

No. 12-1341

IN THE
Supreme Court of the United States

THOMAS KENNETH ABRAHAM d/b/a
PADDLE TRAMPS MANUFACTURING CO.

Petitioner,

v.

ALPHA CHI OMEGA et al.,

Respondents.

On Petition for a Writ of Certiorari to the
United States Court of Appeals
for the Fifth Circuit

REPLY BRIEF FOR THE PETITIONER

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REPLY BRIEF FOR THE PETITIONER

Respondents delayed forty years before bringing a trademark infringement suit against petitioner to enforce their marks. The jury found for petitioner on every element of the defenses of laches and acquiescence – including that petitioner had relied to his detriment on respondents’ delay and assurances, and that he would suffer “undue economic prejudice” if respondents were allowed to enforce their marks. Pet. App. 32a-33a. The district court held that the evidence supported the jury’s findings, *id.* 52a, but nevertheless enjoined petitioner from using any of respondents’ trademarks in his advertising, as well as from selling those trademarks in any form other than a raised crest backing that he had been selling for decades, *id.* 66a.

The Fifth Circuit affirmed, agreeing with the district court that for the defenses of laches and acquiescence to bar injunctive relief, the trademark defendant must demonstrate a greater degree of prejudice than required to prove the defenses in the first instance – even in cases, like this one, involving extraordinary delay. *Id.* 25a-26a. As the petition for certiorari and *amici curiae* brief of twenty law professors demonstrate, the Fifth Circuit’s decision exacerbates an existing circuit conflict and illustrates the endemic confusion in this critical area of trademark law. Based on the jury’s verdict, the Second, Third, Seventh, Ninth, Eleventh, and D.C. Circuits – which do not apply the Fifth Circuit’s additional-prejudice requirement, and indeed adopt the *opposite* presumption of sufficient prejudice from lengthy delay – would have denied respondents an injunction.

Respondents concede that laches is “probably the most frequently raised . . . defense in trademark cases.” BIO 7-8 (citation omitted). *Amici* law professors likewise note (Br. 5) that laches is asserted in approximately two-thirds of trademark cases. The effect of laches and acquiescence on injunctive relief is particularly important because injunctions have become the “standard remedy” in trademark disputes. 6 MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 30:1 (4th ed. 2012) (hereinafter “MCCARTHY”). Given the circuit conflict on a question of such recurring importance, this Court’s intervention is warranted.

I. There Is A Square Circuit Conflict Over The Standard For When Laches And Acquiescence Bar Injunctive Relief.

The circuit conflict over whether and when laches and acquiescence bar injunctive relief in trademark cases is well recognized. *E.g.*, *Oriental Fin. Grp., Inc. v. Coop. de Ahorro y Credito Oriental*, 698 F.3d 9, 20 (1st Cir. 2012); MCCARTHY § 31.6. There is no merit to respondents’ claim that the circuits uniformly hold that laches cannot bar an injunction in cases of “clear” infringement. BIO 8. In fact, respondents cannot identify any circuit court adopting that standard, because none have.¹ Instead,

¹ Respondents argue that “intentional infringement” may support injunctive relief despite laches, but mischaracterize the record in claiming that petitioner’s infringement was “intentional.” BIO 10-11. “Intentional infringement” has special meaning in trademark law, referring to infringement in bad faith, *i.e.*, “unclean hands,” Pet. App. 9a, a counter-defense

respondents hope to reconcile the circuits' conflicting rules by recharacterizing the facts of individual cases granting injunctions as involving "clear" infringement, and those denying injunctions as involving "less than clear" infringement. Even if the facts did happen to fit that pattern, the courts' legal rules are still irreconcilable. But in any event, respondents' reading of the facts is insupportable.

1. Start with this case. The Fifth Circuit's decision hinged entirely on the "degree of prejudice" that an injunction would cause; it had nothing to do with whether infringement was "clear." Pet. App. 25a. Under circuit precedent, "the propriety of an injunction turns on prejudice to the infringer." *Id.* 23a n.1. Thus, notwithstanding respondents' *forty-year* delay in enforcing the marks and the jury's finding of prejudice, the court ruled that laches and acquiescence would not bar the injunction unless the injunction would result in "substantial prejudice" – e.g., it would "put [petitioner] out of business." *Id.* 26a. Similarly, the rulings of the Fourth, Sixth, and Eighth Circuits allowing injunctions despite laches do not turn on whether the infringement was "clear." See Pet. 15-16, 27-28 (collecting cases).

Conversely, other circuits hold that laches at least presumptively bars an injunction after a long delay, because they presume that such delay causes prejudice. Respondent cannot identify any case involving comparable unexcused delay in which an

that was expressly rejected below, *id.* 5a, 33a. See also *id.* 13a (cataloguing evidence refuting intentional infringement claim).

injunction was granted.² In the Third and Seventh Circuits, such delay conclusively bars injunctive relief. *See id.* 17-19. In the D.C., Second, and Eleventh Circuits, lengthy delay is a presumptive bar, and no fact in this case would overcome the presumption. *See id.* 19-23. The Ninth Circuit applies the same presumption, as well as a unique multifactor balancing test. *See id.* 23-24.

Respondents attempt to reconcile these cases by arguing that the infringement in this case was “clear,” unlike the infringement in other cases. Respondents contend that the infringement here was “clear” because petitioner’s products replicated respondents’ marks, and because respondents proved a likelihood of confusion. BIO 10-11. Even if the Fifth Circuit had ruled for respondents on those grounds, the circuit conflict would persist because the same facts were present in cases reaching the opposite result.

Respondents assert that *Chattanooga Manufacturing, Inc. v. Nike, Inc.*, 301 F.3d 789 (7th Cir. 2002), “did not involve clear infringement.” BIO 29. In fact, the plaintiff held a trademark on “JORDAN” clothes and sued Nike over its Michael Jordan clothing line. The district court held “the

² Respondents contend (BIO 25) that in *University of Pittsburgh v. Champion Products, Inc.*, 686 F.2d 1040 (3d Cir. 1982), the delay “was at least 44 years.” Not so. Defendant Champion sold unlicensed university-branded apparel. The plaintiff university had no knowledge of the infringing use that gave rise to the litigation – distribution outside the Pittsburgh area – until 1977; it sued four years later. *Id.* at 1043, 1046.

marks were ‘nearly identical’” and the court of appeals likewise recognized “the similarity between Chattanooga’s JORDAN mark and Nike’s Jordan marks.” 301 F.3d at 794, n.5. The Seventh Circuit nonetheless held that laches warranted summary judgment barring all relief – injunctive and monetary – after a delay of only nine years. *Id.* at 793.

Respondents’ contention that “the factual situations” in two Ninth Circuit decisions “did not involve ‘clear’ infringement” (BIO 30), likewise fails. In *Grupo Gigante SA de CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1091 (9th Cir. 2004), two grocery stores disputed the right to use the name “Gigante.” Noting the similarity in the marks, the court acknowledged that “[t]he record contains some evidence of actual confusion,” but held that “establishing a likelihood of confusion does not automatically defeat a laches defense.” *Id.* at 1103-04. In so holding, the court cited its precedent in *E-Systems, Inc. v. Monitek*, 720 F.2d 604, 607 (9th Cir. 1983), which held that laches barred a claim for injunctive relief even though “[a] few consumers may be confused about the source of a product” when two companies, “Montek” and “Monitek,” sold similar products to the same customers.

Respondents also cannot deny that the D.C. Circuit held that an injunction was barred in *NAACP v. NAACP Legal Defense & Education Fund, Inc.*, 753 F.2d 131 (D.C. Cir. 1985), despite the “clear” infringement in that case. The NAACP sued the NAACP Legal Defense & Education Fund (“LDF”) over the use of the initials “NAACP” after the two organizations split: the marks were thus *identical*. Respondents’ assertion that the case actually “dealt

with a situation of explicit acquiescence” (BIO 33) is meritless. The court of appeals could not have been clearer that “laches” barred the injunction, distinguishing the elements of acquiescence. 753 F.2d 137, n.59. Nor did the facts constitute explicit acquiescence, as the NAACP had not expressly encouraged the LDF’s use of the mark. *Id.* at 139. Instead, the NAACP agreed to the LDF’s independence; the NAACP continued as a client of the LDF; and the NAACP threatened to sue, but did not. *Id.* Here, respondents engaged in remarkably similar behavior, initially collaborating with petitioner to advertise and sell products, Pet. App. 72a, later requesting that petitioner consider a licensing agreement, *id.* 4a, 74a-76a, and then threatening for years to sue without following through, *id.* 3a-4a.

2. Respondents’ argument (BIO 10) that the infringement in this case was “clear” because petitioner’s conduct created a “likelihood of confusion” fares no better because different circuits evaluate this factor differently. First, likelihood of confusion is an element of trademark infringement, and thus is necessarily present in *every case*; if it is not present, the mark owner loses and laches is irrelevant. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 117 (2004). The cases from the Seventh, Ninth, and D.C. Circuits cited *supra* thus involved a “likelihood of confusion,” but nevertheless held that laches barred injunctive relief. Courts have also explained that while “inevitable confusion” may trump laches or acquiescence, “the standard of confusion required for a finding of inevitability of confusion is an increment

higher than that required for a finding of a likelihood of confusion.” *SunAmerican Corp. v. Sun Life Assurance Co. of Can.*, 77 F.3d 1325, 1334 n.3 (11th Cir. 1996) (citation and quotation marks omitted); *TMT N. Am., Inc. v. Magic Touch GmbH*, 124 F.3d 876, 886 (7th Cir. 1997). Here, the lower courts found only a “likelihood of confusion,” Pet. App. 5a, 161a, and all of these circuits would therefore have rejected respondents’ argument.³

The conflict is especially acute vis-à-vis the Second and the Ninth Circuits, both of which hold that confusion does not overcome laches unless the confusion implicates “public health and safety concerns.” *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 194 (2d Cir. 1996); *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 841 (9th Cir. 2002) (“[T]he public’s interest will trump laches only when the suit concerns allegations that the product is harmful or otherwise a threat to public safety and well being.”).⁴ Respondents do not argue, nor could they, that any confusion about whether petitioner’s wooden products are licensed relates to health and safety. It is undisputed that petitioner’s products are of high quality. Thus, any confusion relates only to

³ Respondents again mischaracterize the record by suggesting that this case involves “inevitable confusion.” BIO 11. Like “intentional infringement,” “inevitable confusion” has special meaning in trademark law. Neither the jury nor the courts below found it here.

⁴ Respondents’ attempt (BIO 31) to distinguish these as false advertising cases fails. *See Conopco*, 95 F.3d at 193 (“[W]e see no distinction between trademark cases and misleading advertisement cases for the purpose of laches”).

respondents' narrow commercial interests – and hardly implicates the public interest at all.

3. Respondents contend that their “clear infringement” rule is supported by pre-Lanham Act decisions of this Court. BIO 8-9. Even if that were correct, it would not address the conflict in the circuits, a majority of which have not read this Court’s cases that way. Indeed, the disagreement over how to read this Court’s decisions is *precisely* what has given rise to the circuit conflict. Different courts “have reached sometimes very different conclusions as to laches by selective citation and taking quotations out of context.” MCCARTHY § 31:3. As the petition (at 33 n.9) and *amici* law professors (Br. 9-13) explain, the terms “laches,” “estoppel by laches,” and “acquiescence” have therefore become muddled. This Court’s intervention is required to resolve that confusion.

Early cases held that “delay,” *McClellan v. Fleming*, 96 U.S. 245, 253 (1877), or “[m]ere delay,” *Menendez v. Holt*, 128 U.S. 514, 523 (1888), could not defeat a claim for injunctive relief if proof of infringement was “clear” or the infringement was “intentional.” But most circuits recognize what respondents ignore: this Court further held that laches *will* bar an injunction if, in addition to delay, the case involves facts “in the nature of an estoppel” – *e.g.*, if the delay induced detrimental reliance by the defendant. *Menendez*, 128 U.S. at 524.

The more accurate reading of these statements is that they refer to cases involving “mere delay, severed from any estoppel because of resulting prejudicial reliance by the junior user.” *E.g.*, MCCARTHY § 31:3; *NAACP*, 753 F.2d at 137-38

(“‘[M]ere delay’ by itself does not bar injunctive relief.”); *Champion Prods.*, 686 F.2d at 1045 (“The distinction between . . . mere delay and the laches which give rise to affirmative rights in the defendant as a result of detrimental reliance, has been consistently recognized by the Supreme Court for well over 100 years.”); *Saratoga Vichy Spring Co., Inc. v. Lehman*, 625 F.2d 1037, 1040 (2d Cir. 1980) (“‘[M]ere delay’ will not, by itself, bar a plaintiff’s suit, but that there must be some element of estoppel, such as reliance by the defendant.”). Under that majority interpretation, respondents are not entitled to an injunction because the jury here found more than “mere delay”; it found detrimental reliance and prejudice resulting from a forty-year delay. *See* Pet. App. 32a-33a.

However, some courts, like the Fourth and the Sixth Circuit, have broadly held that laches – even accompanied by prejudice – cannot bar injunctive relief. *See Lyons P’ship, L.P. v. Morris Costumes, Inc.*, 243 F.3d 789, 799 (4th Cir. 2001) (“[I]f the claim is one for injunctive relief, laches would not apply.”); *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 568 (6th Cir. 2002) (“[L]aches . . . does not bar injunctive relief.”).

Particularly given that the circuit conflict is rooted in conflicting interpretations of this Court’s precedents, certiorari is warranted. Indeed, this Court’s last ruling on laches in a trademark action was in 1929. *See Ancient Egyptian Arabic Order of Nobles of the Mystic Shrine v. Michaux*, 279 U.S. 737, 738, 748-49 (1929) (holding that laches, including prejudice, barred injunctive relief). That case, decided before the Lanham Act, provides scant

guidance to courts grappling with modern trademark issues. During this Court's lengthy silence, the circuits have become fractured over the standard governing a claim to injunctive relief in the face of laches and acquiescence. As explained in the petition and the *amici curiae* brief – and not contested by respondents – this inconsistency creates uncertainty for the business community and incentives for forum shopping. Pet. 28-29; *Amici* Br. 16. This Court should grant certiorari to settle the law.

II. Respondents' Remaining Arguments Lack Merit.

Finally, respondents make three other arguments, none of which weighs against certiorari. First, they argue that circuit conflict over the presumption of laches is irrelevant because the question is not whether laches should be presumed, but instead whether laches bars injunctive relief. BIO 22-23. That is misleading because courts applying a presumption of laches hold that it presumptively bars “all relief,” including injunctions, unless the plaintiff rebuts the presumption by proving the absence of prejudice or a counter-defense. *E.g., Champion Prods.*, 686 F.2d at 1045. This makes sense because lengthy delay presumptively undermines the justifications for injunctive relief; for example, it is unlikely that a trademark owner would sit on its hands while it suffers irreparable harm. *See Amici* Br. 14. Some courts permit the plaintiff to rebut the presumption and obtain injunctive relief, *see* Pet. 18-23, but none hold, as the Fifth Circuit did in this case, that a party who *successfully* establishes sufficient prejudice to prove laches and acquiescence

must then show *additional* prejudice to defeat an injunction.

Second, respondents argue that the injunction in this case was not disruptive to petitioner's business because it targets products accounting for only a small portion of his sales. BIO 2-3. That is irrelevant to whether the Fifth Circuit applied the correct legal standard. It is no more a basis for an injunction than would be a finding that a product line contributing two percent of General Motors' sales infringed a mark that was subject to laches.

Respondents also ignore that the injunction not only prohibits the sale of certain products, but also critically enjoins petitioner from using any of respondents' marks in any of his *advertising*. Petitioner has conducted his business the same way for decades. Pet. App. 49a-50a. The injunction requires him to revamp his entire marketing strategy, and severely undermines his ability to sell to the members of the thirty-two of the largest fraternities and sororities in the country. Specifically, petitioner can no longer show these customers what their finished paddles will look like, which makes it extremely difficult to sell them kits containing pieces for assembly. Moreover, respondents' argument flies in the face of the jury's finding that petitioner would suffer "undue economic prejudice" – meaning that his "major business investments . . . would suffer appreciable loss" if respondents' marks are enforced. *Id.* 17a. Since the injunction was entered, petitioner's sales have indeed suffered.

Finally, respondents err in suggesting that the ruling below is insulated from this Court's review

because the court of appeals reviewed the district court's injunction for an "abuse of discretion." BIO 35-37. The question presented has everything to do with the legal standard applied by the lower courts in granting an injunction, and nothing to do with the district court's weighing of the facts and its determination of the equities: in assessing those factors, the district court applied the wrong legal rule, and thus "by definition abuse[d] its discretion." *Koon v. United States*, 518 U.S. 81, 100 (1996); Pet. App. 8a-9a. A decision of this Court reversing would thus overturn the injunction because the court of appeals held that "the district court did not abuse its discretion by relying on [circuit precedent] to *use the 'degree of prejudice' test.*" Pet. App. 25a (emphasis added).

That permissive test finds no counterpart in the other circuits or support in this Court's precedents, which establish that "[a]n injunction is a drastic and extraordinary remedy, which should not be granted as a matter of course." *Monsanto Co. v. Geertson Seed Farms*, 130 S. Ct. 2743, 2761 (2010). Here, that test denied petitioner the benefit of proven equitable defenses against respondents' inexcusably delayed claim for equitable relief.

CONCLUSION

For the foregoing reasons, and those set forth in the petition and the *amici curiae* brief, certiorari should be granted.

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