPTON LLP

David H. Bernstein (*pro hac vice filed*)

Jyotin Hamid (*pro hac vice filed*)

Zheng Wang (*pro hac vice filed*)

919 Third Avenue

New York, NY 10022

Telephone: (212) 909-6696

Facsimile: (212) 521-7696

JHamid@Debevoise.com

DHBernstein@Debevoise.com

ZWang@Debevoise.com

Attorneys for Defendant Merck KGaA

CERTIFICATION PURSUANT TO L. CIV. R. 11.2

Pursuant to Local Civil Rule 11.2, we hereby certify that the matter in controversy is not the subject of any other action pending in any court, or of any pending arbitration or administrative proceeding.

Dated: April 14, 2016

/s/ Stephen M. Orlofsky

BLANK ROME LLP

A Pennsylvania LLP

STEPHEN M. ORLOFSKY

DAVID C. KISTLER

New Jersey Resident Partners

301 Carnegie Center, 3rd Floor

Princeton, NJ 08540

Telephone: (609) 750-7700

Facsimile: (609) 750-7701

Orlofsky@BlankRome.com

Kistler@BlankRome.com

DEBEVOISE & PLIMPTON LLP

David H. Bernstein (*pro hac vice filed*)

Jyotin Hamid (*pro hac vice filed*)

Zheng Wang (*pro hac vice filed*)

919 Third Avenue

New York, NY 10022

Telephone: (212) 909-6696

Facsimile: (212) 521-7696

JHamid@Debevoise.com

DHBernstein@Debevoise.com

ZWang@Debevoise.com

Attorneys for Defendant Merck KGaA

CERTIFICATION PURSUANT TO L. CIV. R. 201.1

Pursuant to Local Civil Rule 201.1, we hereby certify the above-captioned matter is not subject to compulsory arbitration in that, *inter alia*, Plaintiffs seek non-monetary relief and the amount in controversy is more than the \$150,000 threshold exclusive of interest and costs and any claim for punitive damages.

Dated: April 14, 2016

/s/ Stephen M. Orlofsky
BLANK ROME LLP
A Pennsylvania LLP
STEPHEN M. ORLOFSKY
DAVID C. KISTLER
New Jersey Resident Partners
301 Carnegie Center, 3rd Floor
Princeton, NJ 08540
Telephone: (609) 750-7700
Facsimile: (609) 750-7701
Orlofsky@BlankRome.com
Kistler@BlankRome.com

DEBEVOISE & PLIMPTON LLP
David H. Bernstein (*pro hac vice filed*)
Jyotin Hamid (*pro hac vice filed*)
Zheng Wang (*pro hac vice filed*)
919 Third Avenue
New York, NY 10022
Telephone: (212) 909-6696
Facsimile: (212) 521-7696
JHamid@Debevoise.com
DHBernstein@Debevoise.com
ZWang@Debevoise.com

Attorneys for Defendant Merck KGaA