
**Role of Party Bad Faith
in a Laches Defense
to Trademark Infringement**

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Introduction

Laches is a commonly used affirmative defense based primarily on a plaintiff's delay in bringing suit. The need for such a defense in the area of trademark infringement is clear. Because the Lanham Act contains no statute of limitations, the doctrine of laches stands in the place of such a limitation period and bars untimely causes of action.¹ Without the doctrine of laches, a trademark owner, although having a viable infringement claim, could stand by and allow a competitor to develop its products around the mark and expand its business, only to then strike the competitor with a claim of infringement.²

The plaintiff in a trademark infringement suit typically seeks two forms of relief: an injunction on future use of the mark, and monetary damages in the form of the defendant's profits and/or the plaintiff's damages. The common law recognition of a laches as a defense to a trademark infringement action was galvanized in the case of McLean v. Fleming in 1877.³ Subsequently, the Lanham Act codified the common law by only allowing injunctive relief in trademark infringement suits "according to the principles of equity,"⁴ and only allowing monetary relief "subject to the principles of equity."⁵ The Lanham Act also expressly recognizes that "equitable principles, including laches, estoppel, and acquiescence" are defenses to a trademark owner's exclusive use of a mark.⁶

¹ Jackson v. Axton, 25 F.3d 884 (9th Cir. 1994).

² What-A-Burger of Va., Inc. v. Whataburger, Inc., 357 F.3d 441, 449 (4th Cir. 2004). *See also* Boone v. Mechanical Specialties Co., 609 F.2d 956, 958 (9th Cir. 1979).

³ 96 U.S. 245 (1877).

⁴ 15 U.S.C. § 1116 (2004).

⁵ 15 U.S.C. § 1117 (2004).

⁶ 15 U.S.C. § 1115 (2004).

The laches defense has three elements: (1) trademark owner's delay in asserting its trademark rights, (2) lack of excuse for the delay, and (3) undue prejudice to the alleged infringer caused by the delay.⁷ Like other equitable doctrines, the laches defense does not lend itself to a mechanical application but requires the balancing of dozens of factors that are present in a normal trademark infringement suit. This balancing is evidenced by the wide variations in its successful and unsuccessful application. The laches defense has, for example, been successfully applied in inexcusable delays as short as three years,⁸ and unsuccessfully applied in delays as long as thirteen years.⁹ In all applications, the details and circumstances of each case are determinative.

This article initially focuses on one factor within the dozen or more that play into the success or failure of a laches defense to trademark infringement: defendant's bad faith. When analyzing the role of defendant's intent, one must consider the success or failure of the laches defense separately with respect to injunctive relief and monetary relief. Subsequently, this article shifts its focus and looks at the role of a plaintiff's bad faith conduct in a laches defense. This kind of bad faith combines with delay and prejudice to create a modified laches defense, commonly referred to as "acquiescence."

⁷ Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658, 668 (5th Cir. 2000).

⁸ Golden West Brewing Co. v. Milonas & Sons, Inc., 104 F.2d 880 (9th Cir. 1939).

⁹ Menendez v. Holt, 128 U.S. 514 (1888).

Part 1: Role of Defendant's Bad Faith

Injunctive Relief

A common conception among the courts is that a laches defense to trademark infringement can never bar injunctive relief.¹⁰ Unfortunately for the practitioner, the complex interplay of the factors that go into the finding of laches does not allow such a general and simple conclusion. Case law from both the United States Supreme Court and the lower federal courts clearly shows that injunctions are, in fact, commonly barred by laches.

A close reading of the case law indicates that success of a laches defense with respect to an injunction is often very dependent on the intent of the infringer. Laches frequently bars injunctive relief when the defendant did not intentionally infringe on the plaintiff's mark. Conversely, when the defendant is found to have intentionally infringed, the pendulum of equity swings the other way and injunctive relief is almost always granted despite the laches defense. As a result, the intent of the infringer can provide significant predictability to the result of a laches defense to trademark infringement.

A. Supreme Court Precedent

As mentioned earlier, the Supreme Court first recognized the equitable doctrine of laches with respect to trademark infringement in McClellan v. Fleming in 1877.¹¹ In this case, the plaintiff sued the defendant claiming that the defendant was attempting to pawn

¹⁰ E.g., *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 568 (6th Cir. 2000), *cert. denied*, 531 U.S. 944 (2000) (“Although laches precludes a plaintiff from recovering damages, it does not bar injunctive relief.”).

¹¹ 96 U.S. 245 (1877).

off his liver pills by using a name and packaging very similar to that used by the plaintiff. The defendant, however, countered that the plaintiff had waited some twenty years to bring suit, all the time having knowledge of the defendant's activities. Faced with a case of both intentional infringement and laches, the Court chose to grant the injunction, stating that it is not "necessary, in order to give a right to an injunction, that a specific trade-mark should be infringed; but it is sufficient that the court is satisfied that there was an intent on the part of the respondent to palm off his goods as the goods of the complainant, and that he persists in so doing after being requested to desist."¹² In so doing, the Court seemed to hold that an injunction should be granted despite a long delay in bringing suit when the defendant's infringement is intentional.

The Court held similarly in Menendez v. Holt¹³ in 1888 and Saxlehner v. Eisner & Mendelson Co.¹⁴ in 1900. In both cases, injunctive relief was granted despite a showing of laches when the Court found intentional infringement. In Menendez, the Court said:

The intentional use of another's trade-mark is a fraud; and when the excuse is that the owner permitted such use, that excuse is disposed of by affirmative action to put a stop to it. Persistence then in the use is not innocent, and the wrong is a continuing one, demanding restraint by judicial interposition when properly invoked. Mere delay or acquiescence cannot defeat the remedy by injunction in support of the legal right, unless it has been continued so long and under such circumstances as to defeat the right itself.¹⁵

Perhaps more importantly, in Saxlehner, the Court went so far as to formulate what appears to be a higher threshold for the laches defense in cases where the defendant

¹² *Id.* at 254

¹³ 128 U.S. 514 (1888).

¹⁴ 179 U.S. 19 (1900).

¹⁵ 128 U.S. at 523.

infringed intentionally and with bad faith. In this case, the Court stated that where there is fraud on the part of the defendant, “the court will look with much indulgence upon the circumstances tending to excuse the plaintiff from a prompt assertion of his rights. Indeed, in a case of an active and continuing fraud like this we should be satisfied with no evidence of laches that did not amount to proof of assent or acquiescence.”¹⁶ This higher threshold would seem to make the defense of laches unavailable in those cases where infringement was intentional, except in cases of acquiescence, discussed *infra*.

The holdings are quite different in those cases in which the United States Supreme Court did not find intentional trademark infringement on the part of the defendant. The Supreme Court explicitly held laches to be an equitable defense barring injunctive relief in both French Republic v. Saratoga Vichy Spring Co.,¹⁷ and in United Drug Co. v. Theodore Rectanus Co.¹⁸ Importantly, these cases appear to limit the holdings in McClellan, Menendez, and Saxlehner to those situations involving fraudulent imitation or conscious infringement, not to those cases where the infringement was innocent. In French Republic, the Court denied any relief to the plaintiff after finding that the plaintiff inexcusably delayed 25 years in bringing suit, although he had full knowledge of the defendant’s activities, and that there was insufficient evidence to prove that the defendant had the purpose to effectuate a fraud on the public. Later, in United Drug Co., the Court again denied injunctive relief when the defendant was found to have limited his use of the infringing mark within a small territory and was found to have

¹⁶ *Saxlehner*, 179 U.S. at 39.

¹⁷ 191 U.S. 427 (1903).

¹⁸ 248 U.S. 90 (1918).

invented the mark independently of the plaintiff. In reference to those cases where injunctive relief was granted because of the defendant's bad faith (i.e., McClellan, Menendez, and Saxlehner), the Court stated:

[Those cases] exemplify the rule that, where the proof of infringement is clear, a court of equity will not ordinarily refuse an injunction for the future protection of the proprietor of a trade-mark right, even where his acquiescence and laches have been such as to disentitle him to an accounting for the past profits of the infringer. The rule finds appropriate application in cases of conscious infringement or fraudulent imitation, as is apparent from a reading of the opinions in those cases; but it has no pertinency to such a state of facts as we are now dealing with.¹⁹

B. Lower Court Decisions

Those lower court decisions that discuss the role of the defendant's intent in deciding the success of a laches defense with respect to injunctive relief, not surprisingly, follow to a large degree the precedent set by the United States Supreme Court. However, in many opinions, the intent of the defendant is not mentioned. It is therefore impossible to deduce the role of this factor in the outcome of these cases. The holdings in these cases stress factors other than intent which influence the success of a laches defense.

Like the Supreme Court, where there is intentional infringement, the lower courts are very reluctant to deny injunctive relief on laches grounds despite the plaintiff's delay in bringing suit.²⁰ One strongly worded opinion comes from the Second Circuit in the

¹⁹ *Id.* at 102.

²⁰ *Kason Indus., Inc. v. Component Hardware Group, Inc.*, 120 F.3d 1199, 1207 (11th Cir. 1997) (“Generally, laches will not bar an injunction against an intentional infringer.”); *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 615 (7th Cir. 1965) (“[O]nly in the most exceptional circumstances will injunctive relief be denied in a case of deliberate infringement.”); *Rothman v. Greyhound Corp.*, 175 F.2d 893, 895 (4th Cir. 1949) (“It is settled that mere delay in seeking relief is no bar to an injunction when the infringer has had knowledge of the fact that he is infringing and has deliberately set out to capitalize on the good will of the owner.”).

case of Hermes Int'l v. Lederer de Paris Fifth Avenue, Inc.²¹ In this case, the defendant was found to have created an entire line of “cheap knockoffs” of the plaintiff’s expensive handbags with the intention of trading off the Hermes name and causing post-sale confusion. However, the District Court had determined that the plaintiff was guilty of laches, finding a delay as long as 19 years in bringing suit and associated prejudice to the defendant. In granting injunctive relief despite the laches, the Court of Appeals went so far as to call intentional infringement a “dispositive, threshold inquiry that bars further consideration of the laches defense”:

It is well established that laches is not a defense against injunctive relief when the defendant intended the infringement. This good-faith component of the laches doctrine is part of the fundamental principle that "he who comes into equity must come with clean hands." Thus, the appellees' intentional infringement is a dispositive, threshold inquiry that bars further consideration of the laches defense, not a mere factor to be weighed in balancing the equities, as the district court did in this case.²²

Notably, a New York District Court seemed to go even further when, in Cuban Cigar Brands N.V. v. Upmann International, Inc., it stated that a defendant claiming a laches defense to trademark infringement actually affirmatively bears the burden of showing good faith in order to use the defense.²³ Here the court stated that “[e]stoppel by laches is not available as a defense to a defendant who intended the unfair competition, and thus in asserting the defense of estoppel the defendant should be required to establish

²¹ 219 F.3d 104 (2d Cir. 2000).

²² *Id.* at 107.

²³ 457 F. Supp. 1090 (S.D.N.Y. 1978), *aff'd without op.*, 607 F.2d 995 (2d Cir. 1979).

his own good faith."²⁴ Nevertheless, this added burden on the defendant is not discussed in subsequent cases and does not seem to have been widely adopted.

Correspondingly, many lower court decisions are in accord with the Supreme Court when it comes to the role of good faith in the success of a laches defense to an injunction, thereby further putting to rest the misconception that laches never bars an injunction when used in a trademark infringement suit. In one example, Old Lexington Club Distillery Co. v. Kentucky Distilleries & Warehouse, a New Jersey District Court (later affirmed by the Third Circuit) denied an injunction because of a 15 year delay when it was determined that the defendant had acted in good faith.²⁵ The court stated:

[For] one to permit another to build up a reputation for one's goods under a trade-name for a long period of time, and then to assert an exclusive right to that name, and thereby acquire the benefit of the reputation and trade which the other has built up, when it lay in the power of the former at any time to have arrested the use of the trade-name by the latter, seems to me most inequitable, because, if the right had been asserted before the reputation was acquired, the infringer could have adopted another name and built his reputation on it. It would also tend to further deception upon the public, one of the results which injunctive relief in trade-mark cases seeks to prevent. Of course, if one knowingly and willfully adopts a name which has been used by another, a different situation might be presented.²⁶

Other circuits have ruled similarly when the defendant was found to have acted in good faith.²⁷

²⁴ *Id.* at 1098.

²⁵ 234 F. 464 (D.C.N.J. 1916), *aff'd*, 247 F. 1005 (3d Cir. 1918).

²⁶ *Id.* at 469.

²⁷ *Kason Indus., Inc. v. Component Hardware Group, Inc.*, 120 F.3d 1199 (11th Cir. 1997) (denying injunction because there was no evidence that defendant acted in bad faith); *E-Systems, Inc. v. Monitek, Inc.*, 720 F.2d 604 (9th Cir. 1984) (denying injunction when defendant adopted and used its trademark and tradename in good faith, without actual knowledge of the existence of plaintiff's trademark or tradename); *Fruit Industries, Ltd v. Bisceglia Bros. Corp.*, 101 F.2d 752 (3d Cir. 1939) (denying injunction after three year delay in bringing suit during which the defendant in good faith built up rights in a territory plaintiff had withdrawn from earlier).

While refusing to impose a full injunction on a good faith infringer because of laches, the courts, in some cases, have created a restriction on the further territorial expansion of such an infringer.²⁸ This remedy is a form of compromise by the court. The court does not want to punish an innocent infringer prejudiced by the delay of the mark owner in bringing suit. Nor does the court want to create a situation in which the public is further exposed to the likelihood of confusion with respect to the infringed mark. This creates a remedy analogous to that received in a concurrent use proceeding under 15 U.S.C. § 1052(d).²⁹

C. Reasons for Imposing Injunctions Despite Laches When the Defendant Acts in Bad Faith

There are primarily two reasons why a deliberate infringer is not able to employ a laches defense to bar an injunction against him for trademark infringement. The first reason concerns the role of injunctive relief beyond that of stopping the individual wrongdoer (i.e., infringer) from continuing his wrongful action at the expense of the trademark owner. This larger role of injunctive relief involves the protection of the public.

In all trademark infringement suits, protection of the public is a goal that stands higher than that of providing “justice” for the actual parties to the suit. As a result, a strong showing of likelihood of confusion (sometimes referred to as “inevitable

²⁸ *E.g.*, *Anheuser-Busch, Inc. v. Du Bois Brewing Co.*, 175 F.2d 370 (3d Cir. 1949) (denying injunction against defendant because of plaintiff’s long delay (30 years) and defendant’s lack of bad faith; however, defendant not allowed to further expand).

²⁹ 15 U.S.C.S. § 1052 (2004).

confusion”) can trump even a clear case of laches and acquiescence, resulting in the granting of an injunction.³⁰ The Seventh Circuit has said that denying injunctive relief in a case of strong likelihood of confusion “is not a comfortable posture for the Court to assume because it is tantamount to holding that both parties are free to offer their products for sale in the same marketplace. The law therefore allows the senior user’s claim to be revived from estoppel [by laches] if the senior user can show that ‘inevitable confusion’ would result from dual use of the marks.”³¹

Once it is understood that injunctive relief is used to a large part to protect the public, the logical nexus between injunctive relief and intentional infringement becomes clear. The courts have long held that the defendant’s bad faith increases the potential for likelihood of confusion. In fact, intentional infringement is commonly considered to elevate the potential for public harm to that of inevitable confusion. As a result, the courts address this likely harm to the public by imposing injunctions in cases of intentional infringement despite any showings of laches on the part of the plaintiff. As the Restatement (Third) of Unfair Competition says:

Evidence establishing that the defendant intended to capitalize on the good will of the trademark owner through confusion is generally sufficient to overcome a laches claim raised against a request for injunctive relief. The intent to deceive not only undermines the defendant’s claim to equity but also is evidence that an injunction is necessary to prevent the confusion of prospective purchasers.³²

³⁰ See *Resorts of Pinehurst, Inc. v. Pinehurst Nat’l Corp.*, 148 F.3d 417, 423 (4th Cir. 1998) (“The public interest in avoiding confusion and mistake requires that the doctrines of laches and acquiescence not be ‘rigidly applied’ when a strong showing of a likelihood of confusion is made.”).

³¹ *TMT North America, Inc. v. Magic Touch GmbH*, 124 F.3d 876, 886 (7th Cir. 1997).

³² Restatement (Third) of Unfair Competition § 31, comment e (1995).

The second reason for granting injunctive relief despite laches in the case of intentional infringement is that the infringer who is trying to employ the laches defense has “unclean hands.” The requirement that a party utilizing an equitable defense have clean hands can be traced back to the origins of equitable doctrines in general. The Supreme Court has said that “he who comes into equity must come with clean hands.”³³ The Court has further stated that courts of equity are closed “to one tainted with inequity or bad faith relative to the matter in which he seeks relief.”³⁴ This policy is also reflected in lower court decisions.³⁵

Some sources suggest a third reason for granting injunctions despite laches when the defendant acts in bad faith.³⁶ These sources imply that the defendant cannot use the laches defense because an intentional infringer cannot, by definition, “detrimentally rely” on the plaintiff’s delay in bringing suit. This argument contains a fallacy. Although the laches defense is sometimes called “estoppel by laches,” the commonly ascribed elements of the defense do not include detrimental reliance like a traditional estoppel defense. Instead the laches defense requires prejudice to the infringer as a result of the plaintiff’s delay. Prejudice to the defendant is usually in the form of the defendant’s continued

³³ Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co., 324 U.S. 806, 814 (1945)

³⁴ *Id.*

³⁵ Jarrow Formulas, Inc. v. Nutrition Now, Inc., 304 F.3d 829, 841 (9th Cir. 2002), *cert. denied*, 537 U.S. 1047 (2002) (“A party with unclean hands may not assert laches. The unclean hands doctrine closes the doors of a court of equity to one tainted with inequity or bad faith relative to the matter in which he seeks relief. The party must have acted fairly and without fraud or deceit as to the controversy in issue.”); Hot Wax, Inc. v. Turtle Wax, Inc., 191 F.3d 813, 825 (7th Cir. 1999) (“The notion of unclean hands working as a bar to the application of laches stems from the belief that an equitable defense, such as laches, cannot be used to reward a party’s inequities or to defeat justice.”); Johanna Farms, Inc. v. Citrus Bowl, Inc. 468 F.Supp. 866, 881 (E.D.N.Y. 1978) (“In order to be sheltered by the equitable bastion provided by the estoppel doctrine, the party seeking its protection must possess a right which is firmly planted in good faith”).

³⁶ J. Thomas McCarthy, McCarthy on Trademarks & Unfair Competition § 31:9 (4th Ed. 1996).

investment in the mark while the plaintiff delays in bringing suit. Such “prejudice” can occur whether the defendant is acting with intent or entirely in good faith. Therefore, without the element of detrimental reliance in the laches defense, the logical link between intentional infringement and the granting of injunctive relief is not present.

Definitions of Bad Faith Infringement

The federal circuits and other sources of law disagree on the standards to use when judging whether infringement of a given mark was intentional. Such a standard is critical to the outcome of a laches defense. As described with respect to injunctive relief, a finding that the defendant in a trademark infringement suit acted in bad faith will almost certainly result in an injunction against the defendant, even where the defendant can prove a clear case of laches.

The defendant’s good or bad faith can be judged on what the defendant knows and why the defendant is infringing the mark. With respect to what the defendant knows at the time of infringement, the United States Supreme Court and some circuits have said that mere knowledge that the defendant is infringing an owner’s mark is enough to create bad faith.³⁷ Nonetheless, this stringent test for intent is not universal. A number of circuits require that mere knowledge is not enough; in addition to showing knowledge,

³⁷ Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916); Wynn Oil Co. v. American Way Serv. Corp., 943 F.2d 595 (6th Cir. 1991).

the plaintiff must prove that the defendant acted with some degree of conscious effort to capitalize on the owner's mark.³⁸

A description of what creates intentional trademark infringement is of relevance to more than the success or failure of a laches defense. Many courts have also adopted the defendant's bad faith as an element in the determination of likelihood of confusion. For this reason, the lists of factors that the courts have formulated to judge likelihood of confusion have consistently contained a factor relating to the defendant's intent in selecting the mark. Perhaps the best known of such lists is the so-called "Polaroid Factors" from the Second Circuit.³⁹ The descriptions of what creates intent with respect to likelihood of confusion are identical to that discussed here with regard to laches.

One can conclude, based on the holding in Hanover Star Milling Co. v. Metcalf⁴⁰, that the Supreme Court thought that a defendant's mere knowledge of the plaintiff's rights with respect to a mark creates enough bad faith to preclude the use of laches as a defense to injunctive relief. In this case, the Court stated that, "[a]s to laches and acquiescence, it has been repeatedly held, in cases where defendants acted fraudulently or with knowledge of plaintiffs' rights, that relief by injunction would be accorded So much must be regarded as settled."⁴¹ The use of the word "or" in this holding would appear to provide that mere knowledge alone is enough to invalidate the laches defense with respect to injunctive relief; no further showing of intent to deceive is required. The

³⁸ Hot Wax, Inc. v. Turtle Wax, Inc., 191 F.3d 813 (7th Cir. 1999); Conan Properties, Inc. v. Conans Pizza, Inc., 752 F.2d 145 (5th Cir. 1985); Anheuser-Busch, Inc. v. Du Bois Brewing Co., 175 F.2d 370 (3d Cir. 1949).

³⁹ Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492 (2d Cir. 1961).

⁴⁰ 240 U.S. at 419.

⁴¹ *Id.* at 419.

Sixth Circuit has held similarly. With reference to several earlier opinions that cite Hanover Star Milling, the Sixth Circuit has held that the “use of a mark with knowledge of another's prior use of the mark supports an inference of intentional infringement.”⁴²

Those courts that require more than mere knowledge on the part of the defendant to constitute bad faith for the purposes of a laches defense vary somewhat in their descriptions of this added element. Nonetheless, these courts seem to agree that the added element involves some form of conscious effort on the part of the defendant to capitalize on the plaintiff's mark by causing confusion to the public. For example, the Fifth Circuit has held that in order to foreclose a laches defense with respect to an injunction, “a defendant's mere awareness of a plaintiff's claim to the same mark neither amounts to passing off nor establishes the bad intent necessary to preclude the availability of the laches defense.”⁴³ Instead, “the plaintiff must offer something more than mere objective evidence to demonstrate that the defendant employed the allegedly infringing mark with the wrongful intent of capitalizing on [the plaintiff's] goodwill.”⁴⁴ The Third Circuit has required “fraudulent purpose and intent of confusing and deceiving the public and of enabling the defendant's product to be passed off as and for the product of plaintiff.”⁴⁵ Finally, the Seventh Circuit has described the necessary intent as “willful, egregious, or unconscionable.”⁴⁶

⁴² *Wynn Oil Co.*, 943 F.2d at 603.

⁴³ *Conan Properties, Inc.*, 752 F.2d at 150.

⁴⁴ *Id.*

⁴⁵ *Anheuser-Busch, Inc.*, 175 F.2d at 376.

⁴⁶ *Hot Wax, Inc.*, 191 F.3d at 826.

Beyond the case law, the Restatement (Third) of Unfair Competition § 31 has also adopted the view that mere knowledge is not enough to create bad faith on the part of the defendant:

Laches will not ordinarily bar an injunction against an intentional infringer. The relevant intent, however, is that of capitalizing on the plaintiff's good will through confusion; mere knowledge of the prior use will not necessarily preclude a finding of laches.⁴⁷

Monetary Relief

With respect to the laches defense and the role of the defendant's good or bad faith in the outcome, monetary relief is treated quite differently from injunctive relief. A reason for the differences lies in the dissimilarity in the purposes of the two remedies. Notably, a review of the case law indicates that lower federal court decisions do not strictly adhere to precedent from the United States Supreme Court.

A. Supreme Court Precedent

A number of Supreme Court opinions have held that a plaintiff guilty of laches will be denied monetary relief in a trademark infringement suit. To many, this provides a general rule devoid of any dependence on the intent or bad faith of the alleged infringer. Nonetheless, the Supreme Court precedent also contains cases where the defendant's intent was a decisive factor in granting monetary relief despite a showing of laches. What results is an inconsistent mix of holdings that are very fact specific and seem destined to create confusion for the lower courts.

⁴⁷ Restatement (Third) of Unfair Competition § 31, comment e (1995).

The first Supreme Court case to discuss the effect of laches on monetary relief is, as it was for injunctive relief, McClellan v. Fleming.⁴⁸ As discussed above, the Court found that the defendant was an intentional infringer whose conscious purpose was to mimic the plaintiff's packaging to such an extent that the public would be confused into buying his liver pills thinking the pills originated with the plaintiff. Despite this bad faith infringement, and despite its grant of an injunction against the defendant, the Court denied any monetary relief and stated, "Equity courts will not, in general, refuse an injunction on account of delay in seeking relief, where the proof of infringement is clear, even though the delay may be such as to preclude the party from any right to an account for past profits."⁴⁹

A number of subsequent Supreme Court cases are in accord with this doctrine that laches will bar monetary relief even in those cases where the defendant is an intentional infringer. The Court in Menendez v. Holt held that laches will bar monetary relief even where there is intentional infringement.⁵⁰ Later, in the case of Hanover Star Milling v. Metcalf, the Court stated that an accounting of profits should be denied "in cases where the defendant acted fraudulently or with knowledge of plaintiffs' rights."⁵¹

Yet, despite the accord in some Supreme Court cases, a few others seem to expound a different doctrine. One such case is that of Saxlehner v. Eisner and Mendelson Co.,⁵² which was discussed more generally above with respect to injunctive relief. Specifically, in this case, the Court found that the defendant had copied the

⁴⁸ 96 U.S. 245 (1877).

⁴⁹ *Id.* at 253.

⁵⁰ 128 U.S. 514 (1888).

⁵¹ 240 U.S. at 419.

⁵² 179 U.S. 19 (1900).

plaintiff's distinctive bottle shape and bottle label with the express purpose of inducing the public into buying the defendant's imported Hungarian "bitter waters" thinking that they were those of the plaintiff. The Court seemed to consider this a particularly egregious example of intentional infringement, going so far as to label it "an act of undisguised piracy."⁵³ And despite an inexcusable twenty year delay on the part of the plaintiff in bringing suit, the Court responded to this bad faith infringement by granting monetary damages. Indicating a strong dependence on the defendant's bad faith for its holding, the Court said that "it is no hardship to enjoin [the defendant's] further use, and to hold defendant liable for such profits as it may have realized or for such damages as the plaintiff may have sustained by reason of the illegal use."⁵⁴

A similar holding was achieved in a companion case to that just mentioned, Saxlehner v. Nielsen.⁵⁵ Like the earlier case, the defendant here intentionally copied the bottles and labels of the plaintiff's product in order to palm it off on the public. Again, believing that the defendant's misappropriation entitled the Court to discount the effect of the plaintiff's delay in bringing suit, the Court imposed monetary damages.

B. Lower Court Decisions

Despite any Supreme Court case law to the contrary, the lower courts seem to consistently hold that laches will always bar monetary relief whether the defendant acted in good faith or bad. This effectively creates a common law rule with respect to laches

⁵³ *Id.* at 31.

⁵⁴ *Id.* at 40.

⁵⁵ 179 U.S. 43 (1900).

and monetary relief that is independent of defendant intent. As a result, there are many examples of cases where the lower courts have not granted monetary relief when the plaintiff was guilty of laches despite clear proof of the infringer's bad faith.

One such recent example, Hermes Int'l v. Lederer de Paris Fifth Avenue, Inc.,⁵⁶ was discussed earlier with respect to injunctive relief. In this 2000 case, the Second Circuit perceived bad faith infringement on the part of the defendant serious enough to disable the defendant from utilizing a laches defense as a bar to injunctive relief. Yet the same court held that the laches on the part of the plaintiff was enough to stop the plaintiff from receiving monetary relief.

Other recent examples come from the Fourth Circuit. Citing Hanover Star Milling, the court in Skippy, Inc. v. CPC International, Inc. stated unequivocally that "laches will bar a claim for damages for bad faith infringement."⁵⁷ Eight years later in Brittingham v. Jenkins, the Fourth Circuit held that "under [Hanover Star Milling], even if [the defendant] did intend the unfair competition as the trial court found, the award of damages in this case still could and should have been limited by the defense of laches."⁵⁸

Notably, despite an intent-independent general rule, a few courts have believed it necessary to discuss the defendant's intent in their holdings with respect to monetary relief when the defendant has acted innocently. Perhaps this is not surprising. When a defendant acts innocently and a court denies monetary relief because of laches, a court may experience the need to further rationalize its decision to deny such relief.

⁵⁶ 219 F.3d 104 (2d Cir. 2000).

⁵⁷ 674 F.2d 209, 212 (4th Cir. 1982).

⁵⁸ 914 F.2d 447, 457 (4th Cir. 1990).

Unfortunately, these decisions may be misleading. By promulgating the idea that good faith helps to bar monetary relief in the case of laches, these cases may also suggest that bad faith would have the opposite effect: promoting the granting of monetary relief. While this was the true in the Saxlehner cases above, it generally does not hold true in recent lower court case law.

Those cases that expressly rationalize the barring of monetary relief by laches based on the defendant's good faith are relatively few in number. In one example, Keystone Macaroni Mfg. Co. v. V. Arena & Sons, Inc., a district court in Pennsylvania denied monetary relief because of a showing of laches.⁵⁹ In its reasoning, the court stated:

Injunctive relief may be properly granted without requiring the court to decree an accounting and damages, and, as in the present case, an accounting of profits will not be given where the unlawful use of the trade mark has been without any wrongful intent to defraud the plaintiff or deceive the public.⁶⁰

A year later, another district court in Pennsylvania, in the case of J. A. Dougherty's Sons, Inc. v. Kasko Distillers Products Corp., denied an accounting due to laches and observed that the defendant had commenced use of the trademark “innocently, in good faith, and without any knowledge of the plaintiff's use.”⁶¹ Rationalizing its decision, the court said that “[u]pon these facts it is difficult to justify an award to the plaintiff of the relief he seeks. That the circumstances bar an accounting appears indisputable.”⁶² Finally, somewhat more recently, in Bulova Watch Co. v. Allerton Co., a district court in Illinois

⁵⁹ 27 F. Supp. 290 (DC PA 1939).

⁶⁰ *Id.* at 294.

⁶¹ 35 F. Supp. 561, 563 (E.D. Pa. 1940).

⁶² *Id.* at 564.

stated its decision not to grant monetary relief was supported by the “[p]laintiff’s delay in bringing the suit, and the lack of substantial evidence of impairment, by the infringement, of the value and integrity of plaintiff’s trade-mark, and absence of intentional fraud, or intent to deceive the public.”⁶³

C. Reasons for Barring Monetary Damages Upon a Showing of Laches Independent of Defendant Intent

As just explored, the courts generally bar monetary relief when a plaintiff is found guilty of laches in a trademark infringement suit. Many opinions do not give the reasoning for such holdings, merely recognizing the rule without further explanation. For example, even the early Supreme Court cases of McClellan and Menendez are devoid of explanation why monetary relief was denied.

Nonetheless, when the courts do explain their reasoning, the courts commonly ascribe one of two reasons for denying monetary relief. The first reason is based on achieving fairness, the very purpose of any equitable doctrine. As stated in the Introduction, the primary purpose of laches is to deter a trademark owner from delaying in bringing suit while the defendant builds up its business and profits, only to later file suit and demand an accounting for those profits. To award monetary damages to a plaintiff guilty of laches would reward just this type of unfair behavior.

The second reason is based on the practical effects of delaying a suit. Like a statute of limitation, the doctrine of laches is designed to encourage litigation when

⁶³ Bulova Watch Co. v. Allerton Co. 216 F. Supp. 875, 887 (N.D. Ill. 1963), *rev’d on other grounds*, 328 F.2d 20 (7th Cir. 1964).

evidence and witness recollection are fresh. Proving damages in trademark infringement cases is already notoriously difficult, requiring evidence of the loss of sales and profits caused by the infringer's use of the owner's mark.⁶⁴ With time, memories of witnesses become obscured and documents are lost. Therefore, any delay in bringing the question to the court can increase these difficulties substantially.⁶⁵

Part 2. Role of Plaintiff's Bad Faith

Acquiescence

The role of bad faith in a laches defense is not strictly limited to the behavior of the defendant. A plaintiff can also bolster the defense by intentional dishonesty or unfair dealing. Once bolstered in such a way, the modified laches defense, now called an "acquiescence" defense, becomes much more unfavorable to the plaintiff.

An element of acquiescence is proof that the trademark owner actively represented that it would not bring suit against the defendant for use of the plaintiff's trademark, only to, at some later date, bring such a suit. In other words, a plaintiff is not allowed to indicate to the defendant at one time that the defendant's activity is acceptable and then later sue the defendant after it relies on this assertion. This element of active bad faith on the part of the plaintiff describes the critical difference from an unmodified laches defense. The Sixth Circuit said, "Although sometimes used indiscriminately as if

⁶⁴ *E.g.* *Maltina Corp. v. Cawy Bottling Co.*, 613 F.2d 582 (5th Cir. 1980).

⁶⁵ *Tustin Community Hospital v. Santa Ana Community Hospital*, 89 Cal. App. 3d 889, 897; 153 Cal. Rptr. 76, 82; 205 U.S.P.Q. (BNA) 83 (4th Dist. 1979).

they were synonyms, ‘laches’ and ‘acquiescence’ are not the same. Laches is a negligent and unintentional failure to protect one’s rights while acquiescence is intentional.”⁶⁶

Boiled down to elements, an acquiescence defense requires (1) active representation by the trademark owner that it would not assert a right or claim against the defendant for the defendant’s use of the mark, (2) inexcusable delay between the assertion and the bringing of the suit, and (3) undue prejudice to the alleged infringer caused by the delay.⁶⁷ It will be observed that only the element comprising active representation by the trademark owner is different from the elements of an unmodified laches defense.

Once acquiescence has been established, the result is almost always fatal to the plaintiff in terms of getting monetary relief. This is not surprising since a laches defense, devoid of active bad faith by the plaintiff, is already typically enough to bar monetary relief. The “active” component of the acquiescence on the part of the plaintiff simply gives the courts one more rationale for not rewarding the plaintiff with monetary damages.

Notably, injunctions are still often granted despite acquiescence when a strong showing of future likelihood of confusion can be proven. The reason for this, like that for laches, is that the courts want to protect the public from future likelihood of confusion. This again is a doctrine based on “inevitable confusion,” discussed earlier. With respect to injunctive relief, the Eleventh Circuit has said, “[T]he defense of acquiescence is not

⁶⁶ *Elvis Presley Enterprises, Inc. v. Elvisly Yours, Inc.*, 936 F.2d 889, 894 (6th Cir.1991).

⁶⁷ *SunAmerica Corp. v. Sun Life Assurance Co. of Can.*, 77 F.3d 1325, 1334 (11th Cir. 1996).

absolute. Upon a showing that ‘inevitable confusion’ arises from the continued dual use of the marks, a senior user's claim may be revived from estoppel.”⁶⁸

Examples of Acquiescence

There are many things a trademark owner can do that will be construed later in a trademark infringement suit as acquiescence. Cases concerning acquiescence are very fact specific. Only three illustrative examples are presented here.

In Dwinell-Wright Co. v. White House Milk Co., the plaintiff, the owner and user of the mark WHITE HOUSE for the sale of coffee and tea products, failed to bring suit for sixteen years against the defendant for use of the same mark in the sale of milk products.⁶⁹ During this time, the plaintiff affirmatively suggested to the defendant that they jointly sell their products and contributed to joint advertising of both products for at least eight years. The court denied any relief to the plaintiff, reasoning that the plaintiff had constructively assured the defendant that it did not object to the use of the mark and had “merely stood aside and watched the business grow at great cost to colossal proportions.”⁷⁰ Finding such an egregious case of acquiescence, Judge Learned Hand went so far as to question the apparent impudence of the plaintiff in even bringing such a suit:

What equity [the plaintiff] can have the hardihood now to assert; how it can expect us to stifle a competition which with complete complaisance, and even with active encouragement, it has allowed for years to grow like the mustard tree;

⁶⁸ *Id.*

⁶⁹ 132 F.2d 822 (2d Cir. 1943). *See also*, *Creative Gifts, Inc. v. UFO*, 235 F.3d 540 (10th Cir. 2000); *Coach House Restaurant, Inc. v. Coach & Six Restaurants, Inc.*, 934 F.2d 1551 (11th Cir. 1991).

⁷⁰ *Dwinell-Wright*, 132 F.2d at 825.

why we should destroy a huge business built up with its connivance and consent; this we find it impossible to understand.⁷¹

This case has been frequently cited in other opinions.⁷²

Another illustrative case of acquiescence comes from the Fourth Circuit. In Ambrosia Chocolate Co. v. Ambrosia Cake Bakery, Inc.,⁷³ the plaintiff brought a trademark infringement suit against the defendant to enjoin the defendant from using the mark AMBROSIA in the sale of chocolate goods such as cakes. Plaintiff, too, was in the business of selling chocolate goods, mostly in the form of bulk ingredients under the name AMBROSIA. Unfortunately for the plaintiff's case, the evidence showed that eight years before the plaintiff brought suit, one of its representatives visited the defendant's store, which was actively using the trademark at the time, and commented on the similarity of names between the plaintiff and defendant. This representative then went on to try to sell the defendant ingredients manufactured by the plaintiff to be sold under the defendant's AMBROSIA name. In affirming the lower court decision, the Fourth Circuit denied any relief to the plaintiff after finding that "there was active encouragement and commercial urging by plaintiff to induce defendant to make and vend its cakes under the name 'Ambrosia'."⁷⁴

Finally, a recent opinion from the Second Circuit, Profitness Physical Therapy Ctr. v. Pro-Fit Orthopedic & Sports Physical Therapy, succeeds in pushing out the limits

⁷¹ *Id.* at 825-26.

⁷² *E.g.*, Profitness Physical Therapy Ctr. v. Pro-Fit Orthopedic & Sports Physical Therapy, 314 F.3d 62, 64 (2d Cir. 2002).

⁷³ 165 F.2d 693 (4th Cir. 1947), *cert. denied*, 333 U.S. 882 (1948).

⁷⁴ *Id.* at 695.

of what can be considered acquiescence by the plaintiff.⁷⁵ In 1999, the plaintiff, the registered owner of the mark PROFITNESS PHYSICAL THERAPY, sent the defendant, Pro-Fit Physical Therapy, a cease and desist letter demanding that the defendant change its name. In response, the defendant wrote a letter back to the plaintiff asking if there were any objections to a modified name, Pro-Fit Orthopedic and Sports Physical Therapy. This letter further stated that a failure to respond would be understood as an agreement to the proposed name change. Hearing nothing back from the plaintiff, the defendant changed its corporate name and continued to build its business, eventually coming in direct competition with plaintiff. In 2001, the plaintiff brought suit for trademark infringement. Perhaps surprisingly, the Second Circuit found that plaintiff had acquiesced to the defendant's use of the modified name by not responding to the defendant's proposed name change 1999. The Court reasoned that "[u]nder these circumstances, it was reasonable for defendant to rely on plaintiff's silence as consent to its good faith offer of accommodation to do business under a new mark."⁷⁶ The court, thereby, established a precedent that even silence can be an "act" of acquiescence.

Conclusion

Although only one of many factors that can affect the outcome of a laches defense, party bad faith must certainly be ranked among the most influential. In fact, when it comes to the effect on injunctive relief, ranking a defendant's bad faith as the second most important factor behind public protection would be hard to dispute.

⁷⁵ 314 F.3d. at 62.

⁷⁶ *Id.* at 68-69.

Remarkably, this importance exists despite the fact that the courts do not entirely agree on what even constitutes bad faith infringement.

As discussed *supra*, the role of a defendant's bad faith on a laches defense must be treated separately with respect to injunctive relief and monetary relief. With respect to injunctive relief, the rule is actually fairly clear: a court will almost certainly grant an injunction against a defendant who intentionally infringes despite even the most convincing laches defense. This outcome is largely based on protecting the public from future likelihood of confusion. The United States Supreme Court set this precedent in the Nineteenth and early Twentieth Centuries and it has been perpetuated by the lower federal courts ever since.

Conversely, a court will sometimes take a defendant's good faith infringement as a factor in not granting an injunction. However, the case law would suggest that defendant good faith is far less determinative of the outcome than is bad faith. Some courts are interested in factoring in a defendant's good faith, others are not. Often, it would seem, only glaring bad faith ends up in an opinion; a defendant's lack of intent is frequently not mentioned and probably not considered.

With respect to monetary relief, the rule is also clear: a proper laches defense bars monetary relief independent of any good or bad faith infringement. Unlike the rules relating to injunctive relief, this rule does not find its basis in a public policy as important as protecting the public. Instead, it seems to be a concession to ideas of equity and practical concerns about the effect of a long delay on evidence of infringement. Interestingly, this common law rule with respect to trademark actions appears to conflict

with holdings from the Supreme Court where monetary damages were in fact granted despite laches. These Supreme Court holdings match the application of laches outside the realm of trademark law. Laches, more generally, is an equitable defense and cannot be used to defeat a claim for money damages.⁷⁷ Nevertheless, the absence of an applicable statute of limitations in trademark infringement actions apparently has caused the law to move away from this restriction on the use of the laches defense.

It is also notable that a second reason for granting injunctive relief despite laches when the defendant has acted in bad faith is based on the requirement that a defendant come to the equitable defense with “clean hands.” Surprisingly, there is no corollary to this requirement with respect to laches and monetary relief. That is, a bad faith defendant is not barred from claiming a laches defense to monetary relief because he came to the defense with “dirty hands.” The reason for this difference is also not entirely clear. However, like laches, judicial doctrines dealing with “unclean hands” have historically been confined to requests for equitable relief, not to requests for legal relief.⁷⁸

Finally, the plaintiff can do a large part in destroying any hope of a successful suit against a defendant infringing his trademark by communicating to the defendant that the defendant is free to use his mark, only to sue him at some later time. The plaintiff will likely get nothing from such a suit unless the court believes that it is inevitable that the public will be confused by the defendant’s use of the mark in the future. Then the court will grant an injunction. However, in such a case, it is clear that the court is only

⁷⁷ *E.g.*, *Phipps v. Robinson*, 858 F.2d 965, 970 (4th Cir. 1988)([T]he rule is that the equitable defense of laches may not be raised as a defense in an action at law of ejectment.).

⁷⁸ *E.g.*, *Golden Press, Inv. v. Rylands* 124 Colo. 122, 235 P.2d 592 (1951).

granting injunctive relief based on public policy, not out of a duty to compensate the plaintiff for the defendant's wrongdoings.

As stated earlier, the outcome of a laches defense in a trademark infringement suit may often be difficult to predict because of the number of factors that affect the final judgment. This article has focused on two such factors: defendant's bad faith and plaintiff's bad faith. The results suggest that where a defendant has infringed in bad faith, or a plaintiff has acquiesced to the use of the mark in question, the outcome of a laches defense becomes much more foreseeable.