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EQUITABLE DEFENSES IN OPPOSITION PROCEEDINGS--WHERE DID THEY GO?

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I. INTRODUCTION

Section 19 of the Lanham Act, [n.1] provides that "[i]n all inter partes proceedings equitable principles of laches, estoppel, and acquiescence, where applicable may be considered and applied." This constituted a change in the prior law since, under the 1905 Trademark Act, laches was not generally held to be a valid defense. [n.2]

Section 19 does not expressly state whether application of the equitable principles of laches, estoppel, and acquiescence in an inter partes cancellation or opposition proceeding is based only on knowledge of registration of the mark or on knowledge of use of the mark as well. However, if application of these principles in an opposition proceeding with respect to an application to register a mark were to be based on knowledge of an application to register, and the maximum period between publication for opposition and opposition is only 120 days (without consent), then it seems impossible that any opposer would be found to be guilty of laches, estoppel, or acquiescence. As a result, the failure to exclude opposition proceedings from the scope of section 19 is strong evidence of a legislative intent to include knowledge of use. It would therefore seem incongruous to limit the section 19 defenses of laches, estoppel, or acquiescence to knowledge of registration. But just such an incongruous result was reached in NCTA v. American Cinema Editors, [n.3] *56 where the Court of Appeals for the Federal Circuit held that laches in an opposition or cancellation proceeding runs from knowledge of application for registration and not from knowledge of use. [n.4]

The court in NCTA based its decision on its perception that there was no precedent requiring it to determine that the laches period commences upon knowledge of use, and it chose "to clarify the law" by holding that laches should run from knowledge of application for registration. It is submitted that the court not only ignored the manifest statutory intent, but also overlooked a significant decision by the Court of Customs and Patent Appeals (CCPA) to the contrary. It is further submitted that the NCTA result will not be beneficial. By creating different standards in civil actions (knowledge of use) and in Patent and Trademark Office (PTO) inter partes proceedings (knowledge of registration), the decision will ultimately increase the need for litigation.

This article will first consider the law pertaining to equitable defenses as it existed prior to the NCTA decision. The article will then analyze the NCTA decision and its failure to consider applicable precedent. Finally, the article will look at certain policy considerations and the likely impact of the NCTA decision on future litigation in the PTO and in the courts.

II. DECISIONS PRIOR TO NCTA

Until 1991 almost all decisions of the Trademark Trial and Appeal Board and most decisions of the CCPA held that the defenses of laches, estoppel, and acquiescence were not limited to knowledge of registration, but included knowledge of use as well. In W. E. Bassett Co. v. Scholl Mfg. Co., [n.5] the CCPA upheld a laches defense where the opposer had known of the applicant's use of a mark for over eight years. While the appellate court overturned the Board's reliance on a laches defense on the ground that the applicant's early use of the mark was in a descriptive, non-trademark sense, the court did not question the Board for measuring the laches defense from the time the opposer first learned of the applicant's use of the opposed mark.

Similarly, in Palisades Pageants Inc. v. Miss America Pageant, [n.6] the court measured the period of delay in an opposition proceeding from the time when the opposer first learned of the applicant's use of the *57 opposed mark. The court affirmed rejection of the laches defense on the ground that the applicant had not relied on the opposer's delay and on the further ground that the period of delay was too short to give rise to an estoppel.

The CCPA considered the defense of acquiescence in Alfred Dunhill of London, Inc. v. Dunhill Tailored Clothes, Inc. [n.7] There, the opposer, as owner of the DUNHILL mark, initially brought an infringement action against the applicant to enjoin use of DUNHILL TAILORS. While the court enjoined the applicant from using the mark DUNHILL, it allowed the applicant to make continued, limited use of DUNHILL TAILORS because of a lengthy period of acquiescence by the opposer. When the opposer later challenged the applicant's application to register DUNHILL TAILORS, the Board dismissed the opposition on the basis of the prior court ruling.

In reversing, the CCPA suggested that the district court should have exercised its authority to determine the right to register under section 37 of the Lanham Act. In the absence of such a determination, the court considered the applicant's right to a concurrent registration as provided by section 2(d) of the Lanham Act. While the court declined to determine whether the opposer's acquiescence constituted an equitable defense in the opposition under section 19 of the Lanham Act, it nevertheless relied on the finding of acquiescence as to the applicant's right to use in resolving the applicant's right to a concurrent registration of DUNHILL TAILORS. To the extent that the opposer's acquiescence had given rise to a right of the applicant to make limited use of DUNHILL TAILORS, this same acquiescence in use gave rise to a right to a concurrent use registration.

The NCTA court considered the W. E. Bassett and Palisades Pageants decisions but rejected them in favor of the decisions in Salem Commodities Inc. v. Miami Margarine Co. [n.8] and James Burrough Ltd. v. LaJoie, [n.9] discussed below. However, the court ignored a later CCPA decision in In re E. I. du Pont de Nemours & Co. [n.10]

The E I. du Pont case involved an ex parte appeal from a refusal to register RALLY for an automobile polish/cleaner in view of a prior registration of RALLY for an all-purpose detergent. The Board had refused registration notwithstanding a letter from the prior registrant consenting to E. I. du Pont's use and registration of RALLY.

*58 In reversing, the court used its opinion to clarify the law in determining registrability:

> We are thus presented with a welcomed opportunity to set forth a reliable guide for decision-making in cases involving Sec. 2(d). It need hardly be said that concepts expressed in our prior opinions and inconsistent with what we say here may be considered no longer viable in this court. [n.11]

The court went on to hold that all evidence tending to prove or disprove a likelihood of confusion between the two marks must be considered, including "laches and estoppel attributable to [the] owner of prior mark and indicative of lack of confusion." [n.12] The objective was to consider the right to register within the context of the realities of the marketplace. This would obviously include any acquiescence in use by the applicant that would tend to indicate the absence of a likelihood of confusion. Thus, this more recent decision seems to constitute CCPA precedent holding knowledge of use to be the test. [n.13]

If there were any doubt that the laches to be considered in an inter partes proceeding is related to knowledge rather than to an attempt to register a mark, such doubt should have been dispelled by the 1980 CCPA decision in Georgia Pacific Co. v. Great Plains Bag Co. [n.14] There, the court defined the laches defense as it applied in a cancellation proceeding:

> To prove the defense of laches one must make a showing that the party, against which the defense is asserted, had actual knowledge of trademark use by the party claiming the defense or at least a showing that it would have been inconceivable that the party charged with laches would have been unaware of the use of the mark. [n.15]

Applying this rule, the court held, inter alia, that the petitioner was estopped by laches due to knowledge of use of the registrant's mark.

In the two cases relied on by the court in NCTA, the CCPA seemed to have held laches to run from the first opportunity to oppose. In Salem Commodities, the court rejected a laches defense in an opposition proceeding which was based on knowledge of use of the opposed mark. The court concluded:

> *59 Appellant cannot properly be charged with acquiescence in appellee's right to registration until appellant became aware that such a right had been asserted by appellee.

Estoppel by reason of acquiescence and laches on the part of the owner of a trademark is applied against him by this court, either in an opposition or cancellation proceeding, depending on the explicit terms of the statute and from the facts established by the record in this case. It is entirely possible that appellant might have had no objection to appellee's use of the words "Nu-Maid," in combination with a picture, but might have objected strongly, as it has done here, to appellee's claim to ownership and exclusive right to use those words standing alone as a trademark for related goods. [n.16]

Since the mark which was the subject of the opposition proceeding was solely a word mark while the mark of which the opposer had been aware was a composite mark that included design elements as well, the opposer's failure to object to the composite mark would not seem to constitute a failure to object to the word mark alone.

In James Burrough Ltd., the court relied on the Salem decision in reversing a dismissal of an opposition on the basis of an equitable defense under section 19. The court stated:

The court in Salem recognized a distinction between the right to use a mark and the statutory right to register which is of significance when § 19 is sought to be relied upon in defense to an opposition. Moreover, in the present case, appellant may have acquiesced only in the use of the words SIGN OF THE BEEFEATER in conjunction with a picture to identify a restaurant in which no liquor is served and which closes relatively early in the evening whereas registration is sought on the words alone for "restaurant services" broadly. [n.17]

As in Salem, the court distinguished between the form of the mark at issue in the opposition proceeding and the form of the mark as used during the period of the opposer's acquiescence.

Prior to the NCTA decision, the Trademark Trial and Appeal Board also based the laches defense on knowledge of use of a mark. For example, in Hitachi Metals International Ltd. v. Yamakyu Chain Kabushiki Kaisha, [n.18] the Board held that there was laches by failing to take action to preclude use of another's mark:

The concept behind the theory of equitable defenses, insofar as they are applicable to proceedings involving the registration of trademarks, is *60 that a prior user's acquiescence in the use of a similar mark for like or similar goods or a prior user's failure to timely assert its rights in a mark after having actual or constructive notice of another's use of the same or a similar mark for like or related goods may serve to estop said party not only from challenging such use but also from precluding the subsequent user from registering its mark. This is based essentially on the theory that registration is merely recognition of common law rights acquired through use and therefore a party having the right to use a mark should generally also have a right to register the mark to reflect such rights.

In Color Key Corp. v. Color 1 Assoc., Inc., the Board adopted a similar standard for a laches defense:

Turning first to applicant's defense of laches, it is recognized doctrine that a party asserting such a defense must show that the party plaintiff had actual or constructive

notice of the defendant's use of an allegedly infringing mark; that such party delayed for an undue period of time in enforcement of its rights under the mark; that this delay was inexcusable in character and that the delay resulted in prejudice to the party defendant. [n.19]

The Board rejected the laches defense where the opposer took action one year after it learned of the applicant's use of its mark and four months after the application was published for opposition.

In Bigfoot 4x4 Inc. v. Bear Foot Inc., the Board explained the standard for a laches defense as follows:

The theory behind this defense is that it is incumbent upon the owner and prior user of a mark, having actual or constructive notice of another's use of a similar mark for the same or related goods and/or services, to take prompt affirmative action to assert his rights and protect them against what he believes to be infringement thereof and not to sit on those rights for an inordinate time and permit the subsequent user to build up a business and goodwill around the subsequent user's mark before taking action. [n.20]

On the basis of the facts in that proceeding, the Board held that the opposer's delay in challenging the applicant's rights estopped the opposer from maintaining the opposition proceeding.

In Charrette Corp. v. Bowater Communication Papers Inc., [n.21] the Board rejected a laches defense in a cancellation proceeding where there was no showing that the petitioner had any prior knowledge of the *61 applicant's use of its mark. The Board further held that the fourteen month period of time from the petitioner's constructive knowledge arising from issuance of the registration and filing of the cancellation proceeding did not support a claim of laches.

III. THE NCTA DECISION

In NCTA, the petitioner, as owner of the A.C.E. mark as used by film editors, sought to cancel a registration of the mark ACE for the service of conducting award presentation ceremonies for cable television broadcasting. The Board granted a motion for summary judgment canceling the registration on the ground of a likelihood of confusion and rejecting the registrant's defense of laches.

On appeal, the Court of Appeals for the Federal Circuit affirmed the grant of summary judgment canceling the registration. With respect to the defense of laches, the court considered and rejected the registrant's claim that the petitioner's knowledge of its use of the ACE mark since 1979 should have estopped the petitioner from prevailing in the cancellation proceeding.

The court first suggested that laches and acquiescence had "an inconsistent and confused career." [n.22] The court cited the two earlier CCPA decisions in Salem

Commodities [n.23] and James Burrough [n.24] in which its predecessor court had rejected the rationale that laches in an inter partes proceeding should run from knowledge of use of a mark. The court then observed that the Board had measured laches from knowledge of use in misplaced reliance on two other CCPA decisions, W. E. Bassett [n.25] and Palisades Pageants, [n.26] where the court "appeared to accept the standard applied by the board, albeit with little or no analysis." [n.27]

The court reasoned that it was not bound to follow W. E. Bassett and Palisades Pageants since the issue of laches was not argued and was therefore ignored. While the prior CCPA decision in Georgia Pacific [n.28] expressly defined laches as arising from knowledge of trademark use, the *62 court dismissed this statement of the law as unnecessary due to the court's finding of no likelihood of confusion. [n.29]

In "clarifying the law" by selecting the approach of the court in the James Burrough case, the court had to reject equally persuasive precedent in the Georgia Pacific case. Of equal significance, the court overlooked the decision of its predecessor court in E. I. du Pont mandating that all evidence tending to prove or disprove a likelihood of confusion between the two marks must be considered, including "laches and estoppel attributable to the owner of prior mark and indicative of lack of confusion." [n.30]

In attempting to clarify the rule on application of equitable defenses in inter partes proceedings, the court in NCTA created an unnecessary distinction between the right to register and the right to use. The court set forth the general proposition that laches can logically begin to run "from the time action could be taken against the acquisition by another of a set of rights to which objection is later made." [n.31] The court then reasoned that in an opposition or cancellation proceeding, the rights at issue flow from registration, and cited cases for the proposition that an objection to registration is not the legal equivalent of a charge of infringement based on use.

The court stated that there was nothing in the Lanham Act requiring an "expansive" view of laches running from knowledge of use, since the trademark owner would then be obligated to bring suit to stop use, or risk being barred from later opposing or canceling registration of the mark. The court therefore concluded that the period of laches could not begin to run in an opposition proceeding until the trademark application was published for opposition.

In so holding, the court relied upon the Salem and Burrough cases and distinguished the contrary decisions in W. E. Bassett and Palisades Pageants as not controlling. At the same time, the NCTA decision appears to have overlooked the more recent precedent of E. I. du Pont.

IV. POST-NCTA DECISIONS

In several reported decisions subsequent to the NCTA decision, the Board has followed the NCTA rule on laches. For example, in Marshall *63 Field & Co. v. Mrs. Fields

Cookies, [n.32] the Board applied a laches defense in a combined cancellation/opposition proceeding. The Board initially found that there was no likelihood of confusion between the marks FIELD'S for department store services and MRS. FIELDS for restaurant and bakery store services.

In turning to the laches defense, the Board relied on the NCTA decision in measuring laches:

> [L]aches begins to run in this case from the date the applications for registration were published for opposition and it is respondent's burden to show an unreasonable delay by petitioner in asserting its rights against respondent and prejudice from that delay since the dates of publication. [n.33]

With respect to the cancellation proceeding, the Board sustained the laches defense since the respondent had relied on the petitioner's inaction from 1983 to 1987. In contrast, the Board rejected the laches defense with respect to the opposed application on the ground that the application had only been published for opposition on March 31, 1987, and this period of delay did not support a claim of laches. [n.34]

The result in this decision shows the anomaly of the NCTA rule. In determining the laches defense, the Board considered evidence concerning the petitioner's knowledge of the respondent's use of its marks and the petitioner's subsequent inaction. This same period of knowledge and inaction was applicable to the respondent's registered marks in the cancellation proceeding, yet it was ignored in the opposition proceeding. If the Board had not dismissed both the cancellation and opposition proceedings on the basis of no likelihood of confusion, the respondent would have been entitled to maintain its subsisting registrations while at the same time having been deprived of a registration of the opposed mark.

In DAK Industries Inc. v. Daiichi Kosho Co., [n.35] the applicant in an opposition proceeding had raised the equitable defenses of laches, estoppel, and acquiescence. The opposer successfully moved for summary judgment on these equitable defenses. Relying on the NCTA decision, the Board stated:

> The Court could not have been clearer: the period which we consider in determining whether a plaintiff unduly delayed in bringing an action*64 before the Board begins with the publication of the mark in the Official Gazette. Before then, no opposition is possible. [n.36]

Not surprisingly, the Board held that a delay of ten days in commencing an opposition proceeding did not prejudice the applicant's rights.

V. POLICY CONSIDERATIONS

Even if wrongly decided because of a misimpression of binding precedent, the question still remains as to whether the NCTA result was correct. In other words, should a party be

estopped by reason of laches to object to registration of a mark when the objection is made at the first opportunity?

The answer to this question appears to be found in the plain meaning of the Lanham Act and in public policy. With respect to the statute, to hold that equitable defenses to an application or registration can only occur in the period between publication for opposition and opposition would seem tantamount to rewriting the statute and, at the very least, to deleting the most common inter partes proceedings, i.e., opposition proceedings, from its scope.

The public policy argument is best enunciated in the E. I. du Pont case where the court held:

> Although a naked right to use cannot always result in a registration, the Act does intend, as we said above, that registration and use be coincident so far as possible. [n.37]

The Court of Appeals for the Federal Circuit expressed similar policy concerns and stated in Bongrain International (American) Corp. v. Delice de France, Inc.:

> Theprimary purpose of the Trademark Act of 1946 is to give Federal procedural augmentation to the common law rights of trademark owners--which is to say legitimate users of trademarks. One of the policies sought to be implemented by the Act was to encourage the presence on the register of trademarks of as many as possible of the marks in actual use so that they are available for search purposes. [n.38]

The same policy is reflected in the legislative history of the Trademark Law Revision Act of 1988:

> *65 The goal of the federal trademark registration system is the creation of a record which accurately reflects all marks that are actually being used in the U.S. market-place. [n.39]

In testimony given by United States Trademark Association (USTA) (now International Trademark Association (INTA)) in support of the same legislation, it was stated:

> The register is searched and relied upon by individuals and companies seeking to determine the availability of marks. It is important, therefore, that it reflects a valid picture of the marks that are in use and the goods and services for which they are being used. [n.40]

In furtherance of this policy, section 2(d) of the Lanham Act requires registration of a mark where a court of competent jurisdiction has held a right to use exists. However, it should not be necessary for an applicant whose right to use rests upon equitable considerations to obtain a court judgment recognizing that right. It should be sufficient for registration purposes that such an applicant establishes its equitable entitlement before the PTO tribunals.

VI. CONCLUSION

The policy governing interpretation of the Lanham Act should be to encourage registration of marks that are in use. The NCTA decision is contrary to this policy, and for this reason alone should be reconsidered. In addition, to the extent that the decision did not take into consideration inconsistent statutory intent and all relevant precedent, its conclusions as to the scope of equitable defenses in inter partes cases needs to be re-examined.

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[n.1]. 15 U.S.C. § 1069 (1946).

[n.2]. See, e.g., Wilson v. Graphol Products Co., 188 F.2d 498, 89 U.S.P.Q. (BNA) 382 (C.C.P.A. 1951); Dwinell-Wright Co. v. National Fruit Prod. Co., 129 F.2d 848, 54 U.S.P.Q. (BNA) 149 (1st Cir. 1942).

[n.3]. 937 F.2d 1572, 19 U.S.P.Q.2d (BNA) 1424 (Fed. Cir. 1991).

[n.4]. The Court reaffirmed this rule in Lincoln Logs Ltd. v. Lincoln Pre-Cut Log Homes, Inc., 971 F.2d 732, 23 U.S.P.Q.2d (BNA) 1701 (Fed. Cir. 1992).

[n.5]. 388 F.2d 1014, 156 U.S.P.Q. (BNA) 244 (C.C.P.A. 1968).

[n.6]. 442 F.2d 1385, 169 U.S.P.Q. (BNA) 790 (C.C.P.A. 1971).

[n.7]. 293 F.2d 685, 130 U.S.P.Q. (BNA) 412 (C.C.P.A. 1961).

[n.8]. 244 F.2d 729, 114 U.S.P.Q. (BNA) 124 (C.C.P.A. 1952).

[n.9]. 462 F.2d 570, 174 U.S.P.Q. (BNA) 329 (C.C.P.A. 1972).

[n.10]. 476 F.2d 1357, 177 U.S.P.Q. (BNA) 563 (C.C.P.A. 1973).

[n.11]. Id. at 1360, 177 U.S.P.Q. (BNA) at 566.

[n.12]. Id. at 1361, 177 U.S.P.Q. (BNA) at 567.

[n.13]. Because the CCPA always sat en banc, unlike the Federal Circuit which sits in panels, the most recent CCPA decisions become the most relevant precedent. Indeed, Chief Judge Markey confirmed this policy in the language from E. I. du Pont quoted above.

[n.14]. 614 F.2d 757, 204 U.S.P.Q. (BNA) 697 (C.C.P.A. 1980).

[n.15]. Id. at 759, 204 U.S.P.Q. (BNA) at 698.

[n.16]. 244 F.2d 729, 732, 114 U.S.P.Q. (BNA) 124, 127 (C.C.P.A. 1952).

[n.17]. 462 F.2d 570, 572, 174 U.S.P.Q. (BNA) 329, 331 (C.C.P.A. 1972).

[n.18]. 209 U.S.P.Q. (BNA) 1057, 1066-67 (T.T.A.B. 1981).

[n.19]. 219 U.S.P.Q. (BNA) 936, 940 (T.T.A.B. 1983).

[n.20]. 5 U.S.P.Q.2d (BNA) 1444, 1448 (T.T.A.B. 1987).

[n.21]. 13 U.S.P.Q.2d (BNA) 2040, 2043 (T.T.A.B. 1989).

[n.22]. NCTA v. American Cinema Editors, 937 F.2d 1572, 1580, 19 U.S.P.Q.2d (BNA) 1424, 1431 (Fed. Cir. 1991).

[n.23]. 244 F.2d 729, 732, 114 U.S.P.Q. (BNA) 124, 127 (C.C.P.A. 1952).

[n.24]. 462 F.2d 570, 572, 174 U.S.P.Q. (BNA) 329, 331 (C.C.P.A. 1972).

[n.25]. 388 F.2d 1014, 156 U.S.P.Q. (BNA) 244 (C.C.P.A. 1968).

[n.26]. 442 F.2d 1385, 169 U.S.P.Q. (BNA) 790 (C.C.P.A. 1971).

[n.27]. NCTA v. American Cinema Editors, 937 F.2d 1572, 1581, 19 U.S.P.Q.2d (BNA) 1424, 1431 (Fed. Cir. 1991).

[n.28]. 614 F.2d 757, 759, 204 U.S.P.Q. (BNA) 697, 698 (C.C.P.A. 1980).

[n.29]. 937 F.2d at 1581 n.6, 19 U.S.P.Q.2d (BNA) at 1431 n.6.

[n.30]. In re E. I. du Pont de Nemours & Co., 476 F.2d 1357, 1360-61, 177 U.S.P.Q. (BNA) 563, 566-67 (C.C.P.A. 1973); supra note 13 and accompanying text.

[n.31]. 937 F.2d at 1581, 19 U.S.P.Q.2d (BNA) at 1432.

[n.32]. 25 U.S.P.Q.2d (BNA) 1321 (T.T.A.B. 1992).

[n.33]. Id. at 1335.

[n.34]. Id. at 1336.

[n.35]. 25 U.S.P.Q.2d (BNA) 1622 (T.T.A.B. 1993).

[n.36]. Id. at 1624.

[n.37]. 476 F.2d 1357, 1364, 177 U.S.P.Q. (BNA) 563, 569 (C.C.P.A. 1973).

[n.38]. 811 F.2d 1479, 1485, 1 U.S.P.Q.2d (BNA) 1775, 1779 (Fed. Cir. 1987).

[n.39]. 134 Cong. Rec. S5, 869 (daily ed. May 13, 1988) (statement of Sen. DeConcini).

[n.40]. Trademark Law Revision Act of 1988: Hearings on H.R. 4156 Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Comm. on the Judiciary, 100th Cong., 2d Sess. 71 (1988) (statement of Ronald S. Kareken, Chairman of the Board of Directors and President of the U.S. Trademark Association).