

No. 12-____

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

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

When a court finds that a trademark plaintiff's inexcusable delay in enforcing its rights and the resulting undue prejudice to the defendant amount to laches and acquiescence, when is the plaintiff nonetheless entitled to permanent injunctive relief on the identical claim?

PARTIES TO THE PROCEEDINGS BELOW

Pursuant to Rule 14.1(b), the parties to the proceedings below include petitioner and the following respondents:

Alpha Chi Omega

Alpha Chi Omega Fraternity, Inc.

Alpha Delta Pi

Alpha Delta Sorority Corp.

Alpha Gamma Delta

Alpha Gamma Delta Fraternity Corp.

Alpha Gamma Rho

Alpha Gamma Rho Fraternity Corp.

Alpha Omricon Pi

Alpha Omricon Pi Fraternity Inc.

Alpha Phi International

Alpha Phi International Fraternity Inc.

Alpha Tau Omega

Alpha Tau Omega Fraternity Inc.

Alpha Xi Delta

Alpha Xi Delta Fraternity Corp.

Beta Theta Pi

Beta Theta Pi Corp.

Chi Omega

Chi Omega Fraternity Corp.

Chi Phi

The Chi Phi Fraternity Inc.

Delta Chi

The Delta Chi Fraternity Inc.

Delta Delta Delta
Delta Delta Delta Corp.
Delta Gamma
Delta Gamma Fraternity Corp.
Delta Phi Epsilon
Delta Phi Epsilon Inc.
Delta Tau Delta
Delta Tau Delta Corp.
Gamma Phi Beta
Gamma Phi Beta Sorority Inc.
Kappa Alpha Order
Kappa Alpha Order Corp.
Kappa Delta
Kappa Delta Sorority Inc.
Kappa Sigma Fraternity
Lambda Chi Alpha Fraternity
Lambda Chi Alpha Fraternity Inc.
Phi Delta Theta
Phi Delta Theta Fraternity Corp.
Phi Kappa Sigma
Phi Kappa Sigma Fraternity Inc.
Phi Kappa Tau
The Phi Kappa Tau Fraternity Corp.
Phi Kappa Theta
Phi Kappa Theta Fraternity Corp.
Pi Beta Phi
Pi Beta Phi Corp.

Pi Kappa Alpha

The Pi Kappa Alpha Fraternity Corp.

Sigma Alpha Epsilon

Sigma Alpha Epsilon Fraternity Corp.

Sigma Chi

Sigma Chi Corp.

Sigma Kappa

Sigma Kappa Corp.

Sigma Phi Epsilon

Sigma Phi Epsilon Fraternity Corp.

Tau Kappa Epsilon

Tau Kappa Epsilon Fraternity Corp.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Thomas Kenneth Abraham respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Fifth Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-28a) is published at 708 F.3d 614. The district court's post-trial opinion granting petitioner's motion for judgment on the verdict and respondents' motion for a permanent injunction (Pet. App. 29a-66a) is unpublished. The district court's order denying petitioner's motion for summary judgment as to affirmative defenses (Pet. App. 67a-120a) is published at 796 F. Supp. 2d 837. Its order granting respondents' motion for summary judgment as to infringement (Pet. App. 121a-94a) is published at 781 F. Supp. 2d 396.

JURISDICTION

The court of appeals issued its original opinion and judgment on December 6, 2012. Pet. App. 1a. It granted petitioner's request for panel rehearing in part and denied his petition for rehearing en banc on February 7, 2013, in the process issuing a revised opinion. *Id.* 1a-2a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATEMENT OF THE CASE

1. Petitioner – together with his family and their employees – operates Paddle Tramps Manufacturing Company (“Paddle Tramps”), which for decades has been a prominent producer of wooden products, including particularly decorative paddles related to

fraternities and sororities. It is a tradition in collegiate Greek societies for pledging members to give paddles as gifts to more senior members. Paddles are often decorated with the fraternity or sorority's name, crest, or insignia, the year, and the pledge's and recipient's names. Pet. App. 31a, 70a, 125a. Petitioner's high-quality – *i.e.*, artfully designed and well-made – paddles are often kept as treasured mementos. Petitioner also produces wooden Greek letters, Roman letters, crests, insignias, and other decorative items and gifts, as well as similar products for different markets. *Id.* 2a-3a.

Petitioner founded his business more than fifty years ago, in 1961, while a student at Texas Tech University. *Id.* 2a. After facing the challenge of making his own paddle as a fraternity pledge, petitioner recognized a market for professionally produced wooden paddles and started a business to meet that demand. *Id.* 69a-70a. Simultaneously, national fraternal organizations were cracking down on hazing – a practice that had been associated with paddles. *Id.* 124a. Petitioner created a line of “non-hazing paddles” as decorative pieces and keepsakes. Such paddles feature more elaborate embellishments, which take considerable skill to create.

Upon graduating in 1963, petitioner pursued his business full time, creating custom paddles for sale to university students. He established a manufacturing facility in Lubbock, Texas; distributed samples to university campuses; conducted outreach to college bookstores and similar retailers; attended trade shows; and opened a retail facility of his own. *Id.* 2a-3a, 31a,

49a-50a. By 1970 – more than four decades ago – petitioner had obtained a nationwide distribution, as well as a reputation for producing some of the highest-quality paddles and other Greek-related products in the United States. *Id.* 127a.

In addition to selling completed paddles, petitioner sold at wholesale the component parts of paddles – including plain paddles of various sizes, Greek and Roman letters, crests and insignias, and pieces of wood carved in the outline of crests that could be placed behind a crest decal to raise it from the surface of the paddle. *Id.* 2a-3a. The company later sold these components directly to consumers, bundling them as “paddle kits” containing all the materials necessary to create a paddle for a particular fraternity or sorority. *Id.* 71a.

Over the decades, the product offering remained consistent, and petitioner grew his business organically. He expanded his facilities and staff so that today Paddle Tramps occupies a large manufacturing facility in Lubbock and employs approximately forty people, many of whom have been with the company for decades. The company sells its products through several distribution channels, including – since 2001 – a website. *Id.* 3a. In all its many decades of operation, Paddle Tramps has never attempted to pass itself off as being sponsored, endorsed, or licensed by respondents. *Id.* 13a.

2. In 1990, after petitioner had been in business and actively selling Greek paddles for approximately thirty years, he was contacted by the organization Greek Properties on behalf of several fraternities and

sororities. Pet. App. 3a, 75a. Obviously aware of petitioner's sales, Greek Properties invited petitioner to join a licensing program under which he would pay to use the trademarks of Greek organizations. *Id.* Petitioner did not accept that invitation. After a period of sporadic contact, Greek Properties fell silent.

In the ensuing years, Affinity Marketing Consultants – which first represented only a few of the respondents and gradually began to represent others – began to contact petitioner regarding his use of Greek marks. *Id.* 4a. On several occasions, Affinity sent form letters requesting that petitioner join licensing programs. On others, it requested that he stop unlicensed use of Greek names and crests. Occasionally it demanded that he cease and desist and threatened to sue, but then reverted to cordial communications inviting petitioner to license Greek trademarks. *Id.*

Petitioner uniformly declined every one of these requests, noting that he had been in business for over thirty years without a licensing arrangement, and contending that one was not necessary. *Id.* Despite this response, none of the respondents took any step to enforce their purported rights to prevent petitioner's manufacturing, advertising, or sales of products bearing their marks. *Id.*

Finally, in December 2007 – forty-six years after petitioner began producing Greek paddles – a group of Greek organizations sued petitioner in the Southern District of Florida alleging trademark infringement. That case was dismissed for improper venue. *Id.*

Petitioner then filed this declaratory judgment action against respondents in the Northern District of Texas to establish, *inter alia*, that respondents were barred by laches and acquiescence from enforcing their purported trademark rights. Respondents counter-claimed for trademark infringement and related causes of action under federal and Texas state law. *Id.* 4a-5a.

On motions for summary judgment, the district court held that respondents' marks were valid. *Id.* 161a. It further held that there was a likelihood of confusion between petitioner's products and respondents' marks, *id.* 185a, although it acknowledged that "the retail shops [that purchase petitioner's products] are likely to be sophisticated purchasers" who can distinguish between licensed and unlicensed goods, and also that the various members of Greek organizations who ultimately buy petitioner's products are "sophisticated to at least some degree because of the importance of the traditions they are following to the Greek Organizations." *Id.* 182a-83a. It therefore found infringement under the Lanham Act and dilution under state law. *Id.* 183a, 192a.

The district court later held that petitioner's affirmative defenses of laches and acquiescence both implicated disputed issues of material fact that must be resolved by a jury. *Id.* 118a. The case proceeded to trial, where the jury was asked to find facts relevant to those defenses, as well as respondents' counter-defense of unclean hands.

The district court instructed the jury that the elements of laches are that the trademark plaintiff

engaged in an unreasonable, inexcusable delay, and that the defendant would suffer undue prejudice from the enforcement of the trademark right. *Id.* 17a. It further instructed that in order to find that petitioner had been “unduly prejudiced” the jury must determine that:

in reliance on the trademark owner’s delay in filing suit, [petitioner made] major business investments or expansions that depend on the use of the marks; these investments and expansions would suffer appreciable loss if the marks were enforced; and this loss would not have been incurred had the trademark owner enforced his rights earlier.

Id.

The court then instructed the jury on the elements of acquiescence, including that the plaintiff made implicit or explicit assurances on which the defendant relied. The court instructed the jury that the term “[i]mplicit assurance means the trademark owner knew or should have known of the unlicensed user’s use of the trademarks, and by failing to object to the use, leads the unlicensed user to believe his or her use is acceptable.” Jury Charge, No. 08-cv-00570-F, Docket No. 119, at 5 (N.D. Tex. Sept. 27, 2011).

The jury found for petitioner on *every* question relevant to those defenses. Specifically, the jury returned the following special verdicts:

- (1) Respondents lacked an excuse for their delay in filing suit;

- (2) The earliest date when any of respondents should have known that petitioner was using their marks was 1968;
- (3) Petitioner would suffer undue economic prejudice if respondents were now permitted to enforce their rights despite their delay;
- (4) Authorized officials of respondents implicitly assured petitioner that it was acceptable for him to continue using their marks before sending him notice of their objections;
- (5) Petitioner relied on these assurances;
- (6) Petitioner would suffer undue economic prejudice if respondents were now permitted to enforce their rights despite those assurances; and
- (7) Respondents failed to prove by a preponderance of the evidence that petitioner had unclean hands in connection with his use of the marks.

See Pet. App. 32a-33a.

Rejecting respondents' arguments that the jury's verdicts were unsupported by the evidence, the district court rendered judgment in petitioner's favor on his defenses of laches and acquiescence, and against respondents' counter-defense of unclean hands. *Id.* 41a, 46a, 50a-52a. Respondents were thus not entitled to any damages.

The court then addressed whether respondents nonetheless could secure a permanent injunction barring petitioner from using their marks in his advertising and sales. According to the court, "[a] finding of laches alone ordinarily will not bar the plaintiff's request for injunctive relief"; instead, the

right to an injunction turns on “the degree of prejudice the defendant would suffer in the event the infringing use is enjoined.” *Id.* 52a. The court thus stated that it would “balance[] the equities, weighing the degree of prejudice [petitioner] would suffer if either use was permanently enjoined against the Greeks’ right to exclusive use of the marks and the public interest in avoiding consumer confusion caused by their continued use.” *Id.* 57a. The only factor the court discussed, however, was whether petitioner had shown that an injunction would prejudice him. *Id.* 57a-64a.

Applying that legal standard, the district court granted respondents an injunction against petitioner’s use of their marks in advertising. The court reasoned that petitioner had “not shown that the prejudice he would incur if permanently enjoined from using the Greeks’ names and marks in Paddle Tramps’ advertising is significant enough to bar injunctive relief, notwithstanding the Greek Organizations’ initial delay in enforcing their rights.” *Id.* 61a. This injunction includes the use of any of respondents’ names, nicknames, Greek-letter combinations, crests, or other marks. Thus, as a result of the injunction, if one of respondents’ members visits the Paddle Tramps website, or peruses its marketing materials, petitioner is barred from showing that the company makes products tailored to the particular fraternity or sorority.

The court also granted respondents an injunction with regard to petitioner’s sales of products bearing either respondents’ full names or wood-carved replicas of their crests. The court reasoned that such sales

constituted a small and shrinking portion of petitioner's business, so that the degree of economic harm an injunction would inflict was not sufficiently prejudicial. *Id.* 62a-63a.¹

3. The Fifth Circuit affirmed.² In relevant part, the court preliminarily rejected respondents' contention that "unclean hands" barred petitioner's defenses. The court reasoned:

Paddle Tramps helped to create the market for fraternity and sorority paddles decades before the Greek Organizations had a licencing program, [petitioner] Abraham's intent was to service fraternities and sororities, not to capitalize on their goodwill in bad faith, the products are virtually the same today as they were in the 1960s, and Paddle Tramps never passed itself off as being sponsored or endorsed by the Greek Organizations.

Pet. App. 13a.

The court also held that the district court properly found that respondents' trademark infringement claim

¹ The district court declined to issue an injunction relating to petitioner's wood-carved double-raised crest backings, a unique form of carving that petitioner developed. With regard to that one feature, the court determined that the equities favored petitioner. Pet. App. 63a-64a.

² The court of appeals' opinion discussed in the text is the court's superseding opinion, issued in response to petitioner's petition for rehearing.

was subject to laches because their unreasonable delay (*id.* 16a) had prejudiced petitioner, as he had repeatedly invested in his business and had rebuilt it after disasters – and would not have done so had respondents enforced their rights in a timely manner, *id.* 20a.

The Fifth Circuit nonetheless affirmed the district court’s holding that respondents were entitled to a permanent injunction. The court held that “a finding of laches or acquiescence may bar injunctive relief if the trademark owner conducted itself in a way that induced the infringer’s reliance or if an injunction would result in ‘substantial prejudice’ to the infringer.” *Id.* 23a. The Fifth Circuit never discussed the jury’s finding of reliance, and it failed to explicate the meaning of “substantial prejudice,” but made clear that its standard requires something in addition to the “undue prejudice” element of laches. Reciting the four-part test for permanent injunctions set forth in *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006), the Fifth Circuit held that the first two factors – irreparable injury and the inadequacy of legal remedies – automatically favor the plaintiff whenever there is a likelihood of confusion and the infringement is ongoing. Pet. App. 24a. The court then held that the district court’s “degree of prejudice” test – focusing on the prejudice to petitioner if an injunction were issued – constituted a permissible assessment of the balance of hardships and the public interest. *Id.* 24a-25a.

Reviewing the district court’s application of the law to the facts, the court held that the injunction

against using respondents' marks in advertising was valid because petitioner could devise new and different advertisements that omitted the marks, and that the injunction against petitioner's sales was valid because it directly affected only a small portion of sales. *Id.* 25a-26a. Because the injunction "will not put [petitioner] out of business," the court held that it would not cause "substantial prejudice" within the meaning of the Fifth Circuit's standard, and was valid even in the face of respondents' laches and acquiescence. *Id.* 26a.

4. This Petition followed.

REASONS FOR GRANTING THE WRIT

The Lanham Act expressly authorizes equitable defenses to injunctive relief, including laches and acquiescence, by authorizing courts "to grant injunctions, according to the principles of equity." 15 U.S.C. § 1116(a); *see also id.* § 1115(b)(9) (listing laches and acquiescence as equitable defenses available in a trademark action). Laches arises when a plaintiff has unreasonably and inexcusably delayed in bringing a cause of action, and that delay has prejudiced the defendant. *See Kansas v. Colorado*, 514 U.S. 673, 687 (1995). The defense "is based upon [the] maxim that equity aids the vigilant and not those who slumber on their rights," and it "operates as [a] bar in court[s] of equity." *Id.* (internal quotation marks and citations omitted). This Court's review is warranted to determine when a trademark plaintiff that is guilty of laches is nonetheless entitled to permanent injunctive relief. The circuits are in square conflict on this

question, and the Fifth Circuit’s holding cannot be reconciled with this Court’s precedents.

This Court’s review is also warranted to clarify when acquiescence bars a permanent injunction under trademark law. As a leading treatise explains, the courts of appeals have adopted irreconcilable interpretations of “acquiescence.” Some, like the Fifth Circuit, use “acquiescence” to mean “delay coupled with such prejudice that an implied consent can be inferred. Other cases reserve the use of the word ‘acquiescence’ only for factual situations where the trademark owner has by affirmative word or action conveyed to the infringer the message that its acts are not objectionable.” 6 MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 31:41 (4th ed. 2012) (hereinafter “MCCARTHY”). Courts also differ on the significance they attach to acquiescence, including its effect on the availability of injunctive relief.

Given the frequency with which these questions arise in trademark law, this Court’s intervention is plainly warranted.

I. Certiorari Is Warranted To Address An Entrenched Circuit Conflict Regarding When Laches And Acquiescence Bar A Trademark Injunction.

There can be no doubt that “the circuits vary . . . in their interpretations as to when the laches defense can operate to bar injunctive relief.” *Oriental Fin. Grp., Inc. v. Coop. de Ahorro y Credito Oriental*, 698 F.3d 9, 20 (1st Cir. 2012). Indeed, the courts of appeals’ irreconcilable rules on this issue “form

mosaics that often seem to bear little resemblance to each other.” MCCARTHY § 31:6. The resulting inter-circuit conflict poses substantial practical problems for courts, mark owners, and competitors, and creates a risk of forum shopping. The circuits have adopted at least four conflicting rules.

1. Three circuits apply rules clearly favoring injunctions, even in the face of laches. In this case, the Fifth Circuit held that “[a] finding of laches alone ordinarily will not bar . . . injunctive relief, although it typically will foreclose a demand for an accounting or damages.” Pet. App. 21a (quoting *Conan Props., Inc. v. Conans Pizza, Inc.*, 752 F.2d 145, 152 (5th Cir. 1985)). Instead, “laches or acquiescence may bar injunctive relief if the trademark owner conducted itself in a way that induced the infringer’s reliance or if an injunction would result in ‘substantial prejudice’ to the infringer.” Pet. App. 23a.

The Fifth Circuit did not discuss reliance or quantify the term “substantial prejudice,” but because the jury found that petitioner had relied on respondents’ assurances and had made “major business investments” that “would suffer appreciable loss,” which “would not have been incurred had [respondents] enforced [their] rights earlier,” *id.* 17a, it is clear that the Fifth Circuit requires more than that. Applying its rule, the court held that because the injunction in this case would not “put [petitioner] out of business,” the injunction was not barred. *Id.* 26a.

The Fifth Circuit’s decision has three distinguishing features. First, the Fifth Circuit holds that even in the face of laches and acquiescence,

injunctive relief ordinarily should issue. The Fifth Circuit explained that in its view, trademark infringement always involves both irreparable harm and the inadequacy of legal remedies, and that injunctive relief is therefore always favored unless the balance of hardships or the public interest weighs against it. *Id.* 24a. The Fifth Circuit also treats a successful defense of laches or acquiescence as merely one factor in this equitable balance – and indeed, not even a factor that merits any special weight because the defendant still must demonstrate an unspecified amount of “substantial prejudice” in addition to the prejudice found by the jury. *Id.* 24a-25a.

Second, the Fifth Circuit did not attach any significance to the length of respondents’ delay. Indeed, in its entire discussion of injunctive relief, the court never mentioned that respondents delayed for approximately forty years before suing petitioner. But when compared to the period of delay in other reported cases, forty years is “grossly long.” *See* MCCARTHY § 31:7 n.4 (listing cases in which injunctive relief was barred due to the plaintiff’s “grossly long period of delay,” including delays of eighteen, twenty, twenty-five, twenty-six, thirty, thirty-three, thirty-five, and sixty-nine years).

Finally, the Fifth Circuit did not discuss or rely upon the public interest in ordering injunctive relief. Instead, the court focused on whether an injunction would prejudice petitioner. *See* Pet. App. 23a, 61a-63a. However, the public interest is a paramount factor in the issuance of trademark injunctions. When, as here, the public interest in an injunction was weak

– both because all of the purchasers of petitioner’s products are “sophisticated” parties who can distinguish between licensed and unlicensed products, *id.* 182a-83a, and because even actual confusion would not expose the public to any risk of harm – other courts do not hesitate to hold that laches bars injunctive relief.

The Fifth Circuit’s approach resembles the Eighth’s. That court holds that “[v]iolation of a trademark and unfair competition constitute a continuing wrong, and, while laches may be a ground for denying a right to recover damages, it will not ordinarily constitute a bar to an injunction for future infringement.” *Reid, Murdoch & Co. v. H.P. Coffee Co.*, 48 F.2d 817, 820 (8th Cir. 1931). In order to defeat a claim for injunctive relief, the defendant must show not only delay, but also that “the elements of estoppel exist.” *Montgomery Ward & Co. v. Clair*, 123 F.2d 878, 883 (8th Cir. 1941). These elements are satisfied when the defendant makes “a substantial investment” in equipment, inventory, and marketing. *Hubbard Feeds, Inc. v. Animal Feed Supplement, Inc.*, 182 F.3d 598, 602 (8th Cir. 1999). Like the Fifth Circuit, the Eighth does not appear to attach any particular significance to the length of the plaintiff’s delay.

The Sixth Circuit arguably takes an even more restrictive approach, holding that laches *never* bars injunctive relief except in cases of extreme delay. In *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 568 (6th Cir. 2000), the Sixth Circuit explained that “[a]lthough laches precludes a plaintiff from recovering damages,

it does not bar injunctive relief.” In *Kellogg*, the plaintiff “withdrew its claim for actual and punitive damages, seeking injunctive relief only,” and the court of appeals held that “laches was [therefore] inapplicable.” *Id.* at 569. The court relied on its own precedent holding that the plaintiff must not only sleep on his rights, but must engage in some “affirmative conduct in the nature of an estoppel, or conduct amounting to a virtual abandonment” of his trademark before injunctive relief is properly denied. *Tandy Corp. v. Malone & Hyde, Inc.*, 769 F.2d 362, 366 n.2 (6th Cir. 1985) (internal citation and quotation marks omitted). That requirement effectively means that laches cannot bar an injunction – only explicit acquiescence can. *Kellogg*, 209 F.3d at 569; *see also Nartron Corp. v. STMicroelectronics, Inc.*, 305 F.3d 397, 412 (6th Cir. 2002) (explaining that laches “does not prevent plaintiff from obtaining injunctive relief or post-filing damages”); *Powerhouse Marks LLC v. Chi Hsin Impex, Inc.*, No. 04-73923, 2006 WL 20523, at *14 (E.D. Mich. 2006) (“In this Circuit, laches only bars damages that occurred before the filing date of the lawsuit; it does not foreclose a plaintiff’s right to an injunction and post-filing damages.”).

The Sixth Circuit has recognized a single exception, *i.e.*, that an “outrageous, unreasonable and inexcusable” delay rising to the level of “abandonment” of the plaintiff’s mark might warrant denial of injunctive relief. *Kellogg*, 209 F.3d at 569 (citation and quotation mark omitted). To petitioner’s knowledge, the court has never relied upon that language to find that laches barred an injunction.

2. In direct conflict with those courts, six circuits would have refused to issue an injunction in light of respondents' laches and acquiescence. But those circuits have themselves adopted several conflicting rules.

a. Two circuits – the Third and Seventh – hold that when the plaintiff's delay is extreme, laches *conclusively* bars injunctive relief. Even when the plaintiff's delay is less egregious, but still exceeds the closest analogous state statute of limitations, these courts hold that laches *presumptively* bars injunctive relief, requiring the plaintiff to prove otherwise.

The Third Circuit holds that in cases of lengthy delay, a trademark plaintiff may not secure an injunction because the plaintiff's delay has amounted to “a virtual abandonment of its right.” *Univ. of Pittsburgh v. Champion Prods., Inc.*, 686 F.2d 1040, 1044 (3d Cir. 1982). The court cited as illustrative *Anheuser-Busch, Inc. v. Du Bois Brewing Co.*, 175 F.2d 370, 374 (3d Cir. 1949), which held that a delay of 31 years was sufficient to bar injunctive relief. *See id.* (“Certainly we have found no case in which injunctive relief was granted after an inexcusable delay for a comparable period of time.”). Even if the delay is shorter, “where the plaintiff sleeps on his rights for a period of time greater than the applicable statute of limitations, the burden of proof shifts to the plaintiff to prove *the absence* of such prejudice to the defendant as would bar all relief.” *Champion Prods.*, 686 F.2d at 1045 (emphasis added) (internal quotation marks and citation omitted).

The Seventh Circuit has similarly recognized that “in many instances, the delay may be so prolonged and inexcusable that it would be inequitable to permit the plaintiff to seek injunctive relief as to future activities.” *Seven-Up Co. v. O-So-Grape, Co.*, 283 F.2d 103, 106 (7th Cir. 1960). In *Chattanooga Manufacturing Inc. v. Nike, Inc.*, 301 F.3d 789 (7th Cir. 2002), the court explained further that prejudice is measured on a sliding scale vis-à-vis the plaintiff’s delay, so that when the delay has been lengthy, a lesser showing of prejudice is required. *Id.* at 795 (citing *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813, 824 (7th Cir. 1999)). The Seventh Circuit also applies a rebuttable “presumption of laches” whenever the delay exceeds the statute of limitations for analogous state law claims, requiring the plaintiff to prove that laches should not bar relief. *Id.* at 793; *Hot Wax*, 191 F.3d at 821.

In *Chattanooga Manufacturing*, the plaintiff had delayed for “at least nine years,” during which time the defendant had invested substantial sums to market allegedly infringing products. 301 F.3d at 793, 795. Without requiring any additional showing of prejudice, the court held on summary judgment that laches barred all relief, including an injunction. *Id.* at 792, 795. Similarly, in *Hot Wax*, the plaintiff had delayed for a period of ten to twenty years, during which time the defendant had made “investments to exploit” an “uncontested” “market position,” and the court held that laches barred injunctive relief. 191 F.3d at 824, 827. The court found “prejudice” in these cases because “had the plaintiff successfully pressed its claim in a timely manner, the defendant could have

invested its time and money in other areas.” *Chattanooga*, 301 F.3d at 795.

District courts applying these precedents have held that defendants who have invested in their business in reliance on delay are “not required to make *any* further showing with respect to prejudice” before laches will bar injunctive relief. *Autozone, Inc. v. Strick*, No. 03-c-8152, 2010 WL 883850, at *8 (N.D. Ill. Mar. 8, 2010) (unpublished disposition) (emphasis added). These courts have been especially willing to deny relief after prolonged delay. *See Wis. Cheese Grp., Inc. v. V&V Supremo Foods, Inc.*, 537 F. Supp. 2d 994, 1005 (W.D. Wis. 2008) (holding that “it would be inequitable to permit defendant to seek injunctive relief against plaintiff” after fourteen-year delay).

b. Three other circuits hold that laches presumptively bars injunctive relief when the delay exceeds the applicable state statute of limitations. That presumption can be overcome, but in conflict with the Fifth Circuit those courts hold that it is the trademark plaintiff’s burden to overcome it by disproving the other elements of laches, or by proving an exception to laches – *e.g.*, that the defendant has unclean hands or that the public interest requires an injunction.

The Second Circuit holds that “once the analogous statute has run, a presumption of laches will apply and plaintiff must show why the laches defense ought not be applied in this case.” *Conopco, Inc. v. Campbell*

Soup Co., 95 F.3d 187, 191 (2d Cir. 1996).³ This presumption applies with equal force to damages and injunctions, see *Saratoga Vichy Spring Co., Inc. v. Lehman*, 625 F.2d 1037, 1041 (2d Cir. 1980), except that “[e]ven where laches and acquiescence would bar damages . . . a court may nonetheless grant injunctive relief if it determines that the likelihood of confusion is so great that it outweighs the effect of plaintiff’s delay in bringing suit,” *ProFitness Physical Therapy Ctr. v. Pro-Fit Orthopedic & Sports Physical Therapy P.C.*, 314 F.3d 62, 68 (2d Cir. 2002); see also *Conopco*, 95 F.3d at 193-94. This exception, however, is limited to “the possibility that a particularly compelling public interest in avoiding confusion, where such confusion might compromise public health and safety.” *Eppendorf-Netheler-Hinz GmbH v. Enterton Co.*, 89 F. Supp. 2d 483, 488 (S.D.N.Y. 2000); see also *Conopco*, 95 F.3d at 194 (“[W]hile public health and safety concerns may well overwhelm other considerations in the application of laches, such an outcome is not dictated in the case at hand.”).

The Second Circuit has consistently applied this presumption of laches to bar injunctive relief in cases involving delays much shorter than forty years. See, e.g., *Black Diamond Sportswear, Inc. v. Black Diamond Equip., Ltd.*, No. 06-3508-cv, 2007 WL

³ *Conopco* was a false advertising case under the Lanham Act; however, the court reached its holding by applying trademark cases, and expressly stated that “we see no distinction between trademark cases and misleading advertisement cases for the purpose of laches.” 95 F.3d at 193.

2914452, at *3-*4 (2d Cir. Oct. 5, 2007) (unpublished disposition) (holding, in case involving approximately seven-year delay, that the plaintiff “failed to rebut this presumption [of laches], including the presumption of prejudice,” and that, notwithstanding some evidence of actual confusion, plaintiff’s failure to produce “evidence suggesting a high likelihood of confusion or the existence of a compelling public interest, is clearly insufficient to override the defense of laches so as to mandate injunctive relief in this case”); *RBC Nice Bearings, Inc. v. Peer Bearing Co.*, 410 F. App’x 362, 365 (2d Cir. 2010) (unpublished disposition) (holding that presumption of laches applied and that laches barred damages and injunctive relief after “more than five-year delay”).⁴

The Eleventh Circuit similarly “applies the period for analogous state law claims as the touchstone for laches,” and applies a presumption of laches to delays exceeding the analogous statute of limitations. *Kason Indus., Inc. v. Component Hardware Grp., Inc.*, 120 F.3d 1199, 1203 (11th Cir. 1997).⁵ The court likewise holds that laches will bar both damages and injunctive relief, but that in the case of injunctive relief, the

⁴ The Second Circuit also holds that the plaintiff’s “continued silence” after sending a cease-and-desist letter can constitute acquiescence sufficient to bar injunctive relief. *ProFitness*, 314 F.3d at 68.

⁵ The Eleventh Circuit requires that the mark owner “actively represent[] that it would not assert a right or claim” for acquiescence to be satisfied. *Sunamerica Corp. v. Sun Life Assur. Co. of Canada*, 77 F.3d 1325, 1334 (11th Cir. 1996).

presumption of laches can be overcome if “the likelihood of confusion is inevitable, or so strong as to outweigh the effect of the plaintiff’s delay in bringing a suit,” or if the defendant has unclean hands. *Id.* at 1207.

The D.C. Circuit has also held that a presumption of prejudice is warranted in the face of substantial delay. In *NAACP v. NAACP Legal Defense & Educational Fund, Inc.*, 753 F.2d 131, 139 (D.C. Cir. 1985), the court held that “[t]he passing of almost thirteen years without any clear reservation of rights . . . creates a presumption of reasonable reliance” sufficient to defeat a claim for injunctive relief. This was so because “[s]uch delay invites reasonable reliance by strengthening the defendant’s belief that its use of a trademark will not be challenged.” *Id.* at 138.

Like the Seventh Circuit, the D.C. Circuit holds that laches should be evaluated on a sliding scale, such that a lengthy period of delay requires a lesser showing of prejudice. *See Pro Football, Inc. v. Harjo*, 565 F.3d 880, 884-85 (D.C. Cir. 2009) (holding that an eight-year period of delay was sufficient to substantially mitigate the required showing of prejudice). Also like the Seventh Circuit, the D.C. Circuit holds that “laches requires only general evidence of prejudice, which may arise from mere proof of continued investment in the late-attacked mark alone.” *Id.* at 880. Moreover, when the defendant has relied on the plaintiff’s delay, the prejudice prong is always satisfied, whether or not the defendant could change the way it conducts its business. *See NAACP*,

753 F.2d at 139 n.75 (“[P]rejudice is not the mechanical ability to change identities, but the loss of the investment in labor and capital in reliance upon the plaintiff’s inaction.”).

c. Like the majority of circuits, the Ninth Circuit holds that “if the claim is filed after the analogous limitations period has expired, the presumption is that laches is a bar to suit.” *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 837 (9th Cir. 2002). And like the Second Circuit, the Ninth recognizes that the public interest may require an injunction, but “only when the suit concerns allegations that the product is harmful or otherwise a threat to public safety and well being.” *Id.* at 841. The court has thus clarified that “establishing a likelihood of confusion does not automatically defeat a laches defense.” *Grupo Gigante SA de CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1104 (9th Cir. 2004).

Beyond that, however, the Ninth Circuit’s rule is *sui generis*. That court does not require the trademark defendant to make a heightened showing of prejudice in order to defeat a request for an injunction. Instead, it has adopted a multifactor balancing test to determine whether laches bars damages or injunctive relief. The relevant factors are “1. strength and value of trademark rights asserted; 2. plaintiff’s diligence in enforcing mark; 3. harm to senior user if relief denied; 4. good faith ignorance by junior user; 5. competition between senior and junior users; and 6. extent of harm suffered by junior user because of senior user’s delay.” *E-Systems, Inc. v. Monitek, Inc.*, 720 F.2d 604, 607 (9th Cir. 1983). When these factors collectively weigh

against the plaintiff, laches will bar damages and injunctive relief. *Id.* The factors need not all align; in *E-Systems*, for example, the trademarks were strong, and the parties were in competition with each other, but the plaintiff had not been diligent, the defendant had acted in good faith, and the defendant was not likely to suffer significant harm. *Id.* Moreover, the relevant customers were “sophisticated,” such that even though “[a] few customers may be confused about the source of a product,” the majority would not be. *Id.* The court therefore held that laches barred injunctive relief. *Id.* Similarly, in *Grupo Gigante*, the Ninth Circuit held that laches barred relief even though “[o]ne factor, competition between the parties, weigh[ed] heavily in” the plaintiff’s favor. 391 F.3d at 1105.

In this case, weighed in light of the presumption of laches and the jury’s findings, the balance of the *E-Systems* factors would tilt strongly against injunctive relief. Respondents’ lack of diligence, the lack of harm respondents would suffer if injunctive relief were denied, petitioner’s good faith, and the harm that petitioner will suffer if he is forced to revamp his manufacturing, marketing, and sales strategy are all factors against injunctive relief. Against these, the first factor (strength of the marks) weighs against laches. And the fifth factor (competition) either weighs in favor of laches or is neutral, as the customers’ sophistication diminishes any likelihood of confusion. Thus, petitioner would have prevailed in the Ninth Circuit, just as he would have in the Second, Third, Seventh, Eleventh, and D.C. Circuits.

d. The rules in these six circuits contrast starkly with the rule in the Fifth. While the Fifth Circuit attached no particular significance to the period of delay, both the Third and Seventh Circuits likely would have noted respondents' forty-year delay and held, on that basis alone, that laches conclusively barred injunctive relief. And in all six circuits, courts would have applied at least a rebuttable presumption of laches requiring respondents to produce strong evidence that not all the elements of laches were met, that the public would be confused, or that petitioner had unclean hands. The Fifth Circuit applied no such presumption in this case, and has elsewhere rejected the notion. *See Jaso v. The Coca Cola Co.*, 435 F. App'x 346, 356 n.10 (5th Cir. 2011) (unpublished disposition) (explaining that "our cases applying laches in the context of a Lanham Act violation" do not "appear to have applied the same presumption [that laches will bar relief] as other circuits").⁶

In these six circuits, petitioner would have prevailed because respondents could not have marshaled sufficient evidence to overcome the

⁶ At least two circuits – the Seventh and the D.C. Circuit – apply a different standard for prejudice than the Fifth Circuit. These courts hold not only that delay lessens the required showing of prejudice, but also that regardless of delay, the test is met when a defendant makes any investment in reliance on the delay. That standard is both clearer and easier to meet than the Fifth Circuit's amorphous "substantial prejudice" test. And it would have been met here, as the jury found that petitioner made "major business investments." Pet. App. 17a.

presumption that laches bars injunctive relief.⁷ The jury expressly rejected respondents' unclean hands counter-defense, Pet. App. 5a, and the court's findings relating to public confusion do not evidence either the high likelihood of confusion or the compelling public interest that justifies injunctive relief in the face of laches and acquiescence. To the contrary, as the district court acknowledged, the retailers who purchase wholesale products from petitioner are sophisticated buyers who can distinguish licensed products from unlicensed ones, and the end users, who are members of respondents' fraternities and sororities, are likewise at least somewhat sophisticated (and can be instructed by respondents not to purchase unlicensed products). *Id.* 182a-83a. Indeed, the district court relied on the sophistication of these end users to hold that they would understand the convoluted marketing changes that the injunction has forced petitioner to undertake. *Id.* 58a. Moreover, even if there is some possibility of confusion, that confusion does not relate to public health and safety. Consequently, at least in the Second and the Ninth Circuits, respondents' showing of confusion would have been insufficient as a matter of law to overcome the presumptive laches bar.

⁷ The analogous state statute of limitations in Texas is the four-year limitations period for fraud. *See Condom Sense, Inc. v. Alshalabi*, 390 S.W.3d 734, 761 (Tex. App.—Dallas 2012). Thus, if the Fifth Circuit had applied a presumption of laches, respondents' forty-year delay plainly would have triggered the presumption.

3. The need for this Court’s intervention to decide the question presented is confirmed by the precedent of the Fourth Circuit, which is in irreconcilable internal conflict. In *Lyons Partnership, L.P. v. Morris Costumes, Inc.*, 243 F.3d 789, 799 (4th Cir. 2001), the court flatly held that “if the claim is one for injunctive relief, laches would not apply.” The court reasoned that “[a] prospective injunction is entered only on the basis of current, ongoing conduct that threatens future harm. Inherently, such conduct cannot be so remote in time as to justify the application of the doctrine of laches.” *Id.* District courts in the Fourth Circuit have applied *Lyons* to hold categorically that “laches does not bar a plaintiff’s claim for injunctive relief in a trademark infringement action.” *QNX Software Sys., GmbH & Co. KG v. Netrino, LLC*, No. RDB 09-2206, 2010 WL 4941985, at *7 (Nov. 30, 2010) (unpublished disposition).⁸

However, more recently, and without citing *Lyons*, that court reached the irreconcilable conclusion that “laches *may* act as a bar to both monetary and injunctive relief under certain circumstances.” *Ray Commc’ns, Inc. v. Clear Channel Commc’ns, Inc.*, 673 F.3d 294, 307 (4th Cir. 2012). The court explained that laches may bar an injunction if the defendant can present evidence of “aggravating factors, causing the

⁸ The Fourth Circuit also limits the defense of acquiescence to consent involving “affirmative word or deed.” *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 462 (4th Cir. 1996). As found by the jury, petitioner’s defense might not qualify under this standard.

balance of the equities (which has, at that point, favored the defendant by virtue of the delay-and-prejudice analysis) to shift even further to the defendant's advantage.” *Id.* (quoting *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 461 n.8 (4th Cir. 1996)). The aggravating factors include “(1) delay during which the mark passed into use as a generic name, (2) a grossly long period of delay, (3) dubious proof of likelihood of confusion, (4) doubt as to the plaintiff's title to the mark, (5) prior business dealings between the parties that result in the plaintiff impliedly consenting to the defendant's infringement, and (6) the defendant's good-faith development of a specific territorial area.” *Id.* at 307-08.

4. These conflicts warrant this Court's immediate review. The power to enjoin a competitor's business provides potent leverage to a markholder, and stale trademarks are abundant in myriad sectors and across the nation. The current patchwork of rules for determining when laches or acquiescence will bar injunctive relief disserves both markholders and defendants in two ways.

First, it creates incentives for forum shopping. Holders of stale marks will bring infringement suits in the district courts of the Fourth, Fifth, Sixth, and Eighth Circuits, while defendants will seek to initiate defensive declaratory judgment actions in the district courts of the Second, Third, Seventh, Ninth, Eleventh, and D.C. Circuits, all of which frequently bar injunctive relief based on laches. Because many businesses may be amenable to suit in multiple

jurisdictions, the opportunities for forum shopping are substantial.

Second, the fractured and confusing state of the law provides insufficient guidance to both markholders and defendants. In some circuits – such as the Fourth, Fifth, and Sixth – it is not even clear what a defendant must prove in order for a laches or acquiescence defense to bar an injunction. These ambiguities cloud licensing negotiations and settlement discussions, ensuring that effort and expense will be wasted in unnecessary litigation. Moreover, uncertainty deters investment. Businesses like petitioner’s must decide whether to continue to invest in expansion; and not knowing whether their manufacturing, sales, or marketing efforts will be enjoined after years of inactivity adds further complexity to those already difficult decisions.

This case presents an ideal vehicle for this Court to determine and articulate the test for when a permanent trademark injunction will issue in the face of laches and acquiescence. Crucial questions – including who bears the burden of persuasion, what factors a district court should consider to determine whether injunctive relief is appropriate in the face of laches, what level of delay suffices to categorically bar injunctive relief, and what level of public confusion will overcome a laches defense – are all implicated by the record in this case and the Fifth Circuit’s decision.

The unusually well-developed record – which includes not only summary judgments, but a *full trial* on petitioner’s defenses – will facilitate this Court’s review. For example, multiple circuits have held that

extreme delay creates a presumption of laches, some circuits have emphasized that an injunction should not issue unless there is a threat to public health or safety, and others have attached varying significance to implicit acquiescence. The record here will permit the Court to explore the relevance of each of these factors, and to provide concrete guidance to the lower courts about how to weigh them.

The need for this Court's review is not diminished by the fact that injunctions, laches, and acquiescence are equitable matters that implicate the discretion of the district courts. While courts must of course apply their best judgment to the facts before them, they should do so using a single set of consistent rules. The alternative is to allow judicial flexibility to lapse into arbitrariness, so that similarly situated parties will inevitably be subject to disparate results. *See, e.g., Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005) ("Discretion is not whim, and limiting discretion according to legal standards helps promote the basic principle of justice that like cases should be decided alike."); *Lonchar v. Thomas*, 517 U.S. 314, 323 (1996) ("[C]ourts of equity must be governed by rules and precedents no less than the courts of law. . . . [T]he alternative is to use each equity chancellor's conscience as a measure of equity, which alternative would be as arbitrary and uncertain as measuring distance by the length of each chancellor's foot.") (internal citations and quotation marks omitted).

II. The Fifth Circuit's Decision Conflicts With This Court's Precedents.

Certiorari is also warranted because the Fifth Circuit's decision conflicts with this Court's precedents, which are most consistent with the rule that an extreme delay conclusively bars relief, and that a lengthy delay presumptively bars relief, such that an injunction should not issue absent a showing of unclean hands, public confusion, or other compelling equitable rationale justifying a permanent injunction.

1. As this Court has explained, “[t]he principle that the passage of time can preclude relief has deep roots in our law.” *City of Sherrill, N.Y. v. Oneida Indian Nation of N.Y.*, 544 U.S. 197, 217 (2005). A court applying settled equitable principles should therefore “refuse to interfere where there has been gross laches in prosecuting the claim, or long acquiescence in the assertion of adverse rights.” *Id.* (quoting *Badger v. Badger*, 69 U.S. (2 Wall). 87, 94 (1865)). Because laches and acquiescence are equitable defenses, their application has most commonly been asserted against claims for equitable relief, *i.e.*, injunctions.

This Court has not yet addressed when laches and acquiescence will bar an injunction in a case brought under the current trademark statute – the Lanham Act. But in multiple cases raising a similar question under prior trademark law, the Court has not hesitated to hold that when, as here, the plaintiff's delay was lengthy, the defendant was prejudiced by the delay, and the defendant did not act in bad faith, laches barred injunctive relief.

In two cases involving competing fraternal organizations, this Court held that the plaintiffs' delays of twenty-five and thirty years in enforcing their rights were sufficient to bar an injunction. Thus, in *Ancient Egyptian Arabic Order of Nobles of the Mystic Shrine v. Michaux*, 279 U.S. 737 (1929), two fraternal orders of the same name, one comprising members from a white Masonic order, and one comprising members from a black Masonic order, coexisted for approximately thirty years. *Id.* at 738-39. The white order was larger and had been established first; it sued the black order for trademark infringement, and the state court found that infringement had occurred. *Id.* at 739-40. The question for this Court was "whether there was acquiescence or laches on the part of the white order." *Id.* at 746. The Court held that when there was no evidence of unclean hands, and when "from the beginning the white order had knowledge of the existence and imitative acts and practices of the negro order," but "silently stood by for many years while the negro order was continuing its imitative acts and practices," as well as expanding in size and "investing substantial sums" in paraphernalia, regalia, and emblems, the bar of laches applied. *Id.* at 747-48. The white order's "objections came too late to overcome or weaken the force of the conduct of the white order during the 30 years preceding the earlier of the two suits. After that period of inaction and seeming acquiescence, it was too late to resuscitate the original exclusive right for which the white order is now contending." *Id.* at 748. On these facts, the Court found "not only that there was obvious and long-

continued laches on the part of the white order, but also that the circumstances were such that its laches barred it from asserting an exclusive right, or seeking equitable relief, as against the negro order.” *Id.*

Michaux was a follow-on case to *Creswill v. Grand Lodge Knights of Pythias of Georgia*, 225 U.S. 246 (1912), which likewise involved fraternal organizations of a similar name, one white and one black. In *Creswill*, the Court similarly held that after twenty-five years of delay, during which time the defendant organization expanded and operated openly throughout the state of Georgia, there was “no room for any other but the legal conclusion of laches.” *Id.* at 262. The Court thus held that the evidence “in the most conclusive way demonstrate[d] the violation of the elementary principles of equity which would result from the enforcement of the injunction which the [lower] court awarded.” *Id.* at 262-63.

Michaux and *Creswill* built upon the Court’s prior holdings, which explained that “mere delay” will bar damages, but not injunctive relief, and that in order to bar injunctive relief, there must be elements of “estoppel,” *i.e.*, reliance. *Menendez v. Holt*, 128 U.S. 514, 523 (1888); *see also McClean v. Fleming*, 96 U.S. 245, 253 (1878).⁹ In those early cases, the Court

⁹ Professor McCarthy explains that the meaning of the word “laches” has morphed over time, originally referring *only* to delay, but today referring to delay combined with prejudice. *See* MCCARTHY § 31:2. This evolution explains why early cases distinguished between laches and estoppel, and stated that laches alone ordinarily will not bar injunctive relief.

likewise emphasized that laches could not aid a defendant who had engaged in conduct amounting to a fraud. *Menendez*, 128 U.S. at 523; *see also Saxlehner v. Eisner & Mendelson Co.*, 179 U.S. 19, 39 (1900) (“[W]here actual fraud is proved the court will look with much indulgence upon the circumstances tending to excuse the plaintiff from a prompt assertion of his rights.”). These cases have formed the basis for the rule that a trademark defendant who acts with unclean hands may not assert the defense of laches against a request for injunctive relief. But of course, they do not limit the power of laches and acquiescence in cases that do not involve such bad faith.

Taken together, these cases stand for the proposition that respondents’ forty-year delay in this case – combined, as it is, with the jury’s findings of the lack of excuse, prejudice, detrimental reliance, and the absence of unclean hands – bars injunctive relief. Under *Michaux* and *Creswill*, a similar delay and jury findings would bar the respondent fraternities and sororities from enjoining even an organization falsely claiming to be one of their chapters. Surely, then, respondents cannot have the right to enjoin petitioner, who has consistently endeavored only to provide superior products and services to their members.

2. This Court’s precedents relating to injunctive relief likewise militate in favor of reversal. “An 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). According to “well-established principles of equity,” the “plaintiff seeking a permanent

injunction must satisfy a four-factor test before a court may grant such relief.” *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006). Specifically, the plaintiff bears the burden to demonstrate irreparable injury, the inadequacy of legal remedies, that the balance of equities favors an injunction, and that an injunction would not disserve the public interest. *Id.* “It is not enough for a court considering a request for injunctive relief to ask whether there is a good reason why an injunction should *not* issue; rather, a court must determine that an injunction *should* issue under the traditional four-factor test set out above.” *Monsanto*, 130 S. Ct. at 2757. And whenever a plaintiff brings a “long-dormant claim[] for equitable relief,” it “is well established that laches . . . may bar” the claim. *Sherrill*, 544 U.S. at 217.

In light of this authority, the Fifth Circuit’s rule – which favors the issuance of permanent injunctions, enacts a novel and amorphous “substantial prejudice” requirement, and fails to give significant weight to the plaintiff’s delay or the defendant’s reliance – cannot stand. The Lanham Act, like the Patent Act, provides that courts “have power to grant injunctions, according to the principles of equity.” 15 U.S.C. § 1116(a). Thus, in trademark cases – no less than in patent cases – the traditional test for a permanent injunction applies. *Cf. eBay*, 547 U.S. at 391. That test has never required the nonmoving party to show that an injunction would result in “substantial prejudice” to him. It especially does not require him to do so when he has *already* shown, to a jury’s satisfaction, that the plaintiff has unreasonably and inexcusably delayed, that he would suffer undue economic prejudice if the plaintiff were

permitted to enforce its rights, and that he relied on the plaintiff's implicit assurances to his detriment.

Instead, when the elements of a laches or acquiescence defense have been proven, a permanent injunction should not issue absent a strong equitable justification (*e.g.*, unclean hands or a public need). This rule places the burden of persuasion where it has always been: on the party seeking injunctive relief. It is also consistent with the principle that a party who behaves inequitably – *i.e.*, by engaging in such serious delay as to implicitly consent to the challenged conduct – is not ordinarily entitled to equitable relief. *See, e.g.*, *McQuiddy v. Ware*, 87 U.S. (20 Wall.) 14, 19 (1873) (“[H]e who seeks equity must do equity.”).

Finally, when the plaintiff's delay has been grossly long, the presumption of prejudice should be conclusive, such that laches and acquiescence bar all relief. The facts of this case highlight the equitable force of this rule: petitioner started his business when he was in college, and has been producing the same products for the same market using the same advertising methods ever since. He is now seventy-two years old, and faces the burden of a permanent injunction favoring respondents who slept on their rights for forty years. That result is manifestly inequitable, and underscores the erroneous legal reasoning of the courts below.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

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APPENDIX A

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 12-10525

THOMAS KENNETH ABRAHAM, doing business as
Paddle Tramps Manufacturing Company,

Plaintiff-Appellant Cross-Appellee

v.

ALPHA CHI OMEGA; ALPHA CHI OMEGA
FRATERNITY INCORPORATED; ALPHA DELTA PI;
ALPHA DELTA SORORITY CORPORATION; ALPHA
GAMMA DELTA, ET AL,

Defendants-Appellees Cross-Appellants

Appeals from the United States District Court
for the Northern District of Texas

Before JONES, GARZA, and PRADO, Circuit Judges.

EMILIO M. GARZA, Circuit Judge:

The original opinion in this case was issued by the panel on December 6, 2012. No member of the panel nor judge in regular active service of the court having requested that the court be polled on rehearing en

banc (FED. R. APP. P. 35 and 5TH CIR. R. 35), the petition for rehearing en banc is DENIED.

Because this panel has revised Part IV.A of their prior opinion, the petition for panel rehearing is GRANTED in part. The following is substituted therefor. In all other respects, the petition for panel rehearing is DENIED:

Thomas Kenneth Abraham (“Abraham”), doing business as Paddle Tramps Manufacturing Company (“Paddle Tramps”), appeals the district court’s order granting a partial preliminary injunction against his use of trademarks belonging to 32 fraternity and sorority organizations (the “Greek Organizations”). The Greek Organizations cross-appeal the limitation on the injunction. We AFFIRM.

I

Abraham founded Paddle Tramps in Lubbock, Texas in 1961 as a company that manufactured wooden paddles and decorations for fraternity and sorority members. Paddle Tramps has always sold products bearing the names of fraternities and sororities and has always used the names of fraternities and sororities to advertise its products.

Abraham began selling the paddles by showing samples and taking orders at fraternity and sorority house visits. He created the ordered products by carving Greek letters and affixing them and other decorations onto wooden paddles. By the late 1960s, Abraham began wholesaling the component parts of paddles, such as wooden Greek and Roman letters and wood-carved crests, to college bookstores or craft stores

for customers to buy and assemble. Also in the late 1960s, Abraham began distributing catalogues with fraternity and sorority names and crests to advertise his products.

Abraham invested heavily in equipment, advertising, and employees. He had to completely rebuild his business three times – once after a fire in 1966, then after a tornado in 1970, and still again after another fire in Paddle Tramps's manufacturing plant in 1980.

In 1997, Abraham established a website for Paddle Tramps. The website initially only advertised Paddle Tramps's products, then in 2001 it began allowing customers to purchase items online. At all times the website displayed fraternity and sorority names, as well as Paddle Tramps's products that reproduced fraternity and sorority crests. Abraham testified Paddle Tramps continued to sell almost exactly the same products it had been selling in the 1960s after the creation of the website in 1997.

In 1990, 29 years after Abraham founded Paddle Tramps, the Greek Organizations contacted him for the first time about licensing. The entity that contacted him was called Greek Properties, and the letter invited Abraham to join their group. Abraham did not respond. Greek Properties followed up with another letter in 1991. It attached an application for admission into Greek Properties, which required Abraham to sign a statement promising not use any Greek Properties's member organizations's marks or terminology without written consent. Again, Abraham did not respond. The following year, Greek Properties

sent Abraham a brochure, but never again attempted to get him to join.

In 1995, Dan Shaver (“Shaver”) sent a letter to Abraham on behalf of Sigma Chi threatening to sue Paddle Tramps for trademark infringement. Abraham’s son Kyle responded, saying Paddle Tramps was not interested in licensing Sigma Chi’s marks after continuously using Sigma Chi’s name and crest on its products for 34 years without complaint. Over the next 13 years, Shaver periodically sent additional letters to Abraham on behalf of an entity called Affinity Marketing Consultants. Affinity Marketing Consultants represented about 70 fraternities and sororities. These letters sometimes invited Paddle Tramps to join a fraternity or sorority’s licensing program, sometimes ordered Paddle Tramps to cease and desist, and sometimes threatened to sue. Abraham either ignored these letters or responded by stating he refused to enter into a licensing agreement.

In December 2007, the 32 Greek Organizations in this litigation, represented by Affinity Marketing Consultants and Shaver, sued Abraham for patent infringement and unfair competition in the Southern District of Florida. The Florida district court dismissed the suit for improper venue. Abraham then sued the Greek Organizations in April 2008 in the instant litigation for a declaratory judgment that he was not infringing on their marks. The Greek Organization asserted counterclaims for trademark infringement and unfair competition under the Lanham Act, 15 U.S.C. § 1051 et seq., and for unfair competition and

trademark dilution under Texas state-law claims. They sought monetary and injunctive relief.

Abraham moved for summary judgment on his affirmative defenses of laches and acquiescence, and the Greek Organizations moved for summary judgment on the liability portion of their substantive claims, injunctive relief, and an accounting. The district court granted the Greek Organizations's motion in part, concluding Abraham infringed the Greek Organizations's names, insignia, and symbols, creating a likelihood of confusion among the public in violation of the Lanham Act and Texas's unfair competition law. Further, the district court concluded Abraham diluted the Greek Organizations's marks in violation of Texas's trademark dilution law. Abraham does not contest these determinations on appeal. The court denied Abraham's motion for summary judgment on his affirmative defenses of laches and acquiescence, denied the Greek Organizations's counter-defense of unclean hands, and ordered a trial on those issues.

At the end of the evidence presented at that trial, the district court denied the parties's motions for judgment as a matter of law. The jury returned a special verdict finding: (1) Abraham proved his laches defense; (2) Abraham proved his acquiescence defense with respect to one of the Greek Organizations (Pi Kappa Alpha); and (3) the Greek Organizations did not prove their unclean hands counter-defense.

Abraham moved for judgment on the verdict, and the Greek Organizations renewed their motion for judgment as a matter of law. In an unorthodox point of error, the Greek Organizations collapsed an improper

jury instruction claim with a sufficiency of the evidence claim, arguing the jury was improperly instructed on unclean hands and laches and no properly instructed jury would have had a legally sufficient evidentiary basis to find Abraham established his laches defense or had clean hands. The Greek Organizations's motion also asserted the issue of acquiescence should not have gone to the jury, and asked the court to enter a permanent injunction barring Abraham's future use of their marks. The district court denied the Greek Organizations's renewed motion, finding the jury was properly instructed, the issue of acquiescence was properly submitted to the jury, and there was sufficient evidence to support Abraham's laches defense and the jury's finding of clean hands. The court granted Abraham's motion for judgment on the verdict, finding his laches defense precluded the monetary relief sought by the Greek Organizations.

The court further determined laches did not bar entry of a permanent injunction on Abraham's future use of the Greek Organizations's marks. The court permanently enjoined Abraham from some future uses of the Greek Organizations's marks, concluding the "degree of prejudice" such an injunction would impose on Abraham was not significant enough to bar injunctive relief. The injunction prevents Abraham from selling or using in his advertising three categories of the Greek Organizations's marks: (1) the Greek letter combinations associated with the parties to this lawsuit; (2) the full names or nicknames associated with the parties to this lawsuit; and (3) any crest, coat of arms, seal, flag, badge, emblem, or slogan

identifiable with any of the parties to this lawsuit, including copies of the Greek Organizations's crests Abraham carved out of wood.

The injunction allows Abraham to sell and include in his advertising decals of the Greek Organizations's crests he purchased wholesale from licenced vendors, as well as what Abraham calls the "double raised crest backing." This crest backing is carved in the shape of a given Greek Organization's crest, upon which Paddle Tramps affixes a licenced decal.

Abraham timely appealed the district court's entry of a permanent injunction based on the jury finding that he established a laches affirmative defense, and because the laches here were particularly long, unreasonable, and inexcusable. The Greek Organizations timely cross-appealed the district court's rejection of their motion for judgment as a matter of law, asserting the jury instructions were improper and the jury findings on laches and unclean hands are unsupported by the evidence. They also appeal the scope of the injunction, asserting Abraham should have been enjoined from continuing to sell the double raised crest backings in the shape of the Greek Organizations's crests.

II

We review jury instructions for abuse of discretion. *Garriott v. NCsoft Corp.*, 661 F.3d 243, 247 (5th Cir. 2011). "A challenge to jury instructions must demonstrate that the charge as a whole creates substantial and ineradicable doubt whether the jury has been properly guided in its deliberations. . . . Even if the challenger proves the instructions misguided the

jury, we reverse only if the erroneous instruction affected the outcome of the case.” *Price v. Rosiek Const. Co.*, 509 F.3d 704, 708 (5th Cir. 2007).

We review de novo the district court’s denial of a motion for judgment as a matter of law, applying the same standards as the district court. *Ill. Cent. R.R. Co. v. Guy*, 682 F.3d 381, 392-93 (5th Cir. 2012). Judgment as a matter of law is proper when “a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue.” FED. R. CIV. P. 50(a). “This will only occur if the facts and inferences point so strongly and overwhelmingly in the movant’s favor that jurors could not reasonably have reached a contrary verdict.” *Brown v. Sudduth*, 675 F.3d 472, 477 (5th Cir. 2012) (internal quotation marks omitted). We “credit the non-moving [party’s] evidence and disregard all evidence favorable to [the moving party] that the jury is not required to believe. After a jury trial, [the] standard of review is especially deferential.” *Id.* (internal quotation marks and citations omitted).

Lastly, we review the district court’s grant of injunctive relief for an abuse of discretion. *Am. Rice, Inc. v. Producers Rice Mill, Inc.*, 518 F.3d 321, 334 (5th Cir. 2008). “An abuse of discretion automatically inheres in an injunctive decree if the trial court misinterpreted applicable law. . . . As with injunctive relief generally, an equitable remedy for trademark infringement should be no broader.” Lastly, we review the district court’s grant of injunctive relief for an abuse of discretion. *Am. Rice, Inc. v. Producers Rice Mill, Inc.*, 518 F.3d 321, 334 (5th Cir. 2008). “An abuse of discretion automatically inheres in an injunctive

decree if the trial court misinterpreted applicable law.... As with injunctive relief generally, an equitable remedy for trademark infringement should be no broader than necessary to prevent the deception.” *Westchester Media et al. v. PRL USA Holdings, et al.*, 214 F.3d 658, 671 (2000) (citations omitted).

III

The Greek Organizations appeal the entirety of the jury’s verdict. First, they assert the district court improperly instructed the jury on laches and unclean hands. Second, they assert the jury’s findings on laches and unclean hands are unsupported by sufficient evidence.

A

A laches defense cannot be asserted by a party with unclean hands because it is equitable. *See Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 490 (5th Cir. 2008). “A defendant who intentionally infringes a trademark with the bad faith intent to capitalize on the markholder’s good will lacks the clean hands necessary to assert the equitable defense.” *Id.*

The district court instructed the jury on laches as follows:

To prevail on their claim that Mr. Abraham may not assert the laches or acquiescence defenses because he has unclean hands, the Greek Organizations must prove by a preponderance of the evidence that Mr. Abraham knowingly intended to use the

Greek Organizations' marks for the purpose of deriving benefit from the Greek Organizations' goodwill.

Unclean hands may be found only where the unlicensed user "subjectively and knowingly" intended to cause mistake or to confuse or deceive buyers. Mere awareness of a trademark owner's claim to the same mark does not amount to having unclean hands nor establishes bad intent necessary to preclude laches and acquiescence defenses. The owner of the mark must demonstrate that at the time the unlicensed user began using the marks or sometime thereafter, said unlicensed user knowingly and intentionally did so with the bad faith intent to benefit from or capitalize on the mark owner's goodwill.

In this instruction, the district court used language from *Conan Properties, Inc. v. Conans Pizza, Inc.*, 752 F.2d 145, 150 (5th Cir. 1985). In *Conan Properties*, we held:

[T]he critical issue is whether [the infringer] was an intentional infringer and therefore lacked the clean hands necessary to assert the equitable defenses of laches and acquiescence. . . . Passing off [products as endorsed by the trademark owner] may be found only where the defendant "subjectively and knowingly" intended to confuse buyers. This court has recognized that 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. The plaintiff's burden, therefore, is heavy. To foreclose the laches and acquiescence defenses, 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 its goodwill.

Id. (quoting 2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:1, §31:2 (1st ed. 1973)) (internal citations omitted).

The Greek Organizations assert the jury instruction was erroneous for two reasons. First, they assert error in the explanation of “confusion” or “deception.” Quoting *Boston Professional Hockey Association, Inc. v. Dallas Cap & Emblem Manufacturing, Inc.*, 510 F.2d 1004, 1012 (5th Cir. 1975) (“*Professional Hockey*”), the Greek Organizations assert the “confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the [trademark holder’s] trademarks.” *Id.* *Professional Hockey*, however, is not an unclean hands case. This quotation appears in *Professional Hockey*’s discussion of the fifth element in a trademark infringement claim under 15 U.S.C. § 1114, which requires the infringing use to likely cause confusion, to cause mistake, or to deceive. *Id.* If the confusion or deception required to make out a case of trademark infringement were the same as the confusion or deception required to make

out an unclean hands counter-defense, then every trademark infringer would necessarily have unclean hands. That is not so.

Second, the Greek Organizations assert the district court's instruction misguides the jury by stating "mere awareness" of a trademark owner's claim to the mark is not enough to establish unclean hands. The correct instruction, according to the Greek Organizations, comes from the second footnote in *Conan Properties*, 752 F.2d at 151 n.2: the pertinent confusion is to be inferred or *presumed* if Abraham "intended to derive benefit from or capitalize" on the marks. Again, the Greek Organizations confuse the elements of a trademark infringement claim with the showing necessary to prove unclean hands. The footnote in *Conan Properties* states "knowledge" of a trademark owner's claim to the mark "may give rise to a presumption that the defendant intended to cause public confusion as to the source or sponsorship of the product or service." *Id.* at 151 n.2. The very next sentence makes clear that such a presumption does not arise in the unclean hands analysis: "The same showing, however, does not give rise to a presumption that the defendant intended to appropriate the plaintiff's goodwill from its use of the allegedly infringing mark." *Id.*; see *Smack Apparel*, 550 F.3d at 490. The district court did not abuse its discretion in instructing the jury that to prove unclean hands, the Greek Organizations had to show Abraham knowingly and intentionally infringed upon the marks with the bad faith intent to benefit from or capitalize on the Greek Organizations's goodwill by confusing or deceiving buyers.

The Greek Organizations next assert the jury's rejection of their unclean hands counter-defense is unsupported by the evidence because Abraham stated at trial that his infringing products "drive the sales" of Paddle Tramps's other products. According to the Greek Organizations, this admission by Abraham demonstrates he intentionally capitalized on the Greek Organizations's goodwill. In *Smack Apparel*, we affirmed the trial court's finding of unclean hands where the infringing apparel manufacturer "admitted that it intentionally incorporated the [trademark owner] Universities' color schemes and other indicia in order to specifically call the Universities to the public's mind, thus deriving a benefit from the Universities' reputation." *Smack Apparel*, 550 F.3d at 490.

This case is distinguishable from *Smack Apparel*. Abraham introduced evidence tending to show a lack of bad faith: Paddle Tramps helped to create the market for fraternity and sorority paddles decades before the Greek Organizations had a licencing program, Abraham's intent was to service fraternities and sororities, not to capitalize on their goodwill in bad faith, the products are virtually the same today as they were in the 1960s, and Paddle Tramps never passed itself off as being sponsored or endorsed by the Greek Organizations. Given our "especially deferential" standard of review for evidence after a jury trial, *Brown*, 675 F.3d at 477, we hold this evidence is legally sufficient to allow a jury to find for Abraham on the unclean hands issue because it supports a showing of Abraham's lack of bad faith.

B

“Laches is an inexcusable delay that results in prejudice to the defendant.” *Smack Apparel*, 550 F.3d at 489. Laches has three elements: “(1) delay in asserting one’s trademark rights, (2) lack of excuse for the delay, and (3) undue prejudice to the alleged infringer caused by the delay.” *Id.* at 490. The Greek Organizations assert the jury was improperly instructed on the “lack of excuse” and “undue prejudice” elements, and there was insufficient evidence to support the jury’s special verdict finding each of the elements satisfied.

The Greek Organizations first assert the jury instruction on the lack of excuse element was deficient because it did not explain that a trademark owner is excused from delay in taking action against de minimis infringements. The Greek Organizations rely on *Conan Properties*, a number of cases from our sister circuits, and a leading trademark and unfair competition treatise. They rely on a footnote in *Conan Properties* which states, “Since incidental and isolated infringement may be difficult to detect and cost ineffective to halt, a plaintiff may make a conscious business decision to prosecute only those defendants who pose a threat to its mark.” *Conan Properties*, 752 F.2d at 153 n.4. This sentence, however, is in *Conan Properties*’s discussion of whether the laches barred a permanent injunction, not in a discussion of whether laches applies. *Conan Properties* held laches do not necessarily bar permanent injunctive relief, *id.* at 153, and this footnote provides additional justification for that rule: it might not make economic sense for a trademark owner to go after de minimis infringers, but

if a de minimis infringer begins to diminish the value of the mark more in the future, the trademark holder should be entitled to a permanent injunction notwithstanding the applicability of laches. *Id.* at 153 n.4. The *Conan Properties* discussion of de minimis infringement does not speak to whether laches applies.

The Greek Organizations cite other sources that provide support for the doctrine of progressive encroachment, “which allows a trademark owner to ‘tolerate de minimis or low-level infringements’ and still have the right to ‘act promptly when a junior user either gradually edges into causing serious harm or suddenly expands or changes its mark.’” *AM Gen. Corp. v. DaimlerChrysler Corp.*, 311 F.3d 796, 823 (7th Cir. 2002) (quoting 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 31:21 (4th ed. 2001)). The district court did, however, instruct the jury on the doctrine of progressive encroachment over Abraham’s objection. The district court instructed the jury:

Under the doctrine of progressive encroachment, the trademark owner’s delay is excused where the unlicensed user begins to use the trademark in the market, and later modifies or intensifies its use of the trademark to the effect that the unlicensed user significantly impacts the trademark owner’s good will and business reputation, so that the unlicensed user is placed more squarely in competition with the trademark owner. *The mark owner need not sue until the harm from the unlicensed user’s use of the mark looms large.* It is therefore the

significant increase in the scope of the unlicensed user's business, not reliance on the same general business model, that supports the doctrine of progressive encroachment.

(emphasis added). In light of this instruction – which the Greek Organizations do not appeal – and the Greek Organizations's misplaced reliance on *Conan Properties*, we hold the district court did not abuse its discretion in its instruction to the jury on the lack-of-excuse element of laches.

The Greek Organizations assert the evidence was insufficient to support the jury's finding that they lacked an excuse for their delay in bringing suit because at all times Abraham's infringement was de minimis. Just under 2.5% of Paddle Tramps's revenue derives from the sale of infringing products, and the average royalty owed by Paddle Tramps to each of the Greek Organizations for the past few years of infringing conduct was only \$140.78 annually. There is, however, evidence in the record to support the jury's finding. The creation of Paddle Tramps's website in 1997 and the sale of infringing products directly from that website in 2001 could be considered "an increase in the scope of the unlicensed user's business," which the district court correctly instructed could support a finding of progressive encroachment. The jury could have determined that the intervening six years between 2001 and 2007, when the Greek Organizations brought suit, is itself an unexcused delay sufficient to satisfy the lack-of-excuse element of laches. *See Conan Properties*, 752 F.2d at 149 (finding by jury that five-and-a-half-year unexcused delay supported finding of laches). The jury, therefore, had a

legally sufficient evidentiary basis for concluding that the lack-of-excuse element was satisfied.

The Greek Organizations next assert the district court's jury instruction on the undue influence element of laches confused the test for acquiescence with the test for laches. The district court, however, correctly instructed the jury that the elements of laches are (1) delay, (2) lack of excuse, and (3) undue prejudice and the elements of acquiescence are (1) assurances, (2) reliance, and (3) undue prejudice. Though the instructions on undue prejudice for each equitable defense are similar, they are not identical. On the undue prejudice element of laches, the district court instructed the jury:

An unlicensed user is unduly prejudiced when, in reliance on the trademark owner's unexcused delay in filing suit, he or she makes major business investments or expansions that depend on the use of the marks; these investments and expansions would suffer appreciable loss if the marks were enforced; and this loss would not have been incurred had the trademark owner enforced his rights earlier. The amount of prejudice suffered by the unlicensed user in a given case may vary with the length of the delay; that is, the longer the period of delay, the more likely it is that undue prejudice has occurred. The period of delay begins when the trademark owner knew or should have known of the unlicensed user's use of the marks and ends when the trademark owner files suit

against the unlicensed user. Therefore, to determine whether Mr. Abraham has been unduly prejudiced by the Greek Organizations' delay, you must consider what business investments and expansions Mr. Abraham made between the time the Greek Organizations knew or should have known of his use of their marks and the time they filed suit against him.

The Greek Organizations contend the instructions should have asked whether an injunction would "destroy[] the investment in the capital," quoting *Elvis Presley Enter., Inc. v. Capece*, 141 F.3d 188, 206 (5th Cir. 1998)). In *Elvis Presley*, we held no undue prejudice was shown where changing the name of the infringer defendant's nightclub would not have destroyed the investment of capital in that nightclub. *Elvis Presley*, 141 F.3d at 206. Even the Greek Organizations, however, do not assert that destruction of the investment of capital is the definitive test. Rather, they assert the question should be whether the infringer would suffer losses that would have been avoided had the trademark owner not delayed. This test is in line with the discussion of undue prejudice in a leading treatise:

[P]rejudice encompasses actions by the defendant that it would not have taken or consequences it would not have suffered had the plaintiff brought suit promptly. . . . Laches is a good defense if plaintiff's long failure to exercise its legal rights has caused defendant

to rely to its detriment by building up a valuable business around its trademark.

6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 31:12 (4th ed. 2001). The district court did not abuse its discretion in its jury instruction on undue prejudice as its instruction tracks this test.

The Greek Organizations also contend the jury's finding of undue prejudice is not supported by the evidence. This is a close question. The Greek Organizations compare this case to a case from a sister circuit, *University of Pittsburgh v. Champion Products, Inc.*, 686 F.2d 1040 (3d Cir. 1982). The University of Pittsburgh sued Champion for manufacturing shirts and other apparel on which Champion printed the university's logo and other marks. *Id.* at 1043. The Third Circuit held Champion did not suffer undue prejudice due to the university's delay in bringing suit:

Pitt is only one of approximately 10,000 schools and colleges whose names or designs [Champion] imprint[s] on soft goods. . . . Champion built its physical plant, art department and sales force in order to design, produce and market soft goods with marks and designs of every kind. . . . The only tangible investments in Pitt's designs, per se, are the screen stencils used for imprinting the designs – which are produced in quantity, used for no more than a few dozen shirts, and then destroyed.

Id. at 1048. The Greek Organizations assert that like in *Champion Products*, the infringing items sold by Paddle Tramps make up a small percentage of Paddle

Tramps's overall sales, and the investments in equipment made by Paddle Tramps can be used – and indeed are mostly used – for producing noninfringing products. Thus, they assert Paddle Tramps would suffer no undue prejudice if it were enjoined from selling infringing products.

Though this case is similar to *Champion Products*, Paddle Tramps ultimately marshaled legally sufficient evidence at trial to support the jury's finding of undue prejudice. Abraham testified he rebuilt the business three times – twice after fires and once after a tornado – and he would not have done so had he known the Greek Organizations would later sue him to enforce their trademarks. The rebuilding required investments of millions of dollars into equipment, advertising, and employee salaries. In addition, Abraham testified the infringing products, while perhaps a small percentage of his total sales, drive the sale of his non-infringing products because without them customers might choose to purchase the component parts to their paddles somewhere else. This is sufficient for a jury to find the sale of the infringing products would have a greater effect on total sales than in *Champion Products*. Therefore, the test for undue prejudice is met: had the Greek Organizations brought suit earlier, Abraham may not have rebuilt his business after the fires or tornado and may not have invested millions of dollars into the business. Furthermore, Abraham relies on the small percentage of sales of infringing products to drive his other sales. Therefore, the district court correctly denied the Greek Organizations's motion for judgment as a matter of law.

IV

Abraham challenges the injunction entered by the district court. He asserts injunctive relief is unavailable where a trademark owner's laches was long, unreasonable, and inexcusable. He asserts he should be permitted to continue selling his infringing products and using the Greek Organizations's names, insignia, and symbols in advertisements. The Greek Organizations also challenge the injunction entered by the district court, asserting it was not sufficiently comprehensive by permitting the sale of Abraham's double raised crest backings.

A

"A finding of laches alone ordinarily will not bar . . . injunctive relief, although it typically will foreclose a demand for an accounting or damages." *Conan Properties*, 752 F.2d at 152. This is because "courts construe [a trademark owner's] unreasonable delay to imply consent to the [infringer's] conduct, which amounts to nothing more than a revocable license; the license is revoked once the plaintiff objects to the [infringer's] infringement." *Id.* (citing *Menendez v. Holt*, 128 U.S. 514 (1888)). We have stated, "There is no doubt that laches may defeat claims for injunctive relief as well as claims for an accounting." *Armco, Inc. v. Armco Burglar Alarm Co., Inc.*, 693 F.2d 1155, 1161 n.14 (5th Cir. 1982).

In *Conan Properties*, we reversed an injunction barring infringing restaurant owners from continuing to use the name "Conans" for their restaurants in the Austin, Texas area. *Conan Properties*, 752 F.2d at 152. We stated, "The jury's affirmative finding of

acquiescence establishes the reliance necessary to preclude the issuance of an injunction.” *Id.* We upheld the injunction barring the use of the infringing mark *outside* the Austin geographic area:

An injunction against future infringement in a particular locale when laches and acquiescence have been found, as in this case, is properly denied if the plaintiff’s delay or other conduct either induced reliance on the defendant’s part or will result in substantial prejudice to the defendant if the plaintiff is permitted to enforce its rights in the trademark. Whether phrased as ‘reliance’ or ‘prejudice’, the effect is the same – the defendant has done something it otherwise would not have done absent the plaintiff’s conduct. The result is different, however, when the asserted future infringement would occur in a geographical area other than the one in which the plaintiff waived its right to protect its mark. In the new geographical area where the defendant has not yet expanded its business, the defendant is hard pressed to demonstrate how it could have relied to its detriment upon the plaintiff’s inactivity or other conduct. Stated simply, the defendant at best can show only that the plaintiff acquiesced or unreasonably delayed in protecting its mark in the local area. . . . In this case we conclude that Conans has made sufficient showings of reliance and prejudice in the Austin area to justify denying an injunction, but has failed to offer any

evidence, let alone carry its burden of demonstrating that it would be prejudiced if barred from infringing on [the plaintiff's] mark in any area other than Austin.

Id. at 153. Therefore, a finding of laches or acquiescence may bar injunctive relief if the trademark owner conducted itself in a way that induced the infringer's reliance or if an injunction would result in "substantial prejudice" to the infringer. *Id.*¹

The district court found that "courts consistently focus on the degree of prejudice the defendant would suffer in the event the infringing use is enjoined," citing *Conan Properties*, 752 F.2d at 153. *Champion Products* held the injunction "must depend upon the degree to which Pitt's delay may have prejudiced Champion." *Champion Products*, 686 F.2d at 1046. The district court's "degree of prejudice to the infringer" test is very close to both this *Champion Products* test and *Conan Properties*'s "substantial prejudice" test.

Abraham objects to the district court's "degree of prejudice" test because he claims it puts the burden on him to show why an injunction should not issue on particular infringing conduct. It is well-established

¹ We recognize *Conan Properties* addressed prejudice in geographic areas rather than prejudice resulting from different types of infringing products, but *Conan Properties* still holds the propriety of an injunction turns on prejudice to the infringer. *Id.*

that the party seeking a permanent injunction must demonstrate:

(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction. The decision to grant or deny permanent injunctive relief is an act of equitable discretion by the district court, reviewable on appeal for abuse of discretion.

eBay Inc. v. MercExchange, LLC, 547 U.S. 388, 391 (2006) (citations omitted). The district court's test did not erroneously place the burden on Abraham; rather, it correctly considered the relevant factors. As to the first factor, a leading treatise states, "All that must be proven to establish liability and the need for an injunction against infringement is the likelihood of confusion – injury is presumed." 5 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:2 (4th ed. 2001). As to the second, the same treatise states, "[T]here seems little doubt that money damages are 'inadequate' to compensate [owner] for continuing acts of [infringer]." *Id.* The district court properly considered the final two factors, explaining that:

In order to determine whether the injunction should issue, the Court balances the equities, weighing the degree of prejudice Abraham would suffer if either use was permanently

enjoined against the Greeks' right to exclusive use of the marks and the public interest in avoiding consumer confusion caused by their continued use.

Therefore, the district court did not abuse its discretion by relying on *Conan Properties* to use the "degree of prejudice" test in fashioning injunctive relief.²

B

The district court applied its degree of prejudice test to Abraham's use of the Greek Organizations's names and insignia in its advertising and to Abraham's sale of wood-carved replicas of the Greek Organizations's names, crests and identifiable objects, as well as the sale of the double raised crest backings. The court reasoned Abraham could easily continue to advertise all of his products without using the Greek Organizations's names and insignia. He could, for example, use the names and insignia of fraternities and sororities that do not have licensing programs. He could use fictional names. In addition, the court rejected Abraham's request to avoid a ban by including disclaimers. The district court further enjoined Abraham's sale of objects containing the Greek Organizations's full names, those objects copied from

² Although *Conan Properties* and *Champion Products* used somewhat different language, the "degree of prejudice" test comes within the sound discretion of the district court, which we do not disturb. *Conan Properties*, 752 F.2d at 153; *Champion Products*, 686 F.2d at 1046.

the Greek Organizations's crest or insignia, and wood reproductions of their crests. The only product the district court did not enjoin Abraham from selling was the double raised crest backings. With respect to that particular product, the district court determined the potential prejudice to Abraham is comparable with the prejudice to the defendants in *Conan Properties*, who had invested considerably in their business due to the trademark owner's delay.

The district court did not abuse its discretion in crafting an injunction to balance the equities. *See Taco Cabana Int'l v. Two Pesos, Inc.*, 932 F.2d 1113, 1127 (5th Cir. 1991) (holding district court has "considerable discretion in fashioning an appropriate remedy for infringement"). The injunction prevents Abraham from selling products that make up less than 2.44% of his total sales. This will not put Abraham out of business. The infringing item Abraham can continue to sell, the double raised crest backing, is the product Abraham contended drove his sales of other non-infringing products – the only item that if enjoined from selling, would cause Abraham substantial prejudice.

Moreover, the district court did not abuse its discretion by not ordering disclaimers in lieu of a ban. Abraham relies on *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000) to assert requiring disclaimers is preferable. Unlike in *Westchester Media*, the district court here did not "misinterpret applicable law," so an abuse of discretion does not "automatically inhere[.]" *Westchester Media*, 214 F.3d at 671. In that case, we determined the magistrate judge "unduly discounted the First

Amendment interests impaired by the injunction[.]” *Id.* Therefore, an abuse of discretion automatically inhered, and we reviewed the injunction with that in mind. Here, however, the district court did not misapply the law, so our review is limited to an abuse of discretion standard.

In *Westchester Media*, we determined the First Amendment interests of the trademark infringer counseled against an outright ban. *Id.* (“Where the allegedly infringing speech is at least partly literary or artistic . . . and not solely a commercial appropriation of another’s mark, the preferred course is to accommodate trademark remedies with First Amendment interests.”). That is clearly not our case here, as Abraham does not suggest his use of the Greek Organizations’s marks is “expressive to an appreciable degree[.]” *Id.* See also *Better Bus. Bureau of Metro. Houston v. Med. Dirs., Inc., et al.*, 681 F.2d 397, 404 (1982) (finding First Amendment commercial speech interests favor requiring disclaimers over outright ban). Abraham asserts factors besides First Amendment interests do counsel in favor of disclaimer and are present here, such as laches and acquiescence. The district court determined a proper balance of the equities favors a ban despite the presence of these factors. Whether we would have made the exact same conclusion in the first instance is irrelevant because the district court applied the law correctly. The determination is reasonable, and we hold the district court did not abuse its discretion in fashioning this remedy.

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The Greek Organizations assert they deserve a comprehensive injunction that covers the double raised crest backing. As we have discussed, however, the district court properly balanced the equities in resolving this dispute and did not abuse its discretion in fashioning injunctive relief.

V

For these reasons, we AFFIRM.

APPENDIX B

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

Case No.: 3.08-cv-570-F

THOMAS KENNETH ABRAHAM d/b/a PADDLE
TRAMPS MFG. Co., Plaintiff,

v.

ALPHA CHI OMEGA ET AL., Defendants.

ORDER GRANTING PLAINTIFF'S
MOTION FOR JUDGMENT ON THE VERDICT;
DENYING DEFENDANTS' MOTION FOR
JUDGMENT AS A MATTER OF LAW; AND
GRANTING IN PART AND DENYING IN PART
DEFENDANTS' MOTION FOR ENTRY OF
PERMANENT INJUNCTION

BEFORE THE COURT is Plaintiff, Thomas Kenneth Abraham's d/b/a Paddle Tramps Manufacturing Company ("Abraham" or "Paddle Tramps") Motion for Judgment (Doc. No. 130), filed on October 14, 2011, and Defendants', 32 fraternity and sorority organizations (collectively, "the Greeks" or "the Greek Organizations") Cross-Motion for Judgment as a Matter of Law and For Entry of Permanent

Injunction filed on November 8, 2011 (Doc. No. 136). Abraham filed a Response and Reply on November 23, 2011 (Doc. No. 147), and the Greek Organizations filed a Reply on December 12, 2011 (Doc. No. 148). The Court held a hearing on these matters on April 2, 2012. After the hearing, the parties were granted leave to file supplemental briefing regarding the potential impact of a permanent injunction on Abraham's business. Abraham filed his Supplemental Brief on April 11, 2012 (Doc. No. 151), and the Greek Organizations filed their Supplemental Brief on April 18, 2012 (Doc. No. 153). Abraham filed a Reply on April 23, 2012 (Doc. No. 157) and the Greek Organizations filed a Sur-Reply on April 27, 2012 (Doc. No. 157). After considering the parties' briefs and arguments and reviewing the evidence, the Court is of the opinion that Plaintiffs Motion for Judgment should be GRANTED, Defendants' Cross-Motion for Judgment as a Matter of Law should be DENIED, and Defendants' Motion for Entry of Permanent Injunction should be GRANTED IN PART and DENIED IN PART.¹

I. Factual and Procedural Background

This is an exceptional trademark case in which Abraham used and sold the Greek Organizations' insignia through his business Paddle Tramps for 40 years before the Greek Organizations filed suit to enforce their marks. While the Greek Organizations

¹ This resolves Doc. Nos. 130, 136.

raise a number of issues concerning the jury instructions, the central question before the Court is whether a 40-year laches period forecloses the remedy of permanent prospective injunctive relief.

In 1961, Abraham founded Paddle Tramps for the purpose of creating and selling materials needed to construct decorative paddles that new fraternity and sorority members traditionally present to their “big brothers” or “big sisters” during their initiation into the various organizations. At first the company assembled custom wooden paddles to the specifications of its customers from a shop in Lubbock, Texas. In the late 1960s, Paddle Tramps began wholesaling its products to stores and retail outlets throughout the country and participating in national trade shows. By 1990, Paddle Tramps had evolved into a national business with accounts in all 50 states and the District of Columbia.

Abraham set up a website for Paddle Tramps in 1997. Initially, the website merely displayed the company’s products. Later the site was modified to allow visitors to conduct a zip code search to locate area retailers of Paddle Tramps’s products. By 2001, the site was configured to allow customers to purchase products, including preassembled custom paddles and “paddle kits,” which contain the component parts of the paddle to be assembled by the customer.

After the first few decades of Paddle Tramps’s existence, certain individual Greek Organizations contacted Abraham about entering into licensing programs for the use of their marks. These communications frequently led to compromise or

resolution without litigation. Starting in 1990, the Greek Organizations began to increase their vigilance in policing their marks by sending cease and desist letters to Abraham. In those letters, they informed Paddle Tramps of their licensing programs and invited the company to join these programs or stop using the marks. Finally, in 2007, the Greek Organizations filed suit against Abraham to enforce their trademarks in Florida. That case was dismissed for improper venue, and this case, in which Abraham sued the Greek Organizations for declaratory judgment of noninfringement, followed.

On April 26, 2011, the Court granted summary judgment in favor of the Greek Organizations, determining that Abraham's sale of the Greek Organizations' insignia amounts to trademark infringement and unfair competition under federal law, and trademark dilution under Texas state law (Doc. No. 75). Abraham's defenses of laches and acquiescence and the Greek Organizations' counter-defense of unclean hands went to the jury.

After a trial on the merits, the jury found the following:

- (1) the Greek Organizations lacked an excuse for their delay in filing suit against Abraham;
- (2) the earliest date when any of the Greek Organizations should have known that Abraham was using their marks was 1968;
- (3) Abraham would suffer undue economic prejudice if the Greek Organizations were now permitted to enforce their rights;

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(4) authorized officials of the Greek Organizations implicitly assured Abraham that it was acceptable for him to continue using their marks before sending him notice of their objections;

(5) Abraham relied on these assurances;

(6) Abraham would suffer undue economic prejudice if the Greek Organizations were now permitted to enforce their rights; and

(7) the Greek Organizations failed to prove by a preponderance of the evidence that Abraham had unclean hands in connection with his use of the marks.

In the instant Motions, Abraham moves the Court to declare that the counterclaims of the Greek Organizations are barred by laches and/or acquiescence and the Greek Organizations are not entitled to damages or injunctive relief, and to award costs of court to Abraham. The Greek Organizations move the Court to enter judgment as a matter of law against Abraham on his laches and acquiescence defenses, or in favor of the Greek Organizations on the issue of progressive encroachment and/or unclean hands, and to enter an injunction permanently enjoining Abraham from using the Greeks' marks.

II. Discussion

The Court first considers the parties' Motions for Judgment on the Verdict and Judgment as a Matter of Law, then turns to Defendants' Motion for Entry of a

Permanent Injunction, and finally decides the appropriate allocation of costs of court.

A. Abraham's Motion for Judgment on the Verdict and the Greek Organizations' Motion for Judgment as a Matter of Law

Abraham moves for judgment on the verdict pursuant to Fed. R. Civ. P. 58. The Greek Organizations move for judgment as a matter of law pursuant to Fed. R. Civ. P. 50(a)(1). As an initial matter, the Court notes that the Greek Organizations have styled their post-trial motion as a renewed Rule 50 motion for judgment as a matter of law, which is properly designated a Rule 50(b) motion after the matter has been submitted to the jury. A motion for judgment as a matter of law under Rule 50(b) in an action tried by a jury is a challenge to the legal sufficiency of the evidence supporting the verdict. *Hiltgen v. Sumrall*, 47 F.3d 695, 699 (5th Cir. 1995). However, the Greeks' post-trial motion does not challenge the sufficiency of the evidence at all; it merely reiterates their objections to the instructions as argued at the charge conference, and contends that had the jury been "properly instructed," the evidence would not be legally sufficient to support its verdict. Therefore, the Court reviews the sufficiency of the evidence in the context of the instructions that were actually given to the jury, and considers the Greek Organizations' arguments with respect to the charge for the limited purpose of clarifying the Court's rulings at the charge conference.

1. Legal Standard

a. Rule 50(b)

In ruling on a renewed motion for judgment as a matter of law, a court may: “(1) allow judgment on the verdict, if the jury returned a verdict; (2) order a new trial; or (3) direct the entry of judgment as a matter of law.” Fed. R. Civ. P. 50 (b)(1)-(3). Judgment as a matter of law is appropriate “when a party has been fully heard on an issue and there is no legally sufficient evidentiary basis for a reasonable jury to find for that party on that issue.” *Wallace v. Methodist Hosp. Sys.*, 271 F.3d 212, 218-19 (5th Cir. 2001) (quoting Fed. R. Civ. P. 50(a)). There is no legally sufficient evidentiary basis when “the facts and inferences point so strongly and overwhelmingly in favor of one party that the Court believes that reasonable men could not arrive at a contrary verdict.” *Rubinstein v. Adm’rs of the Tulane Educ. Fund*, 218 F.3d 392, 401 (5th Cir. 2000). Thus, a trial court may decide the case as a matter of law, notwithstanding the jury’s verdict “when the facts are sufficiently clear that the law requires a particular result.” *Weisgram v. Marley Co.*, 528 U.S. 440, 448 (2000) (quoting 9A CHARLES ALAN WRIGHT & ARTHUR R. MILLER, *FEDERAL PRACTICE AND PROCEDURE* § 2521, at 240 (2d ed. 1995)). Before doing so, however, “the court must draw all reasonable inferences in favor of the nonmoving party.” *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150 (2000).

b. Objections to the Jury Charge

As previously noted, in their post-trial motion the Greek Organizations reiterate their objections to the jury charge, but do not move for a new trial. Because a party challenging the jury instructions would typically

seek a new trial in the court that issued them before pursuing the matter on appeal, the Court reviews its instructions in light of the standard applied to such a motion. When moving for a new trial based on an improper jury instruction, the Fifth Circuit advises:

First, the challenger must demonstrate that the charge creates substantial doubt as to whether the jury was properly guided in its deliberations. Second, even if the jury instructions were erroneous, we will not reverse if we determine based on the entire record, that the challenged instruction could not have affected the outcome of the case.

Green v. Admin. of Tulane Ed. Fund, 284 F.3d 642, 659 (5th Cir. 2002).

2. Application

a. Unclean Hands

The Greek Organizations argue that they are entitled to judgment as a matter of law because “[n]o properly instructed jury would have a legally sufficient evidentiary basis to find that Abraham did not have clean hands.” Defs.’ Mot, at 12. The jury was instructed as follows:

To prevail on their claim that Mr. Abraham may not assert the laches or acquiescence defenses because he has unclean hands, the Greek Organizations must prove by a preponderance of the evidence that Mr. Abraham knowingly intended to use the Greek Organizations’ marks for the purpose of

deriving benefit from the Greek Organizations' goodwill.

Unclean hands may be found only where the unlicensed user "subjectively and knowingly" intended to confuse buyers. Mere awareness of a trademark owner's claim to the same mark does not amount to having unclean hands nor establishes the bad intent necessary to preclude laches and acquiescence defenses. The owner of the mark must demonstrate that at the time the unlicensed user began using the marks or sometime thereafter, he knowingly and intentionally infringed the marks with the bad faith intent to benefit from or capitalize on the mark owner's goodwill.

Therefore, to determine whether Mr. Abraham has unclean hands, you must consider whether he knowingly intended to pass the marks off as being endorsed by the Greek Organizations for the purpose of profiting off their reputation.

Ct.'s Charge to the Jury, at 6-7 (Doc. No. 199). The Greek Organizations contend that the jury should have been instructed that an unlicensed user of the marks has unclean hands if the user "duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the [owner's] trademarks." Defs.' Mot. for Judgment as a Matter of Law, at 11 (quoting *Boston Prof Hockey Assoc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1012 (5th Cir. 1975)). They also argue that the

jury should have been informed that unclean hands are presumed if Abraham “intended to derive benefit from or capitalize on the marks.” *Id.* at 12 (quoting *Conan Prop., Inc. v. Conans Pizza, Inc.*, 752 F.2d 145 at 151 n.2). The Greeks are of the opinion that had the jury been so instructed, there would be no legally sufficient evidentiary basis for the jury’s finding that Abraham did not have unclean hands because Abraham admitted that Paddle Tramps “intentionally uses the marks of the Greek Organizations, knowing the Greek members will identify the marks with their respective fraternity or sorority with the intention to capitalize off of the member affinity for the marks.” Defs.’ Mot., at 11.

The Court rejected the Greek Organizations’ proposed instructions at the charge conference because they derive in part from *Boston Professional Hockey Association v. Dallas Cap & Emblem Manufacturing, Inc.*, which is not an unclean hands case. In *Boston Professional*, the court considered the appropriate standard for likelihood to confuse, not the test for unclean hands. *Boston Prof Hockey*, 510 F.2d at 1012 (explaining “[t]he confusion or deceit requirement [of a cause of action for mark infringement] is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams’ trademarks”). Further, the Greeks’ proposed instructions neglect to explain that the mark user must have “bad faith,” a requirement of unclean hands that is well- established in the Fifth Circuit: *See Bd. Of Supervisors, et al v. Smack Apparel Co.*, 550 F.3d 465, 490 (5th Cir. 2008) (“The record here establishes

the substantive and knowing bad faith necessary to foreclose an equitable defense.”). The Court adopted language directly from the Fifth Circuit’s opinion in *Conan Properties, Inc. v. Conans Pizza, Inc.* describing the test for unclean hands as whether the defendant employed the marks “with the explicit bad faith intent of ‘passing off its service and product as emanating from or endorsed by [Plaintiff]”:

This court has recognized that 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 . . . To foreclose the laches and acquiescence defenses, 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 its goodwill.

Conan Props, 752 F.2d 145, 150 (5th Cir. 1985). In *Board of Supervisors for Louisiana State University Agricultural and Mechanical College v. Smack Apparel Co.*, in which the unlicensed user marketed soft goods bearing the University’s marks, the Fifth Circuit confirmed that the subjective bad faith requirement from *Conan Props* extends to trademark cases involving affinity merchandise: “A defendant who intentionally infringes a trademark with the *bad faith intent* to capitalize on the markholder’s good will lacks the clean hands necessary to assert the equitable defense [of laches].” 550 F.3d 465, 490 (5th Cir. 2008) (citing *Conan Props*, 752 F.2d at 151 n.2). The Greek

Organizations emphasize that in *Smack Apparel*, the Fifth Circuit affirmed the District Court's finding that Smack had the requisite bad faith to foreclose the laches defense because it admitted that "it intentionally copied the plaintiffs' color schemes." *Id.* However, this language does not vitiate the bad faith requirement as the Greek Organizations would have the Court do. The jury was instructed consistently with *Smack Apparel*; that is, the jury was told that Abraham has unclean hands if he "knowingly and intentionally infringed the marks with the bad faith intent to benefit from or capitalize on the mark owner's goodwill," and that they must consider whether Abraham "knowingly intended to pass the marks off as being endorsed by the Greek Organizations for the purpose of profiting off their reputation." Accordingly, the Court finds that even had the Greek Organizations properly challenged the jury instructions on unclean hands, they would not have met their burden of demonstrating that, as a whole, the instructions create "substantial doubt as to whether the jury was properly guided in its deliberations." *Green*, 284 F.3d at 659.

The question now before the Court is whether there was a legally sufficient evidentiary basis for a reasonable jury to find that Abraham did not have unclean hands as instructed. The Court concludes that there was. Abraham testified that he started and operated his business for the purpose of filling a niche in the market and with the intent to service members of Greek Organizations with high-quality products sporting the organizations' insignia:

Q. That's a great business idea. Let's make them for them. Is that kind of the genesis of your company?

A. My idea was that I could come up with a much better way of making that and make a much higher quality product to deliver to the market so people would be proud of and keep for years, and I have done that. And established that all over the United States.

Q: And the idea for your business was to capitalize on that custom, correct?

A: My thought was that I could make a much better product than was out there and make a living doing it. Had some good creative ideas and felt like I could service the market a lot better, and yes, sir, I did.

Trial Tr. val. 2, 318-19, Sept. 20, 2011. This evidence contradicts the Greek Organizations' contention that there was no legally sufficient evidentiary basis for a reasonable jury to find that Abraham did not have unclean hands. The Court is satisfied that the facts and inferences do not point "so strongly and overwhelmingly in favor of" the Greek Organizations that a reasonable jury could not arrive at a contrary verdict. Accordingly, the Court DENIES the Greek Organizations' renewed motion for judgment as a matter of law and GRANTS Abraham's Motion for Judgment on the Verdict with respect to the Greek Organizations' counter-defense of unclean hands.

b. Undue Prejudice

Next, the Greek Organizations argue that there is no legally sufficient evidentiary basis for the jury's finding that the delay in bringing this lawsuit unduly prejudiced Abraham. Once again, the Greek Organizations' arguments turn on the jury charge. The jury was instructed on undue prejudice as follows:

Mr. Abraham must prove by a preponderance of the evidence that he was unduly prejudiced by the Greek Organizations' delay.

An unlicensed user is unduly prejudiced when, in reliance on the trademark owner's unexcused delay in filing suit, he or she makes major business investments or expansions that depend on the use of the marks; these investments and expansions would suffer appreciable loss if the marks were enforced; and this loss would not have been incurred had the trademark owner enforced his rights earlier. The amount of prejudice suffered by the unlicensed user in a given case may vary with the length of the delay; that is, the longer the period of delay, the more likely it is that undue prejudice has occurred. The period of delay begins when the trademark owner knew or should have known of the unlicensed user's use of the marks and ends when the trademark owner files suit against the unlicensed user. Therefore, to determine whether Mr. Abraham has been unduly prejudiced by the Greek

Organizations' delay, you must consider what business investments and expansions Mr. Abraham made between the time the Greek Organizations knew or should have known of his use of their marks and the time they filed suit against him.

Ct.'s Charge to the Jury, at 4-5. The Greeks contend that the jury should have been instructed that the appropriate measure of undue prejudice is whether enjoining the use would "destroy[] the investment of capital." Defs.' Mot., at 13 (quoting *Elvis Presley Enters. v. Capece*, 141 F.3d 188, 206 (5th Cir. 1998)). The Greeks argue that the Court's instructions improperly focused the jury's attention on what investments were made as opposed to whether those investments would be destroyed if Abraham was enjoined from using their marks. According to the Greeks, had the jury been "properly" instructed, there would be no legally sufficient evidentiary basis for its findings because Abraham's infringing use of the Greeks' marks constitutes only 2.44% of Paddle Tramps's income, and the equipment in which Abraham invested is used to make non-infringing products, such that if the infringing use was enjoined, Abraham's investment of capital would not be destroyed.

The Court heard and rejected these same arguments during the charge conference. Fifth Circuit cases have consistently described "undue prejudice" in terms of investments the defendant made in reliance on the plaintiff's delay. For example, in *Conans Properties*, the Fifth Circuit specifically defined

prejudice as follows: “the defendant has done something it otherwise would not have done absent the plaintiff’s conduct.” *Conans Prop.*, 752 F.2d, at 153. In *H.G. Shopping Centers, L.P. v. Birney*, the court explained “[l]aches applies, therefore, if Defendants can show that they were prejudiced by the delay or changed their position to their detriment because of the delay.” No. H-99-0622, 2000 WL 33538621, at *9 (S.D. Tex. Nov. 29, 2000) (Johnson, J.).

At the hearing on their post-judgment motions, the Greeks placed great emphasis on the Eighth Circuit’s finding in *Champagne Louis Roederer v. J. Garcia Carrion* that no undue prejudice could be found where the infringing activity constituted only 9% of the infringer’s business. *Champagne Louis Roederer v. J. Garcia Carrion*, 569 F.3d 855, 861 (8th Cir. 2009). However, the Court’s instruction is not inconsistent with *Champagne*; there the court merely focused its undue prejudice analysis on the extent to which the infringer’s investment during the period of the mark owner’s delay was motivated by the infringing activity: “When a defendant has invested generally in an industry, and not a particular product, the likelihood of prejudicial reliance decreases in proportion to the particular product’s role in the business.” *Id.* Therefore, the Court finds that even had the Greek Organizations properly challenged the jury instructions on undue prejudice, they would not have met their burden of demonstrating that, as a whole, the instructions create “substantial doubt as to whether the jury was properly guided in its deliberations.” *Green*, 284 F.3d at 659.

The question now before the Court is whether there was a legally sufficient evidentiary basis for a reasonable jury to find that Abraham suffered undue prejudice as instructed. The Court finds that there was. Even though the infringing use constitutes only 2.44% of Paddle Tramps's income, the jury heard testimony that Paddle Tramps's sales of its signature double-raised crest drives the sales of its other products, that Abraham would not have invested in equipment and factory space had the Greek Organizations objected to his use of their marks earlier, and if his use of the marks was enjoined, the value of Abraham's investments would be lost.

The Greeks once again direct the Court's attention to the Eighth Circuit's finding in *Champagne* that no undue prejudice could be found where as much as 9% of the defendant's business could be attributed to the infringing activity, and emphasize that here, sales of infringing products account for only 2.44% of Paddle Tramps's business. However, *Champagne* is easily distinguished from the facts at bar. In *Champagne*, the mark-owner delayed only eleven years before filing suit. *Champagne*, 569 F.3d at 858. Here, it is undisputed that the Greek Organizations waited forty years before taking legal action against Abraham. Further, in *Champagne*, the court focused on the portion of the business that was attributable to the sale of infringing products at the time the investments were made-not at the time the plaintiff filed suit: "The Cristalino brand accounted for approximately 9% of Jaime Serra's output *after the improvements were completed in 2003.*" *Id* at 861 (emphasis added). The Greek Organizations place great weight on the fact

that the infringing products account for only 2.44% of Paddle Tramps's business today, however, through Paddle Tramps, Abraham created the market for the infringing products and invested in the development of those products throughout the life of his business. When Paddle Tramps started out, wood carved Greek names and marks were the company's primary products. *See* Trial Tr. vol. 3, 489, Sept. 21, 2011 ("Q. You started in 1973, and you testified the primary products were the blank paddles, the wooden letters, the crests. And by that you meant the decals and wooden backings? A. Yes."). Abraham invested heavily in the development of those products, spending well over a million dollars throughout Paddle Tramps's existence on various kinds of equipment designed to carve those products. Abraham presented evidence that he rebuilt his entire business on two separate occasions, once in response to a fire and once a tornado, and that he would not have done so had he known the Greeks would enforce their rights. The fact that today Paddle Tramps has expanded to include principally noninfringing products does not negate the fact that Abraham invested heavily in the development of the infringing products throughout the life of his business.

The Court is satisfied that the facts and inferences do not point "so strongly and overwhelmingly in favor of" the Greek Organizations that a reasonable jury could not arrive at a contrary verdict. Accordingly, the Court DENIES the Greek Organizations' renewed motion for judgment as a matter of law and GRANTS Abraham's Motion for Judgment on the Verdict with respect to undue prejudice.

c. Lack of Excuse for Delay in Bringing this Lawsuit

Third, the Greek Organizations argue that the jury did not have a legally sufficient evidentiary basis to find that there was no excuse for their delay in bringing about this litigation because Paddle Tramps's 'infringement was so minor for so long. Here too, the Greek Organizations focus not on the sufficiency of the evidence presented to the jury, but the jury charge. The jury was instructed as follows:

Mr. Abraham must prove by a preponderance of the evidence that there was a lack of excuse for the Greek Organizations' delay. The Greek Organizations claim their delay is excused because Mr. Abraham expanded his use of their marks in a way that brought him more squarely in competition with the Greek Organizations. This argument is based on a legal doctrine called progressive encroachment. Under the doctrine of progressive encroachment, the trademark owner's delay is excused where the unlicensed user begins to use the trademark in the market, and later modifies or intensifies its use of the trademark to the effect that the unlicensed user significantly impacts the trademark owner's good will and business reputation, so that the unlicensed user is placed more squarely in competition with the trademark owner. The mark owner need not sue until the harm from the unlicensed user's use of the mark looms large. It is therefore the

significant increase in the scope of the unlicensed user's business, not reliance on the same general business model, that supports the doctrine of progressive encroachment.

The Greek Organizations also argue their delay was excused because they were pursuing lawsuits against other unlicensed users of the Greek Organizations' marks before bringing a lawsuit against Mr. Abraham. A trademark owner's delay in enforcing its rights against one unlicensed user may be excused if it chooses to initiate legal action against other unlicensed users whose use is more widespread, when the issues in these other lawsuits are relevant to the claim against the unlicensed user in the present suit. Please remember that the facts in the present lawsuit are unique to this case and therefore that the results in the other lawsuits are not controlling here.

Ct.'s Charge to the Jury, at 4. The Greeks argue that the jury should have been instructed that when the infringement in issue is "*de minimus*," it excuses delay because the extent of the infringement does not justify the cost of litigation. Defs.' Mot., at 16. The Greeks contend that had the jury been "properly" instructed, there would not be a legally sufficient evidentiary basis for the jury to find that the Greek Organizations lacked an excuse for their delay because Paddle Tramps's infringement was *de minimus*. The Greeks point to evidence introduced at trial that had Paddle Tramps taken licenses, each of the Greek

Organizations engaged in the litigation would have made an average annual royalty of only \$141.27.

Once again, the Greek Organizations timely made these arguments with respect to the instructions at the charge conference and, to the extent that their proposals were rejected, can raise the matter on appeal. The Court notes that the Greek Organizations proposed the “looms large” instruction that they now attack, and the Court adopted it over Abraham’s objection. The “looms large” language, however, does not refer exclusively to the monetary value of the infringement, but instead to the likelihood of public confusion based on the extent of the infringing use. *Johanna Farms, Inc. v. Citrus Bowl, Inc.*, 468 F. Supp. 866, 881 (D.C.N.Y. 1978) (“[U]ntil there exists an actual clash of interests or until the expansion of the owner’s mark into the infringer’s territory is on the verge of implementation so that the likelihood of public confusion looms large, there is no basis for an infringement suit.”). Therefore, the Court finds that even had the Greek Organizations properly challenged the jury instructions on lack of excuse, they would not have met their burden of demonstrating that, as a whole, the instructions create “substantial doubt as to whether the jury was properly guided in its deliberations.” *Green*, 284 F.3d at 659.

The question now before the Court is whether there was a legally sufficient evidentiary basis for a reasonable jury, as instructed, to find that the Greek Organizations’ delay was not excused. The Court concludes that there was. The evidence introduced at trial showed that Paddle Tramps’s products and

operations have remained largely consistent since Abraham founded the company in the 1960s, that Paddle Tramps had established a national presence by 1990 by maintaining a prominent presence at Greek industry trade shows across the nation, employing traveling salesmen, and advertising its goods in a nationally distributed catalogue, and that Abraham started a website to market Paddle Tramps products in 1997. The jury further heard evidence that in 1995, the Greek Organizations specifically threatened litigation against Abraham, revealing their own impression that the scope of his use of their marks was actionable at that time, but did not file suit against him until 2007. Therefore, the Court finds that the evidence does not weigh “so strongly and overwhelmingly in favor of the Greek Organizations that a reasonable jury could not arrive at a contrary verdict. Accordingly, the Court DENIES the Greek Organizations’ renewed motion for judgment as a matter of law and GRANTS Abraham’s Motion for Judgment on the Verdict with respect to lack of excuse.

d. Acquiescence

Finally, the Greek Organizations argue that the issue of acquiescence should not have been submitted to the jury at all. The Greeks contend that because each organization ultimately objected to Abraham’s use of their marks, the only type of acquiescence that the jury could have found was implied acquiescence. Therefore, the Greeks object to the fact that express acquiescence was submitted to the jury. The Greek Organizations further object to the jury’s finding of

implied acquiescence because such a finding impacts only the amount of damages that may be awarded. *See Menendez v. Holt*, 128 U.S. 514, 528-29 (1888) (explaining that implicit acquiescence bars any claim for damages arising prior to the termination of the acquiescence). They argue that because the damages calculation was bifurcated from the instant case, implied acquiescence was not relevant to any of the issues before the jury.

The Court declines to entertain the Greek Organizations' Motion for Judgment as a Matter of Law on this issue. It is well established that express or implied acquiescence can bar recovery for trademark infringement. *Conan Props.*, 752 F.2d at 152 ("The jury's affirmative finding of acquiescence establishes the reliance necessary to preclude the issuance of an injunction."). The Greek Organizations do not dispute that evidence that the Greek Organizations impliedly acquiesced in Abraham's use of the marks before they issued cease and desist letters was introduced at trial. Therefore, implied acquiescence was a properly asserted defense to infringement and the matter was properly submitted to the jury. Further, even if it should not have gone to the jury, by the Greeks' own admission, it could not have "affected the outcome of the case" such that reversal might be merited because of the jury's findings on laches, lack of excuse, and unclean hands. *Green*, 284 F.3d at 659. To put it another way, the jury's decision on acquiescence has no bearing on the outcome of this case in light of its other findings. Accordingly, the Court DENIES the Greek Organizations Motion for Judgment as a Matter of Law on this basis, and GRANTS Abraham's Motion

for Judgment on the Verdict with respect to implied acquiescence.

For the aforementioned reasons, Abraham's Motion for Judgment on the Verdict is GRANTED and the Greek Organizations' Renewed Motion for Judgment as a Matter of Law is DENIED.

B. Entry of a Permanent Injunction

The Greek Organizations also move for entry of an injunction permanently enjoining Abraham from using their marks in the future. Abraham contends the length of the Greek Organizations' delay merits denial of prospective injunctive relief in this case.

1. Legal Standard

"A finding of laches alone ordinarily will not bar the plaintiff's request for injunctive relief, although it typically will foreclose a demand for an accounting or damages." *Conans Prop.*, 752 F.2d at 152 (citing *Menendez v. Holt*, 128 U.S. 514, 524 (1888)). However, "[t]here is a narrow class of cases where the plaintiffs delay has been so outrageous, unreasonable and inexcusable as to constitute a virtual abandonment of its right." *Univ. of Pittsburgh v. Champion Prod., Inc.*, 686 F.2d 1040, 1044 (3rd Cir. 1982). In order to determine whether a permanent injunction should issue after a successful laches defense, courts consistently focus on the degree of prejudice the defendant would suffer in the event the infringing use is enjoined. *See, e.g., Conans Prop.*, 752 F.2d at 153 (declining to impose a permanent injunction where the defendant had invested heavily in the infringing use during the plaintiffs delay, but imposing a permanent

injunction where enjoining the use would only minimally prejudice the defendant); *Champion Prod.*, 686 F.2d at 1048-49 (reversing a denial of a permanent injunction where the evidence suggested the degree of prejudice a permanent injunction would impose on the defendant was minimal); *Birney*, 2000 WL 33538621, at *9, *11 (declining to permanently enjoin the infringing use where the defendant had invested heavily in the infringing use during the defendant's delay).

In *Conans Properties*, the plaintiff owned rights to the "Conan the Barbarian" comic books, and the defendant operated restaurants called "Conans Pizza" that employed the comic icon as a theme. *Conans Prop.*, 752 F.2d at 147-48. The defendant opened five "Conans Pizza" restaurants in Austin between 1976 and 1980, and one in San Antonio in 1982. *Id.* at 148. In 1981, the mark owner sent the defendant a cease and desist letter and filed suit the following year, just after the defendant opened the San Antonio branch. *Id.* The jury found infringement, but declined to award damages because the defendant successfully argued laches and acquiescence. *Id.* at 149. The plaintiff moved for injunctive relief after trial, and the district court denied the motion. *Id.*

On appeal, the Fifth Circuit was charged with determining whether the district court properly denied prospective injunctive relief. The *Conans* court upheld the district court's denial of injunctive relief with respect to restaurants the defendant opened in Austin because the plaintiff had "unreasonably delayed in protecting its rights in Austin, and its dilatoriness

prejudiced Conans.” *Id.* at 152. However, the court also found that the plaintiffs delay did not preclude a permanent prospective injunction prohibiting the defendant’s use of the mark outside of Austin, because the defendant had invested little in the new San Antonio location, and any prejudice a permanent injunction would impose would be minimal. *Id.* at 153. The key inquiry in *Conan’s* was the degree of prejudice the defendant suffered during the mark owner’s delay:

An injunction against future infringement in a particular locale when laches and acquiescence have been found, as in this case, is properly denied if the plaintiff’s delay or other conduct either induced reliance on the defendant’s part or will result in substantial prejudice to the defendant if the plaintiff is permitted to enforce its rights in the trademark . . . The result is different, however, when the asserted future infringement would occur in a geographical area other than the one in which the plaintiff waived its right to protect its mark. In the new geographical area where the defendant has not yet expanded its business, the defendant is hard pressed to demonstrate how it could have relied to its detriment upon the plaintiff’s inactivity or other conduct.

Id.

In *HG. Shopping Centers, L.P. v. Birney*, the court determined a permanent injunction was not an appropriate remedy in light of the length of the plaintiffs delay. *Birney*, 2000 WL 33538621, at *11.

The plaintiff in *Birney* sought to enforce his trademark rights to the name “The Galleria,” a popular Houston commercial development, against nearby condominiums called the “Galleria Oaks.” *Id.* at * 1. Shortly after the Galleria Oaks opened in 1978, the mark owner sent a letter objecting to the residential development’s use of the “Galleria” name. *Id.* This was the first in a series of letters that the plaintiff sent to the Galleria Oaks for over twenty years protesting the use of the name. *Id.* at * 1-2. When the plaintiff finally filed suit against Galleria Oaks in 1999, the defendant asserted a laches defense. *Id.* at *4. The Court granted summary judgment in favor of the defendant, determining that no permanent injunction should issue because the defendants had invested in “advertising and property maintenance through the years in addition to the recent multimillion dollar renovation,” and had not “expanded or intensified their use of the ‘Galleria’ name after notice of Plaintiffs objections.” *Id.* at *9, * 11.

In *University of Pittsburgh v. Champion Products*, the court was charged with determining whether laches barred a permanent injunction where the infringement involved the sale of exact replicas of the protected marks. The court adopted a test balancing the length of the mark owner’s delay against the degree of prejudice the defendant would suffer if the unlicensed use was permanently enjoined. *See id.* at 1046 (rejecting “Champion’s contention that Pitt’s delay alone has barred its right to prospective relief and hold[ing] that such a bar must depend upon the degree to which Pitt’s delay may have prejudiced Champion”). The defendant had created the market for

soft goods sporting the plaintiffs marks and enjoyed use of the marks for over forty years before the plaintiff filed suit. However, by the time the University of Pittsburgh filed suit, the defendant used the marks of over 10,000 other schools on its soft goods and had only invested in Pitt's marks to the extent that it had purchased disposable screens to print the designs. *Id.* at 1048-49.

The Third Circuit reversed the district court's finding that the defendant's successful laches defense barred permanent injunctive relief and remanded the matter for further consideration because the evidence suggested that the prejudice a permanent injunction would have imposed on the defendant was minimal. In reaching its conclusion, the court cited language from the Fifth Circuit's *Boston Hockey* decision, in which the court found that "only a prohibition of the unauthorized use will sufficiently remedy the wrong" where the defendant was engaged in the sale of exact replicas of the plaintiffs marks. *Id.* at 1049 (citing *Boston Pro Hockey*, 510 F.2d at 1013). While the defendant in *Boston Hockey* did not assert laches or acquiescence defenses, the Third Circuit's citation in the context of a successful laches defense does suggest that where the infringing user employs exact replicas of the plaintiffs marks, a thumb is placed on the permanent injunction side of the scale. In all three of the above-discussed cases, the courts' primary inquiry in determining whether to issue a permanent injunction against the infringing use notwithstanding a successful defense was the degree of prejudice such an injunction would impose on the defendant.

2. Application

The Greek Organizations do not dispute that they did not file suit to enforce their marks until forty years after Paddle Tramps began using them in its products. Nevertheless, they petition the Court to permanently enjoin two of Paddle Tramps's infringing practices notwithstanding the jury's findings of laches and acquiescence: (1) the use of the Greek Organizations' names and insignia in Paddle Tramps's advertising, including Internet advertising, and (2) sales of wood-carved replicas of the Greek Organizations' full names and crests, and wood backings carved in the outline of the Greeks' crests (the "double-raised crests"). In order to determine whether the injunction should issue, the Court balances the equities, weighing the degree of prejudice Abraham would suffer if either use was permanently enjoined against the Greeks' right to exclusive use of the marks and the public interest in avoiding consumer confusion caused by their continued use.

a. Advertising

The Court is of the opinion that any prejudice Abraham would suffer as a result of a permanent injunction against future use of the Greeks' marks for advertising purposes is insufficient to bar injunctive relief. In his initial response to the Greeks' Motion for a Permanent Injunction, Abraham introduced little-to-no evidence that being enjoined from using the Greeks' marks in Paddle Tramps's advertising would prejudice him. As the Greeks point out, Abraham can advertise his products without perpetuating the infringement by replacing the trademarked images in Paddle Tramps

catalogues and on the company's sample products and website with the names and images of any of the Greek Organizations that do not sponsor licensing programs, or by using a made-up name and crest. In his supplemental brief, Abraham argues that not being able to use the Greeks' marks in advertising would dramatically impact the company's business because potential customers would be deterred by not seeing their organizations' marks on sample Paddle Tramps products. Abraham suggests it could alleviate potential consumer confusion by placing "conspicuously displayed affirmative disclaimers on the crest and paddle kit pages of Paddle Tramps's website, on order forms, catalogs or brochures, in trade show booths, and on the packaging of the double raised, mini and engraved crests in its inventory and in its retail store." Pl.'s Supplemental Br. I (Doc. No. 151). Abraham further contends that having to replace existing samples bearing the marks would cost Paddle Tramps tens of thousands of dollars.

The Court does not find Paddle Tramps arguments persuasive. Paddle Tramps's products are marketed to the members of Greek Organizations who understand that their fraternity or sorority is one of any number of organizations nation-wide. This is a sophisticated audience that can easily envision a customized product based on examples bearing the marks of a mythical Greek organization or one that does not have a licensing program. Even if the use of non-infringing examples in advertising is not the *best* marketing technique, Abraham has not produced sufficient evidence to show that being enjoined from

using the Greeks' marks on its sample products would cause sufficient prejudice to avoid injunctive relief.

With respect to Abraham's proposed use of a disclaimer, the Court is of the opinion that this is not the type of case in which a disclaimer will effectively balance the equities. In those cases where the Fifth Circuit has ordered the use of disclaimers, additional factors, not present here, have weighed in favor of the unlicensed users' continued use of the marks. For example, in *Westchester Media v. PRL USA Holdings, Inc.*, the court found disclaimers were an appropriate method of balancing the equities when the defendant's First Amendment rights were at stake: "Where the allegedly infringing speech is at least partly literary or artistic, however, and not solely a commercial appropriation of another's mark, the preferred course is to accommodate trademark remedies with First Amendment interests. . . . One obvious mode of accommodation is a disclaimer." *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 672 (5th Cir. 2000). In *Pebble Beach Co. v. Tour 18 I, Ltd.*, the Defendant, the owner of a golf course, modeled certain holes after signature holes at famous golf courses. *Pebble Beach Co. v. Tour 18 I, Ltd.*, 155 F.3d 526, 533 (5th Cir. 1998). The court permitted the use of statements disclaiming any endorsement, sponsorship, or affiliation with the famous golf courses only after determining that the Defendant's use of the marks to identify these courses was nominative, placing it "outside the strictures of trademark law." *Id.* at 552. Where no additional factors weigh in favor of the unlicensed user's continued use of the marks and the unlicensed marks are exact replicas of the mark

owner's marks, the Fifth Circuit has found that the "unfair competition cannot . . . be rendered fair by[] disclaimer." *Boston Pro Hockey*, 510 F.2d 1004, 1013.

Paddle Tramps attempts to distinguish *Boston Pro Hockey* on the ground that in that case the Defendant did not plead laches. However, this does not impact the Court's analysis, which focuses on whether a permanent injunction should issue *notwithstanding* Abraham's success in avoiding money damages by way of his laches defense. Because no additional factors weigh in favor of Abraham's continued, unlicensed use of the Greeks' marks in advertising and because the images are exact replicas of the Greeks' names and marks, this case is more closely aligned with *Boston Pro Hockey* than the above-described cases where the use of disclaimers effectively balanced the equities.²

Finally, the Greeks make clear in their supplemental response that they are not asking Paddle Tramps to recall those samples it has already issued; they ask only that the company not create or provide samples bearing their marks in the future. Therefore, Abraham will not have to spend any money recalling and replacing existing samples in order to comply with the injunction.

² In their supplemental briefing, the parties spend a great deal of time debating whether "initial interest confusion," or the legal concept of luring customers into the unlicensed user's shop with infringing activity, should impact this Court's analysis of the use of disclaimers in this case. Because the Court finds that disclaimers will not effectively balance the equities regardless of initial interest confusion, it need not consider these arguments.

For these reasons, the Court finds that Abraham has not shown that the prejudice he would incur if permanently enjoined from using the Greeks' names and marks in Paddle Tramps's advertising is significant enough to bar injunctive relief, notwithstanding the Greek Organizations' initial delay in enforcing their rights. Accordingly, Abraham is PERMANENTLY ENJOINED from using the Greeks' names or marks in any Paddle Tramps advertising, in print or online, with the following narrow exception: the Fifth Circuit has made clear that "it is not a violation of trademark law to sell another mark owner's genuine goods unless the manner in which the defendant sells those genuine goods improperly suggests endorsement by, sponsorship by, or affiliation with the mark owner." *Mary Kay, Inc. v. Weber*, 661 F.Supp.2d 632, 645 (N.D. Tex. 2009). Because Paddle Tramps markets licensed decals in addition to its infringing products, it is permitted to label those particular licensed products on its website and in its promotional materials with the names of the Greek Organizations that they represent; *e.g.* "Alpha Chi Omega Decal."

b. Products

The Court is of the opinion that the prejudice Abraham would suffer as a result of a permanent injunction against future use of the Greeks' marks on Paddle Tramps's products weighs in favor of barring permanent injunctive relief with respect to the double-raised crest backing, but not the full names of the organizations or the wood-carved replicas of their crests. At trial, Abraham testified that he created the

market for the type of products Paddle Tramps sells and built up a business around them. He explained that throughout the life of his business he invested between \$1,250,000 and \$1,750,000 in wood-carving equipment. As noted above, when Paddle Tramps started out, this equipment was used primarily to create the infringing products, namely the Greeks' insignia, crests, and backing in the outline of the crest that off-sets the crest from the face of the paddle in an aesthetically pleasing way (the "double-raised crest"). As Paddle Tramps grew, the equipment began to be used for additional, non-infringing uses. However, Abraham and his co-workers introduced evidence at trial that the "double-raised crest" drives sales of Paddle Tramps's products. By the time the Greeks sent their first cease and desist letter in 1990, Abraham had been using his signature double-raised crest for close to thirty years. Abraham and his employees testified that Paddle Tramps's business would be devastated if it was enjoined from selling this unique feature.

The Greek Organizations contend that any prejudice Abraham would endure if permanently enjoined from selling products sporting their marks is minimal because they account for only 2.44% of Paddle Tramps's total sales. The Greeks further argue that Abraham's infringing sales should be enjoined because Paddle Tramps products employ exact replicas of the marks; Abraham's facilities and equipment can be used to make noninfringing products; and Abraham received warning letters advising him of the Greeks' objection to his use of their marks for seventeen years

before they filed suit, and therefore Abraham has invested in Paddle Tramps at his own risk since 1990.

With respect to the full names of the Greek Organizations and the wood-carved replicas of their crests, the Court agrees with the Greek Organizations that the equities weigh in favor of a permanent injunction. Since Paddle Tramps transitioned to a wholesale business model where individual Greek letters make up the majority of its sales, and since it started selling the licensed decals in addition to the wood-carved crests, these items are far less popular with customers than they have been in the past. Further, these products are exact replicas of the Greeks' marks, which adds a thumb on the scale in favor of the Greeks.

However, with respect to the wood backing for the double-raised crests, the Court is of the opinion that the Greeks' arguments ignore the extent of Abraham's investment in the creation and sale of these products, which developed for over forty years while the Greek Organizations delayed in filing suit, and the extent to which these unique features benefit the sale of Paddle Tramps's other products. The degree of potential prejudice here is comparable to that which the defendants in *Conan's Pizza* and *Birney* would have faced had they been completely denied use of the plaintiffs' marks after investing in their businesses for the duration of the plaintiffs' delay. Further, as in *Birney*, the long period over which the Greek Organizations sent letters threatening litigation only re-enforced the impression that they would not take legal action to protect their marks. *Birney*, 2000 WL

33538621, at *9. Therefore, the Court finds that Abraham has shown that the prejudice he would suffer if permanently enjoined from using the double-raised crests is sufficiently significant to bar permanent injunctive relief. Accordingly, the Greek Organizations' Motion for Entry of a Permanent Injunction is GRANTED with respect to Abraham's sale and use of the full names of the Greek Organizations and the wood carved replicas of the Greeks' marks and DENIED with respect to Abraham's sale and use of the double-raised crest backing in Paddle Tramps products.

For the aforementioned reasons, the Greek Organizations' Motion for Entry of a Permanent Injunction is GRANTED to the extent that Abraham is PERMANENTLY ENJOINED from using the Greek Organizations' names and marks in his catalogues, on his website, or in any other advertising materials; with the limited exception of labeling the licensed decals with the name of the corresponding Greek Organization; and PERMANENTLY ENJOINED from making or selling the full names of the Greek Organizations or wood-carved replicas of the Greek's crests. The Greek Organizations' Motion is DENIED to the extent that Abraham's sale of the double-raised crest backing in the outline of the Greeks' crests is not enjoined.

The Court provides the following guidance to Paddle Tramps to enable it to offer the double-raised crests of the Greek Organizations without using the Greeks' names in its advertising or order forms: The infringing and unlicensed yet permitted double-raised

backing for the licensed decals may be identified in Paddle Tramps's marketing materials only by generic language such as "crest backing." Where the customer wants to place an order for the double-raised backing for a specific crest, the customer must write or type the name of the organization in a field designated for that purpose on the order form, or select the licensed decal properly labeled with the name of the organization and indicate he or she also wants the crest backing that corresponds to that organizations' decal.

C. Costs

Finally, Abraham moves for an award of costs. of court. Rule 54(d)(1) of the Federal Rules of Civil Procedure provides that the prevailing party is entitled to recover costs of court. Fed. R. Civ. P. 54(d)(1). The Greek Organizations argue that costs should not be awarded unless only one party prevails on all matters at issue. The Court agrees. Because the Greek Organizations received summary judgment of infringement in their favor and a partial permanent injunction against Abraham's future use of their marks, each party will bear his own costs. Accordingly, Abraham's request for an award for costs of court is DENIED.

III. Conclusion

For the aforementioned reasons, the Court rules as follows:

- 1) Abraham's Motion for Judgment on the Verdict is GRANTED;
- 2) The Greek Organizations' Cross-Motion for Judgment as a Matter of Law is DENIED;

3)The Greek Organizations' Motion for Entry of a Permanent Injunction is GRANTED to the extent that Abraham is permanently enjoined from using the Greeks' names and marks in his catalogues, on his website, or in any other advertising materials, with the limited exception of using the organization's name to identify the licensed decals; and permanently enjoined from making or selling the full names of the Greek Organizations or the wood-carved replicas of the Greeks' crests. The Motion is DENIED to the extent that Abraham's creation and sale of the wood-carved backing in the outline of the Greeks' crest is not enjoined; and

4)Abraham's Motion for Costs of Court is DENIED.

IT IS SO ORDERED.

Signed this 7th day of May, 2012.

/s/ Royal Furgeson

Royal Furgeson

United States Senior District Judge

APPENDIX C

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

Case No.: 3.08-cv-570-F

THOMAS KENNETH ABRAHAM d/b/a PADDLE
TRAMPS MFG. Co., Plaintiff,

v.

ALPHA CHI OMEGA ET AL., Defendants.

ORDER DENYING PLAINTIFF'S MOTION FOR
SUMMARY JUDGMENT

BEFORE THE COURT is a Motion for Summary Judgment filed by Plaintiff Paddle Tramps Manufacturing Company ("Paddle Tramps") (Docket No. 48). Defendants in this case, an assortment of fraternity and sorority organizations ("the Greek Organizations"),¹ filed a Response (Docket No. 63), and

¹ The Greek Organizations include Alpha Chi Omega, Alpha Delta Pi, Alpha Gamma Delta, Alpha Gamma Rho, Alpha Omicron Pi, Alpha Phi, Alpha Tau Omega, Alpha Xi Delta, Beta Theta Pi, Chi Omega, Chi Phi, Delta Chi, Delta Delta Delta, Delta Gamma, Delta Phi Epsilon, Delta Tau Delta, Gamma Phi

Paddle Tramps filed a subsequent Reply (Docket No. 70). In a previous Order (Docket No. 75), the Court granted the Greek Organizations' Motion for Summary Judgment as to their claims, determining that Paddle Tramps had committed trademark infringement and unfair competition under federal law and trademark dilution under Texas state law. The instant Motion concerns Paddle Tramps's contention that the Greek Organizations' claims of trademark infringement, unfair competition, and trademark dilution are barred by the defenses of laches and acquiescence. The Court held a hearing to address this Motion on May 26, 2011. After hearing oral arguments, the Court asked the parties to provide supplemental briefing on the issue of how a finding of laches and acquiescence would impact the potential relief available in this case. These supplemental briefs were filed on June 9, 2011 (Docket Nos. 78 & 79). After considering the arguments of both parties, the Court is of the opinion that Paddle Tramps's Motion for Summary Judgment should be DENIED.²

I. Factual and Procedural History

For the purpose of this Motion for Summary Judgment, the Court shall view the facts in the light

Beta, Kappa Alpha, Kappa Delta, Kappa Sigma, Lambda Chi Alpha, Phi Delta Theta, Phi Kappa Sigma, Phi Kappa Tau, Phi Kappa Theta, Pi Kappa Alpha, Pi Beta Phi, Sigma Alpha Epsilon, Sigma Chi, Sigma Kappa, Sigma Phi Epsilon, and Tau Kappa Epsilon, along with their corporate affiliates.

² This resolves Docket No. 48.

most favorable to the non-moving party. *General Univ. Sys., Inc. v. Lee*, 379 F.3d 131, 137 (5th Cir. 2004); *Texas Tech Univ. v. Spiegelberg*, 461 F. Supp. 2d 510, 528 (N.D. Tex. 2006) (Cummings, J.). The Court discussed the facts of this case related to infringement and dilution in its previous Order Granting in Part and Denying Without Prejudice in Part the Greek Organizations' Motion for Summary Judgment (Docket No. 75). Here, the Court shall discuss facts primarily relevant to the merits of Paddle Tramps's defenses of laches and acquiescence, and the parties' arguments regarding the applicability of those defenses.

A. The Parties

The 32 defendants and counter-plaintiffs in this case are all Greek fraternity and sorority organizations with chapters on college campuses throughout the nation. All of the Greek Organizations were founded no later than 1959, and most of them are over 100 years old. The Greek Organizations act as holding-type companies which hold ownership of their properties, including their trademarks. Those trademarks, which include Greek letter combinations, symbols, and crests, are often used on ceremonial decorative paddles and other merchandise sold to members of the Greek Organizations through various vendors.

Paddle Tramps was founded by Thomas Kenneth Abraham ("Kenneth Abraham"), who had been a pledge in the Phi Gamma Delta fraternity in 1960 in

Lubbock, Texas in 1961.³ Kenneth Abraham testified that he founded the business after seeing the difficulties for pledges who were undergoing the process of constructing a ceremonial paddle. Paddle Tramps's purpose was to provide materials to members of Greek Organizations for them to construct traditional decorative paddles. Generally, Paddle Tramps would provide fraternity and sorority members with blank paddles and various wooden figures to decorate them, and the members would glue the figures to the paddle itself. The wooden figures sold by Paddle Tramps included individual Greek letters, which, while not associated with any Greek Organization when considered individually, could be combined to form the Greek letter insignia of a fraternity or sorority. Paddle Tramps also sold wooden replicas of the Greek Organizations' crests and symbols that could be glued to a ceremonial paddle. Paddle Tramps largely markets its products through wholesaling and sales at individual retailers, as well as at its own shop in Lubbock, Texas. Paddle Tramps also distributed catalogs for individual orders to potential customers. According to Paddle Tramps, the services provided by Kenneth Abraham and Paddle Tramps were either not available or scarcely available at the time of its founding.

In 1997, Paddle Tramps founded a website (www.paddletramps.com). At first, the website merely provided information about Paddle Tramps's products.

³ Phi Gamma Delta is not a party to this action.

In 2001, however, Paddle Tramps began accepting orders from customers through its website. As part of its sales efforts, Paddle Tramps would offer “paddle kits” for sale. The “paddle kits” would contain a blank paddle and all of the letters, symbols, and other figures necessary for a member of a Greek Organization to decorate the paddle. The “paddle kits” were identified on the website with individual Greek Organizations; for example, a member of Delta Delta Delta could go on Paddle Tramps’s website and select and order a “Delta Delta Delta Paddle Kit,” which would contain all of the materials necessary for the member to construct her paddle, without ordering all of the individual pieces. The Greek Organizations have also alleged that Paddle Tramps has purchased keyword advertising code from Internet search engines and service providers and has embedded the keyword of the Greek Organizations in its website, so that a search for that Greek Organization and the materials necessary to construct a paddle would appear at the top of any Internet search.

B. Paddle Tramps’s Initial Contacts with the Greek Organizations

Following Paddle Tramps’s founding, Kenneth Abraham visited various Texas Tech fraternity and sorority houses showcasing his products, and took orders from Paddle Tramps’s store location in Lubbock, Texas. By 1964, Paddle Tramps had arranged for products to be manufactured and shipped to customers from its Lubbock location. As the 1960s progressed, Paddle Tramps’s business expanded outside of the state of Texas. Paddle Tramps utilized

its own catalogs and traveling salesmen to contact fraternity and sorority chapters at various schools to advertise their products. Eventually, Paddle Tramps began wholesaling its products to stores and retail outlets. Kenneth Abraham's testimony indicates that he was selling products for all of the Greek Organizations who are parties to this lawsuit by 1966, and corresponded with members of a number of the organizations. In its catalog published in 1966, Paddle Tramps specifically advertised individual products for a number of the Greek Organizations. Certain Greek Organizations, such as Delta Delta Delta, distributed Paddle Tramps's catalog as early as 1968. Delta Shop, an affiliate of Delta Delta Delta, specifically worked with Paddle Tramps to distribute products for its national conventions in the late 1960s. Other organizations apparently became aware of Paddle Tramps's business throughout the 1970s and 1980s. As the business grew, Paddle Tramps began wholesaling its products to third-party stores throughout the country and participating in various trade shows.

At no point during this early period of its existence did Paddle Tramps attempt to enter into a licensing agreement with any of the Greek Organizations. Conversely, the Greek Organizations did not reach out to Paddle Tramps about obtaining a license to sell products bearing the Greek Organizations' names, insignia, or crests during this time. Paddle Tramps raises a number of indications that the Greek Organizations, either individually or collectively, were aware of or should have been aware of Paddle Tramps's unlicensed use of their marks, either through the distribution of catalogs, sales to their

members, presence at trade shows, or other interactions. However, at no point did the Greek Organizations attempt to stop Paddle Tramps from continuing its business throughout the first several decades of its existence.

C. The Greek Organizations' Licensing Programs

Despite the long histories of most of the Greek Organizations, most of them have only begun to enforce their marks with vigor within the past two decades. Through their charters, guides, and informational materials, the Greek Organizations indicate that commercial uses of their marks and insignia are limited. The Greek Organizations have undertaken licensing efforts in various ways since their creation. However, as the Greek Organizations admit, they have begun strongly pursuing vendors to become licensed and enforcing their trademarks in the past several decades, at least partly due to unlicensed vendors producing products that were tasteless or offensive. As part of this enhanced effort, each of the Greek Organizations currently have licensing programs, and license hundreds of vendors to produce memorabilia containing the Greek letter combinations, insignia, crests, and symbols. The Greek Organizations have hired Affinity Marketing Consultants ("AMC") to manage their licensing programs, which include over 10,000 licensing agreements with numerous authorized vendors to sell merchandise containing their Greek letter combinations, insignia, crests, and symbols. Most vendors of such merchandise are licensed, as Kyle Abraham, the son of Paddle Tramps's founder and an

officer of Paddle Tramps, admitted in his deposition. Defs.' App., Docket No. 55, at 51, Kyle Abraham Dep. at 53. Products licensed by the Greek Organizations are identified by a stylized symbol, which consists of a circle bordered by the characters of the Greek Alphabet and containing the words "Greek Licensed Product" in the center. *See* Defs.' App., Docket No. 55, at 309-10.

As part of their efforts to educate their members about licensing, the Greek Organizations have sent notices to members urging them to only purchase products bearing their Greek letter combinations, insignia, crests, and symbols from licensed vendors. This effort involves posting such information on the Greek Organizations' websites, publishing the information in fraternity and sorority newsletters, presenting the information at leadership conferences and in new member educational sessions, and through emails, letters, and flyers distributed to their members.

D. Later Objections to Use of Marks by Greek Organizations

In the 1990s, many of the Greek Organizations contacted Paddle Tramps via letters informing Paddle Tramps of their awareness of unlicensed use of the Greek Organizations' names and insignia and inviting Paddle Tramps to become licensed. Some of these efforts were undertaken by individual or groups of Greek Organizations; however, a number of them were done at their behest by AMC, which manages their licensing programs. Letters were sent requesting Paddle Tramps to become licensed by various Greek

Organizations in 1990, 1991, 1993, 1994, 1996, 1998, 2002, 2003, and 2004. Based upon these letters, Paddle Tramps asserts that 28 of the 32 Greek Organizations had actual knowledge of Plaintiff's use of their trademarks at least four years prior to counterclaims being filed in this case. The four remaining Greek Organizations notified Paddle Tramps of their objections to the use of their marks and the need to become licensed in 2006, but Paddle Tramps alleges that they had constructive knowledge of Paddle Tramps's use of their trademarks because of Paddle Tramps's long history of producing and advertising products containing their marks.

The first letter regarding licensing was sent to Paddle Tramps in 1990 by an organization known as "Greek Properties," which represented six of the Greek Organizations. The letter invited Paddle Tramps to become licensed with the Greek Organizations. Paddle Tramps contends that this was the first that they had heard of Greek Organizations licensing their marks. Paddle Tramps ignored the letter and continued its business. Greek Properties sent a second letter in May 1991, purporting to represent the same Greek Organizations and two additional ones, again inviting Paddle Tramps to become licensed. Kenneth Abraham was present at a meeting regarding licensing between various vendors and Greek Properties held in June 1991, where he expressed his belief that vendors need not be licensed and disagreed with Greek Properties' contention that licensing was a positive development for the industry. There were no further communications from the Greek Properties entity.

Paddle Tramps received communications from Sigma Chi in 1994, 1995, and 1998, seeking Paddle Tramps to become licensed. Paddle Tramps did not respond to Sigma Chi's requests. Paddle Tramps received a complaint from Pi Kappa Alpha in 1996, asking Paddle Tramps to cease using its marks. Representatives of Pi Kappa Alpha and Paddle Tramps discussed this request in July 1996. Although Paddle Tramps disagreed that it was required to be licensed to use Pi Kappa Alpha's marks, Paddle Tramps agreed to cease using an image adorned with Pi Kappa Alpha's name and symbols in its print advertising in a newspaper known as the *Campus Chronicle*.

Besides these communications with Sigma Chi and Pi Kappa Alpha, Paddle Tramps did not receive communications on behalf of multiple Greek Properties inviting them to become licensed again for the next several years. Mark Shaver founded AMC in 1997, and several of the Greek Organizations hired AMC to handle their licensing efforts. In February 1998, Paddle Tramps received a letter from AMC, representing four Greek Organizations, inviting Paddle Tramps to become licensed. Paddle Tramps did not respond to this letter. AMC sent similar letters to Paddle Tramps in July and November of 1998. Paddle Tramps again did not respond to these letters. In May 2000, Sigma Chi again contacted Paddle Tramps, informing it of Sigma Chi and other Greek Organizations' involvement with AMC, and again inviting it to become licensed. Paddle Tramps ignored the letter.

In August 2000, AMC sent a letter to Paddle Tramps demanding it to cease and desist using the marks of the Greek Organizations it represented, which by this point included Alpha Tau Omega, Delta Tau Delta, Delta Delta Delta, Kappa Delta, Kappa Sigma, Sigma Phi Epsilon, and Sigma Kappa. Paddle Tramps ignored this letter and did not halt its manufacture and distribution of merchandise with these Greek Organizations' marks. Paddle Tramps also ignored a follow-up letter sent in August 2001. In September 2002, AMC sent an additional email informing Paddle Tramps of an Eleventh Circuit decision affecting licensing rights.⁴

AMC sent a cease and desist letter on behalf of its clients in June 2003, and, after receiving no response, sent another cease and desist letter in January 2004, which was again ignored. After following up via letter and email in July 2004 and January 2005 and again receiving no response, AMC's law firm, Stites & Harbison PLLC, took over communications with Paddle Tramps in September 2006, in which they again demanded Paddle Tramps cease and desist using their marks. By this time, AMC represented all of the Greek Organizations who are parties in this case. Paddle Tramps continued their activities upon receiving these cease and desist letters, and insisted

⁴ The case that AMC mentioned in its email is *Sigma Chi Fraternity v. Sethscot Collection*, No. 98-2102-CIV-SEITZ, 2000 U.S. Dist. LEXIS 6332, at *33-*34 (S.D. Fla. Apr. 7, 2000), *aff'd* 48 F. App'x 739, 2002 U.S. App. LEXIS 22234 (11th Cir. 2002).

that it had the right to continue using the Greek Organizations' marks without a license.

E. The Instant Litigation

After continued communications between counsel for the Greek Organizations and Paddle Tramps and its representatives, Paddle Tramps filed suit in this Court on April 3, 2008, seeking a declaratory judgment determining that its use of the marks was not trademark infringement. The Greek Organizations filed its answer and counterclaims on May 30, 2008, asserting counterclaims against Paddle Tramps for trademark infringement, unfair competition, and trademark dilution. The parties each filed Motions for Summary Judgment in November 2010. In their Motion for Summary Judgment, the Greek Organizations argued that there was no genuine issue of material fact concerning the merits of their claims for trademark infringement, unfair competition, and trademark dilution. The Court granted their Motion in relevant part on April 26, 2011, determining that Paddle Tramps's use of the Greek Organizations' marks did constitute trademark infringement, unfair competition, and trademark dilution. However, the Court did not issue a decision on Paddle Tramps's Motion for Summary Judgment, which argued that even if Paddle Tramps had committed trademark infringement, the Greek Organizations' claims were barred by laches and acquiescence. The Court denied the Greek Organizations' Motion for Summary Judgment without prejudice in regard to its request for an injunction pending a decision on Paddle Tramps's Motion for Summary Judgment, and set a

hearing for May 26, 2011 to hear arguments concerning Paddle Tramps's defenses of laches and acquiescence.

The respective positions of Paddle Tramps and the Greek Organizations can be summed up as follows. Paddle Tramps contends that the Greek Organizations' delay and apparent toleration (or in at least one case encouragement) of its use of the marks over the preceding decades should prevent the Greek Organizations from enforcing their marks at this time. This view is primarily expressed in Paddle Tramps's Motion for Summary Judgment, which seeks to block the Greek Organizations' claims through the defenses of laches and acquiescence. Paddle Tramps is also virulently opposed to the Greek Organizations' claims that it has a right to license the use of their names, insignia, or symbols, despite the fact that many of those symbols are trademarked. This view is evidenced by Paddle Tramps's consistent disapproval of the Greek Organizations' attempts to license their trademarks with vendors such as itself since the early 1990s, and of its consistently ignoring the Greek Organizations' communications requesting them to apply for licenses or cease and desist using their marks.

In their Response, the Greek Organizations argue that Paddle Tramps cannot raise these defenses because, as an intentional infringer, it does not possess the clean hands necessary to access equitable defenses. The Greek Organizations further contend that, regardless of whether the Court finds in favor of Paddle Tramps in regard to laches and acquiescence,

they have the right to seek an injunction to prevent Paddle Tramps from using their trademarks without a license.

II. Summary Judgment Standard

Summary judgment is proper “if the pleadings, the discovery and disclosure materials on file, and any affidavits show that there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(c); *Willis v. Coca Cola Enters., Inc.*, 445 F.3d 413, 416 (5th Cir. 2006). A genuine issue of material fact exists when the evidence is such that a reasonable jury could return a verdict for the non-movant. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248-49 (1986). The non-moving party who bears the burden of proof at trial must go beyond the pleadings and present specific facts indicating a genuine issue for trial. *Celotex Corp. v. Catrett*, 477 U.S. 317, 324 (1986); *Piazza’s Seafood World, LLC v. Odom*, 448 F.3d 744, 752 (5th Cir. 2006). Summary judgment can be appropriate if the non-moving party “fails to make a showing sufficient to establish the existence of an essential element to that party’s case.” *Celotex*, 477 U.S. at 322-23. At this stage, all evidence and reasonable inferences to be drawn therefrom must be viewed in the light most favorable to the party opposing the motion. *United States v. Diebold, Inc.*, 369 U.S. 654, 655 (1962). “In determining whether there is substantial evidence to create a jury question, [the Court] is not free to weigh conflicting evidence and inferences, determine the credibility of witnesses, or substitute [its] judgment of

the facts for that of the jury.” *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1387 (5th Cir. 1996).

III. Paddle Tramps’s Ability to Access Equitable Defenses

Laches is defined as an inexcusable delay that results in prejudice to a defendant. *Conan Props., Inc. v. Conans Pizza, Inc.*, 752 F.2d 145, 153 (5th Cir. 1985). To demonstrate laches, Paddle Tramps must show (1) delay in asserting one’s trademark rights, (2) lack of excuse for the delay, and (3) undue prejudice to the alleged infringer caused by the delay. *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658,668 (5th Cir. 2000). A district court enjoys considerable discretion in deciding whether to apply the doctrine of laches. *National Ass’n of Gov’t Emps. v. City Pub. Servo Bd. of San Antonio, Tex.*, 40 F.3d 698, 707 (5th Cir. 1994). However, such discretion exists “to the extent the facts relevant to laches are undisputed on summary judgment.” *Id.* “[A]cquiescence involves the plaintiffs implicit or explicit assurances to the defendant which induces reliance by the defendant.” *Conan Props.*, 752 F.2d at 153. “As affirmative defenses, [Paddle Tramps] must prove how it will be prejudiced by the [Greek Organizations’] unreasonable delay and implicit or explicit assurances.” *Id.*

However, both of these defenses are equitable defenses, and before determining whether Paddle Tramps has successfully demonstrated the defenses of laches and acquiescence, the Court must determine whether Paddle Tramps is barred from asserting these defenses due to unclean hands. *See Carmona v. Rubio*, No. H-06-228, 2007 WL 543438, at *5 (S.D. Tex. Feb.

16, 2007) (Atlas, J.) (“As a threshold matter, a defendant with ‘unclean hands’ may not prevail on the equitable defense of laches.”); 4 CALLMAN ON UNFAIR COMPETITION, TRADEMARKS, AND MONOPOLIES § 23.26 (4th ed. 2010) (“Intentional infringement is a dispositive, threshold inquiry that bars further consideration of the laches defense, not a mere factor weighed in balancing the equities.”).

The Fifth Circuit has addressed the issue of unclean hands barring the assertion of the defenses of laches and acquiescence on several occasions, and the parties dispute how the Fifth Circuit’s precedent should be applied. The first case of importance to come before the Fifth Circuit was *Conan Properties, Inc. v. Conans Pizza, Inc.*, 752 F.2d 145 (5th Cir. 1985). In *Conan Properties*, the defendants opened a restaurant in Austin, Texas called “Conans Pizza,” and their promotions and decorations featured a barbarian-like man that looked similar to the character of Conan the Barbarian, which was owned by an entity affiliated with its creator’s estate and an author that wrote stories about the character. *Id.* 148. The owner of the “CONAN THE BARBARIAN” mark sued, and the defendants raised the defenses of laches and acquiescence. *Id.* at 147. The owner of the mark asserted that the owners of “Conans Pizza” were intentional infringers who possessed unclean hands and could not assert those equitable defenses.

Addressing this issue, the Fifth Circuit stated, “To foreclose the laches and acquiescence defenses, 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 its goodwill.” *Id.* at 150. The Fifth Circuit held that the defendants did not possess unclean hands and were therefore not foreclosed from the defenses of laches and acquiescence, determining, “Although there appears to be little doubt that Conans intended to use the CONAN THE BARBARIAN mark and image, sufficient doubt exists regarding whether that use was designed to capitalize on CPI’s goodwill.” *Id.* at 151. The *Conan Properties* court elaborated, “The issue in this case is not whether Conans intended to use the CONAN THE BARBARIAN mark and image but whether Conans intended to derive benefit from and capitalize on CPI’s goodwill in the CONAN character by using the mark in the manner in which it did.” *Id.* at 151 n.2. The evidence before the district court in that case included the defendants’ testimony that, although they were aware of the character’s existence, they adopted the mark because they liked the way the word sounded in their jingle and that it would be a clever and unique way of marketing their service and product. *Id.* at 151. Furthermore, the defendants believed that the character was neither well known nor popular in Austin, and that they were aware of no other food product that used the CONAN mark or image. *Id.* Additionally, the use of the mark in the food industry was different from its traditional use as an entertainment icon. The Fifth Circuit accordingly held that the plaintiffs had not met their burden of proving that the defendants subjectively and knowingly intended to use the mark for the purpose of deriving benefit from the plaintiffs’ goodwill. *Id.*

The Fifth Circuit addressed this issue once again in *Board of Supervisors for Louisiana State University Agricultural & Mechanical College v. Smack Apparel*, 550 F.3d 465 (5th Cir. 2008). In *Smack Apparel*, an apparel company was manufacturing, marketing, and selling t-shirts containing the color schemes of several large universities and certain phrases closely identified with the success of those universities' football teams. *Id.* at 472-73. The apparel company did not have a license or permission from the universities to sell these products. *Id.* at 472. The universities sued the apparel company, seeking to enjoin them from making and selling t-shirts with these indicators on them. The apparel company asserted that because members of the Louisiana State University athletic department purchased several of their shirts years before litigation began and did not protest, laches barred LSU from asserting claims of infringement. *Id.* at 489.

The Fifth Circuit affirmed the district court's determination that the apparel company did not have the clean hands necessary to assert the defense of laches. Citing *Conan Properties*, the Fifth Circuit held, "A defendant who intentionally infringes a trademark with the bad faith intent to capitalize on the markholder's good will lacks the clean hands necessary to assert the equitable defense [of laches]." *Id.* at 490. In affirming the district court's decision, the Fifth Circuit distinguished the situation before it from *Conan Properties*, writing,

In *Conan Properties*, we held that although a defendant's intentional use of a plaintiff's

mark may give rise to “a presumption that the defendant intended to cause public confusion as to the source or sponsorship of the product,” such an intentional use “does not give rise to a presumption that the defendant intended to appropriate the plaintiff’s good will” Unlike *Conan Properties*, the record here establishes the substantive and knowing bad faith necessary to foreclose an equitable defense. Smack did not simply admit that it knew the plaintiff Universities used marks similar to its own. Rather, it admitted that it intentionally incorporated the Universities’ color schemes and other indicia in order to specifically call the Universities to the public’s mind, thus deriving a benefit from the Universities’ reputation. The district court properly declined to apply the defense of laches.

Id. (footnotes omitted).

Smack Apparel thus holds that there are different standards of intent that a court must apply when discussing whether there was infringement as opposed to whether an infringer has unclean hands. To possess the unclean hands necessary to bar the assertion of the defense of laches, *Smack Apparel* provides that the infringer must have a bad faith intent to capitalize or appropriate the markholder’s good will. *Id.* In *Smack Apparel*, an admission that the apparel company used the universities’ marks to call those universities to the public’s mind, and therefore derive a benefit from their reputation, supported the determination that the

infringer possessed unclean hands. *Id.* This differed from *Conan Properties*, in which an infringer could access the defense of laches because there was evidence that the infringer, despite a prior awareness of the mark, did not use the mark in the same field as the mark-holder used it in, adopted it for the purported reason that it sounded good in an advertising jingle, and believed that the mark was not well known in the market. *Conan Props.*, 752 F.2d at 151.

Drawing from these precedents, it is clear that one who intentionally infringes a trademark with the bad faith intent to capitalize on the mark-holder's goodwill lacks the clean hands necessary to assert the equitable defense of laches. *Smack Apparel*, 550 F.3d at 490. The Greek Organizations' "heavy burden" of proving that Paddle Tramps's hands were unclean requires them to present subjective, rather than objective, evidence that Paddle Tramps knowingly intended to use the Greek Organizations' marks for the purpose of deriving benefit from the Greek Organizations' goodwill. *Conan Props.*, 752 F.2d at 150-51. Whether Paddle Tramps has unclean hands is a question of fact; should a genuine issue of material fact exist as to Paddle Tramps's intent to derive benefit from the Greek Organizations' goodwill, the matter should be resolved by a jury. *Ironclad, L.P. v. PolyAmerica, Inc.*, No. 3:98-CV-2600P, 1999 WL 826946, at *8 (N.D. Tex. Oct. 14, 1999) (Solis, J.).

The Greek Organizations contend that the facts of this case are analogous to those seen in *Smack Apparel*, and that this Court should reach the similar

conclusion that Paddle Tramps lacks the clean hands necessary to assert equitable defenses. However, this situation is distinguishable from that seen in *Smack Apparel* in several respects. For example, the Greek Organizations have not provided the Court with undisputed evidence of Paddle Tramps's bad faith intent to use the Greek Organizations' marks to derive benefit from the Greek Organizations' goodwill. In *Smack Apparel*, the Fifth Circuit upheld the district court's determination that laches was barred because Smack Apparel "admitted that it intentionally incorporated the Universities' color schemes and other indicia in order to specifically call the Universities to the public's mind, thus deriving a benefit from the Universities' reputation." *Smack Apparel*, 550 F.3d at 490. While it is true that Paddle Tramps has purposely used the Greek Organizations' marks, Paddle Tramps's intent is not nearly as clear as it was in *Smack Apparel*. In *Smack Apparel*, the Fifth Circuit concluded, based on the statements of an officer of the accused infringer that the similarity of the marks was "no coincidence" and that he designed the shirts to make people think of the mark owners, that "Smack intended to capitalize on the potential for confusion." *Id.* at 482. However, the Fifth Circuit recognized the possibility of an alternative intent that differs from an intent to capitalize: "Smack did not hope to sell its t-shirts because of some competitive difference in quality or design compared with the Universities' licensed products, but rather it intended to take advantage of the popularity of the Universities' football programs and the appearance of the school teams in the college bowl games." *Id.* at 482

(referencing *University of Ga. Athletic Assoc. v. Laite*, 856 F.2d 1535, 1545 (11th Cir. 1985)).

In this case, Paddle Tramps has presented evidence of an alternative intent other than capitalizing on the Greek Organizations goodwill, as well as evidence of circumstances where that alternative intent is plausible. See *Sno-Wizard Mfg., Inc. v. Eisemann Prods. Co.*, 791 F.2d 423,428 (5th Cir. 1986) (holding that a plausible explanation for the copying of a trade dress demonstrated an intent other than “cashing in’ on the plaintiff’s good will”). In many other cases involving the use of marks for universities or sports teams, the infringement began long after there was an established market for the goods or mark at issue. See *Smack Apparel*, 550 F.3d at 472 (infringing t-shirts sold to take advantage of universities’ marks that had been licensed to be sold in the same manner for decades); *Laite*, 856 F.2d at 1545 (use of the University of Georgia’s mark “because the cans would catch the attention of University of Georgia football fans”); *Boston Prof’l Hockey Ass’n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1008 (5th Cir. 1975)(use of the marks of National Hockey League teams on patches years after the marks had been used on similar products). In this case, Paddle Tramps has provided evidence indicating that at the time of Paddle Tramps’s founding, there was an extremely limited or no market for selling components of fraternity or sorority paddles; Paddle Tramps had started using the marks in an area and market where there were no or few alternatives or ability of Greek Organization members to purchase the products that it was producing. The Court believes that this is

sufficient evidence for a jury to conclude that Paddle Tramps was founded with the intent to provide a product to individuals who previously had no opportunity to obtain such a product, not with the intent to capitalize on the Greek Organizations' goodwill. *See Sno-Wizard*, 791 F.2d at 428 (holding that a "desire to provide interchangeable parts and repair the machines" for individuals unable to obtain such services from a mark owner demonstrated an intent of the alleged infringer that was different from an intent to pass off). While it is clear that Kenneth Abraham intended to use the Greek Organizations' trademarks, there is evidence to suggest that he did not, at that point, possess a bad faith intent to benefit from the Greek Organizations' goodwill. *See Conan Props.*, 752 F.2d at 151 (distinguishing intent to use a mark from intent to capitalize on a mark owner's goodwill); *see also* 4 CALLMAN ON UNFAIR COMPETITION, TRADEMARKS, AND MONOPOLIES § 23.26 (4th ed. 2010) (noting that an alleged intentional infringer may be still be able to assert laches if he had "good reason to believe that his act did not constitute an infringement, or a valid reason to rely on the acquiescence of the plaintiff.").

The Greek Organizations frequently cite statements of Paddle Tramps's founder and a current officer as evidence of impermissible intent. Paddle Tramps's founder, Kenneth Abraham, testified that new members of these organizations are "really excited, and they want stuff" bearing the insignia and crests of their respective fraternity or sorority, and they buy these items to "celebrate their involvement" with their fraternity or sorority. Def.' s App., Docket

No. 55, at 34-36, Kenneth Abraham Dep. at 180-82. Kyle Abraham, a current officer of Paddle Tramps, further testified, “[O]ne of the joys of being in a fraternity is . . . getting a bid and going and buying all of the cool stuff you can get with your . . . fraternity’s crest and things on it.” Def.’s App., Docket No. 55, at 63, Kyle Abraham Dep. at 208. The Court is of the opinion that a jury could interpret this testimony as evincing an intent to provide a service for members of Greek Organizations, not necessarily to capitalize upon the Greek Organizations’ goodwill. As the jury, not the judge, has “the exclusive authority to assess the credibility of witnesses,” *Brady v. Fort Bend Cnty.*, 145 F.3d 691, 714 (5th Cir. 1998), it would not be appropriate for the Court to grant summary judgment based on these statements, which could be subject to different interpretations.

The Greek Organizations further argue that the Court should find the intent sufficient to bar the assertion of laches and acquiescence because of the similarity of the marks at issue in this case and the fact that the products are sold in the same market. Like the alleged infringer in *Smack Apparel*, Paddle Tramps is using the Greek Organizations’ marks in the very same field in which licensed products are used. *Smack Apparel*, 550 F.3d at 472-74. As one prominent treatise noted, an infringer cannot assert that it possessed good faith “when the marks and goods involved are identical and the goods are sold through the same channels to the same purchasers for the same use.” 4 CALLMAN ON UNFAIR COMPETITION, TRADEMARKS, AND MONOPOLIES § 23.26 n.14 (4th ed. 2010) (citing *Chun King Corp. v. Genii Plant Line, Inc.*,

403 F.2d 274, 276 (C.C.P.A 1968)); *see generally* *PIU Mgmt., LLC v. Inflatable Zone Inc.*, No.H-08-2719, 2010 WL 681914, at *4-*5 (S.D. Tex. Feb. 25, 2010) (Miller, J.) (wrongful intent inferred when infringer used similar mark in the same market aimed at the same customers).

The Greek Organizations are the sources of the marks used by Paddle Tramps. However, the unique facts of this case provide a rare situation in which the use of similar marks in the same field do not necessarily demonstrate the intent that would bar the assertion of equitable defenses. The use of similar or near-identical marks in the same field is strong evidence of an intent to capitalize on the goodwill of the marks' owners. *Exxon Corp. v. Humble Exploration Co., Inc.*, 524 F. Supp. 450, 462-63 (N.D. Tex. 1981) (Robinson, J.), *reversed on other grounds*, 695 F.2d 96 (5th Cir. 1983) (holding that a court may infer wrongful intent where an alleged infringer knowingly uses or adopts a mark with full knowledge of another's identical or clearly similar mark). In this case, however, there is also strong evidence that these marks were not adopted to capitalize on the Greek Organizations' goodwill, but to provide a service that was previously unavailable or extremely inconvenient to members of Greek Organizations who needed to construct or decorate ceremonial paddles. Taking the evidence submitted by Paddle Tramps as true, this business began and expanded before a burgeoning market for such merchandise developed and properly licensed products were in direct competition with Paddle Tramps's unlicensed products. In the opinion of the Court, these circumstances distinguish this case

from one such as *Smack Apparel*, in which the mark was adopted in a specific market that was already widespread and developed and where there was an admitted potential to profit from the adoption of the marks in the manner in which they were used. *Smack Apparel*, 550 F.3d at 490; *see also Conan Props.*, 752 F.2d at 150-51 (allowing the assertion of equitable defenses when there was evidence that the alleged infringer had motivations for its use of the “CONAN THE BARBARIAN” mark that were not explicitly meant to benefit from that mark’s goodwill).

The Court takes into serious consideration the fact that Paddle Tramps is using virtually identical marks to the Greek Organizations’ marks on products sold in the same market as properly licensed products. However, the Court is of the opinion that the facts and circumstances of this case are very unique and weigh against holding that Paddle Tramps’s access to equitable defenses is barred without the input of a jury. While it is clear that the marks belong to and originate from the Greek Organizations, Paddle Tramps has provided evidence that there was no market or organizational model by which these marks were utilized by the Greek Organizations to sell affinity products at the time of Paddle Tramps’s founding; indeed, Paddle Tramps’s evidence supports their contention that Kenneth Abraham was merely taking advantage of an untapped market. Thus, there is a genuine issue of material fact regarding whether Paddle Tramps possessed a bad faith intent to capitalize on the Greek Organizations’ goodwill. In determining both whether Paddle Tramps possesses unclean hands and what equitable remedy, if any,

should be fashioned in this case, perhaps the most important consideration that the Court will have to take into account is the intent of Paddle Tramps and Kenneth Abraham. As there are significant factual issues surrounding the nature of that intent, the Court is convinced that the question of Paddle Tramps's intent should be submitted to a jury rather than resolved by summary judgment. *See National Ass'n of Gov't Emps.*, 40 F.3d at 707 (holding that a court's discretion in deciding whether to apply the doctrine of laches exists only "to the extent the facts relevant to laches are undisputed on summary judgment"); *Ironclad*, 1999 WL 826946 at *8 ("If the jury finds that Defendant acted with unclean hands, Poly-America will be precluded from presenting its equitable defenses of laches and acquiescence.").

In sum, Paddle Tramps has provided evidence that could indicate to a jury that Kenneth Abraham's intent upon starting the business was to tap into a market that was at the time practically nonexistent, and that he also had the intent to provide members of Greek Organizations with an easier and effective way to construct paddles for the pledging process. The Court is of the opinion that a reasonable jury, upon viewing this evidence, could conclude that Paddle Tramps possessed an intent to use the Greek Organizations' marks, but did not possess a bad faith intent to capitalize upon the Greek Organizations' good will. Of course, a jury may find that Kenneth Abraham did possess such intent, or that such intent developed at some point in Paddle Tramps's existence, such as once Kenneth Abraham became aware of the Greek Organizations' rights. *See PIU Mgmt., LLC v.*

Inflatable Zone Inc., No. H-08-2719, 2010 WL 681914, at *5 (S.D. Tex. Feb. 25, 2010) (Miller, J.) (noting that the court was “convinced that [the defendant] intended, *if not initially certainly at some relevant time*, to exploit the Plaintiffs’ trademarks” when, among other actions, the defendant “continued to use the accused mark after notice of potential infringement by Plaintiffs” and “refused to cease using the name after negotiations with Plaintiffs because he was ‘doing great,’ making money, and was ‘offered nothing of value’ in return” for ceasing the infringing behavior) (emphasis added); *see also* 4 CALLMAN ON UNFAIR COMPETITION, TRADEMARKS, AND MONOPOLIES § 23.26 (4th ed. 2010) (“[E]ven a defendant who initially was unaware of the plaintiffs rights can become an intentional infringer, and thus ineligible to assert the laches defense, if he continues to infringe after becoming aware.”). However, because the facts surrounding the actual intent of Paddle Tramps and Kenneth Abraham are disputed, not just initially but later in Paddle Tramps’s existence, the Court is of the opinion that a factfinder’s input is essential to its determination of whether Paddle Tramps possessed intent sufficient to bar the assertion of equitable defenses.

Professor McCarthy noted the importance of an intensive factual inquiry in addressing this issue:

What kind of state of mind or acts of imitation will suffice to constitute bad faith or deliberate infringement so as to preclude a laches defense? Finding the answer to this

question requires a highly fact intensive weighing of the equities of the case.

MCCARTHY ON TRADEMARKS § 31:9 (emphasis added) (footnotes omitted). In the opinion of the Court, a jury's consideration is essential to the relevant issues that the Court must take into account in determining whether Paddle Tramps possesses unclean hands. It is therefore clear to the Court that a genuine issue of material fact exists over the intent of Kenneth Abraham, and whether that intent was to capitalize upon the Greek Organizations' goodwill.

IV. Laches and Acquiescence

Having determined that there are issues of fact that preclude summary judgment on the issue of unclean hands, the Court now moves to the merits of Paddle Tramps's laches and acquiescence defenses. The Court shall address each of these equitable defenses in turn.

A. Laches

As noted above, to demonstrate laches, Paddle Tramps must show (1) delay in asserting one's trademark rights, (2) lack of excuse for the delay, and (3) undue prejudice to the alleged infringer caused by the delay. *Westchester Media*, 214 F.3d at 668.

In their briefs, the Greek Organizations generally do not challenge the substance of Paddle Tramps's defense of laches, instead focusing on whether Paddle Tramps possesses unclean hands. Indeed, at the hearing, the Greek Organizations noted to the Court that they likely would not challenge the substantive portions of these equitable defenses. Based on the

evidence presented to the Court, it is clear that if Paddle Tramps can assert the defense of laches, there is no genuine issue of material fact regarding whether it would be effective in this case.⁵

The Greek Organizations all delayed in asserting their trademark rights. The period of delay for measuring laches begins at the time when the plaintiff knew or should have known of the infringement. *American Rice, Inc. v. Producers Rice Mill, Inc.*, 518 F.3d 321, 334 (5th Cir. 2008); *Armco, Inc. v. Armco Burglar Alarm Co., Inc.*, 693 F.2d 1155, 1161 (5th Cir. 1982). Paddle Tramps has provided information indicating that all of the Greek Organizations knew of Paddle Tramps's infringement long before suit was filed. For example, Delta Delta Delta was aware of Paddle Tramps's activities as early as the late 1960s through selling some of its products at a convention. Paddle Tramps also presented its products at conventions and participated in advertising and events in venues where the Greek Organizations could have become aware of its infringing activities. Additionally, nearly all of the Greek Organizations participated in sending cease and desist letters to Paddle Tramps throughout the 1990s and 2000s; however, their claims were not raised in this suit until 2008. Such behavior demonstrates the Greek Organizations' awareness of

⁵ The Greek Organizations appeared to agree with this assessment at the hearing without actually conceding that they had no substantive argument countering the merits of the laches defense.

Paddle Tramps's infringement for the purpose of laches. See *Tillamook Country Smoker, Inc. v. Tillamook County Creamery Ass'n*, 465 F.3d 1102, 1109 (9th Cir. 2006) ("A plaintiff is certainly put on notice [for the purposes of laches] where for many years the parties had plants in the same cities and plaintiff had business contacts with defendants."); see also *H.G. Shopping Centers, L.P. v. Birney*, No. H-99-0622, 2000 WL 33538621, at *6 (S.D. Tex. Nov. 29, 2000) (Johnson, J.) (holding that, in a case in which intermittent cease and desist letters were sent over a 20 year period but no legal action was taken a mark-owner had notice of an infringer's use of its mark on the date of its first cease and desist letter). While the periods of delay vary regarding certain Greek Organizations, it is clear that they all waited a substantial amount of time, ranging from four years to several decades, to file their claims.⁶ Because the Greek Organizations waited this lengthy amount of time to assert their rights, the first element of laches is met. *Tillamook*, 465 F.3d at 1105 (26 years); *Exxon Corp. v. Oxxford Clothes, Inc.*, 109 F.3d 1070, 1083 (5th Cir. 1997) (over 20 years); *Birney*, 2000 WL 33538621 at *9 (over 20 years).

⁶ However, the actual length of time or the starting point at which the laches period should begin for Greek Organizations that should have known (rather than actually knew) of the infringement is a question of fact, which would be useful to the Court's fashioning of an equitable remedy, should the parties ask a jury to resolve that question.

The second element of laches is whether there is a lack of excuse for the delay. The Court is of the opinion that the Greek Organizations have successfully created an issue of fact as to this element. The Greek Organizations have noted two separate reasons for their delay, both of which the Court is convinced create an issue of fact for a jury's consideration. First, the Greek Organizations reference a specific kind of infringement that has only arisen more recently: the selling of "paddle kits" using the Greek Organizations' names through Paddle Tramps's website. This practice began in 2001, and in the ensuing years the Greek Organizations intensified their efforts to get Paddle Tramps to stop its infringing behavior, culminating in the sending of cease and desist letters and litigation.

This first argument goes hand-in-hand with the Greek Organizations' arguments regarding progressive encroachment. The doctrine of progressive encroachment, which has not been adopted in the Fifth Circuit but has been identified and used by district courts in this circuit, "may provide an excuse for an otherwise reasonable delay." *Just Add Water, Inc. v. Everything But Water, Inc.*, No. 3:04-cv-2085-H, 2005 WL 1206874, at *3 (N.D. Tex. May 18, 2005) (Sanders, J.). The doctrine provides that "where a defendant begins use of a trademark or trade dress in the market, and then directs its marketing or manufacturing efforts such that it is placed more squarely in competition with the plaintiff, the plaintiff's delay is excused." *Chattanooga Mfg., Inc. v. Nike, Inc.*, 301 F.3d 789, 794 (7th Cir. 2002) (quoting *Kason Indus., Inc. v. Component Hardware Grp., Inc.*, 120 F.3d 1199, 1205 (11th Cir. 1997)). The Greek

Organizations contend that Paddle Tramps's expansion of its business from wholesaling and selling its infringing products to retail vendors to selling "paddle kits" to individual consumers online was a progressive encroachment upon the Greek Organizations' marks that became markedly more impermissible after these new activities began in 2001.

Paddle Tramps argues that the sale of its items online in a "paddle kit" beginning in 2001 did not amount to progressive encroachment, but rather was a natural evolution of its business with the advent of the internet. In support of this argument, Paddle Tramps refers the Court to *Saul Zaentz Co. v. Wozniak Travel, Inc.*, 627 F.Supp.2d 1096 (N.D.Cal.2008). In *Wozniak*, the mark owner knew about an infringer's use of its mark for 18 years before filing suit. *Id.* at 1111. The mark owner argued that the infringer's expansion of its business to the internet thrust it into a new national marketplace, giving rise to progressive encroachment. The *Wozniak* court rejected this argument, holding that "simply adopting a new form of technology as it comes into being does not constitute progressive encroachment." *Id.* at 1115. Paddle Tramps contends that selling "paddle kits" is equivalent to selling items identified with individual Greek Organizations in a catalog, which Paddle Tramps did prior to its internet sales activities, and that its expansion to the internet is a natural evolution of its business rather than an expansion that would invoke the doctrine of progressive encroachment.

The Court is of the opinion that there are issues of fact regarding whether Paddle Tramps committed progressive encroachment. The doctrine of progressive encroachment does not apply to “normal business growth.” See *Tillamook*, 465 F.3d at 1110 (“A junior user’s growth of its existing business and the concomitant increase in the use of the mark do not constitute progressive encroachment.”). As the *Wozniak* court recognized, a business’s adoption of its selling practices to the internet on its own would constitute normal business growth and would not implicate the doctrine of progressive encroachment. *Wozniak*, 627 F.Supp.2d at 1115. In this case, however, there are several factual circumstances that could implicate progressive encroachment. First, Paddle Tramps did not just expand its business to the internet; it actually purchased internet keywords on search engines containing the Greek Organizations’ marks, a tactic that was not possible in using catalogs or other pre-internet sales materials. Second, at the time of the expansion of Paddle Tramps’s business to the internet, Paddle Tramps had received cease and desist letters from various Greek Organizations, and was therefore aware of the Greek Organizations’ rights and their objections to Paddle Tramps’s infringing behavior. The Fifth Circuit has long recognized that actions taken after the receipt of a cease and desist letter have an important impact on a court of equity’s decision in a trademark infringement case. See *Conan Props.*, 752 F.2d at 152-53 (allowing injunctive relief to stop infringement in a geographic market beyond the market that the mark owner had acquiesced to when the infringement in the subsequent market took place

after the receipt of a cease and desist letter); *see also Elvis Presley Enters. v. Capece*, 141 F.3d 188, 205 (5th Cir. 1998) (“Any acts after receiving a cease and desist letter are at the defendant’s own risk because it is on notice of the plaintiff’s objection to such acts.”). A jury could determine that this was not “normal business growth,” but an expansion that “placed [Paddle Tramps’s products] more squarely in competition” with the Greek Organizations’ products, therefore rising to the level of progressive encroachment. *Kason Indus.*, 120 F.3d at 1205. Accordingly, a genuine issue of material fact exists in regard to this issue.

Second, the parties have referenced other litigation involving the Greek Organizations that has taken place elsewhere in the country over the issues before the Court and issues related to unlicensed use of the Greek Organizations’ trademarks. The Greek Organizations have asserted that the reason that they did not bring a case sooner was because of the time needed to become organized and combating other cases of infringement separately since banding together to protect their marks. Deferring the present claims pending the completion of other litigation may, in the mind of a reasonable jury, create an excuse for the delay, particularly when some of the infringement challenged by the Greek Organizations only came about over the last decade. *See Electronic Commc’ns, Inc. v. Electronic Components for Indus. Co.*, 443 F.2d 487, 491 (8th Cir. 1971) (upholding a district court’s excusal of a delay in bringing an infringement action when other litigation was taking place); *Cuban Cigar Brands N.V. v. Upmann Int’l, Inc.*, 457 F.Supp. 1090, 1097 n. 28 (S.D.N.Y. 1978) (“[A] trademark owner is

not bound to take on more than one infringer at a time.”).

The third element of laches is whether Paddle Tramps was unduly prejudiced by the Greek Organizations’ delay. The Court is of the opinion that there are clearly issues of fact on this point. First, Paddle Tramps contends that its business grew to the standing it is today as a result of the Greek Organizations’ failure to enforce their marks, and that Paddle Tramps would have never reinvested insurance proceeds from natural disasters and fires in 1966, 1970, and 1980 if the Greek Organizations had made Paddle Tramps aware of its infringing activities. Paddle Tramps accordingly contends that the Greek Organizations’ inaction permitted it to build up its business without any interruption or significant protest, and the Greek Organizations’ success on its claims at this time would result in severe economic prejudice to Paddle Tramps. *See Chattanoga Mfg.*, 301 F.3d at 795 (“Prejudice may be shown if the plaintiff’s unexcused failure to exercise its rights caused the defendant to rely to its detriment and build up a valuable business around its trademark.”); *Save Our Wetlands, Inc. (SOWL) v. U.S. Army Corps of Eng’rs*, 549 F.2d 1021, 1028 (5th Cir. 1977) (expenditures in reliance upon inexcusable delay relevant to balancing the equities in determining undue prejudice for purposes of laches inquiry); *Ray Commc’ns, Inc. v. Clear Channel Commc’ns*, 760 F.Supp.2d 544, 553 (E.D.N.C. 2010) (“A defendant suffers undue economic prejudice when it relies on the trademark holder’s inaction, which permits the defendant to build up a valuable business around the trademark.”). Paddle

Tramps also alleges that it continued its business and infringing activities after receiving numerous threats of legal action in cease and desist letters from the Greek Organizations that were never followed up on. Paddle Tramps asserts that it relied on the Greek Organizations' inaction in continuing its activities and business growth, which would support a finding of undue prejudice for the purposes of laches. *See Birney*, 2000 WL 33538621 at *10 (holding that a plaintiff's pattern of sending cease and desist letters but not following up on threats to pursue legal action "misled the Defendants into believing it would not sue," supporting a finding of prejudice to the infringer).

The Greek Organizations counter these assertions by disputing the significance of these insurance proceeds and challenging the credibility of the statements to these effects of Kenneth Abraham. As determining the credibility of witnesses is an issue for a jury to decide, *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1387 (5th Cir. 1996), summary judgment would be improper for this reason alone. Second, the Greek Organizations contend that the sales that would be affected by the issuance of an injunction would be a mere 2.4% of Paddle Tramps's business, while Paddle Tramps contends that the business it has developed based around the use of the marks would be far greater. Again, the degree of prejudice to Paddle Tramps, and whether it rises to the level of undue prejudice, is heavily dependent upon this factual determination.

For all of the aforementioned reasons, the Court shall not grant summary judgment on the defense of laches.

B. Acquiescence

“[A]cquiescence involves the plaintiff’s implicit or explicit assurances to the defendant which induces reliance by the defendant.” *Conan Props.*, 752 F.2d at 153; *see also Coca-Cola Co. v. Boston’s Bar Supply*, 124 F.3d 192, 1997 WL 533180, at *2 (5th Cir. 1997) (describing the Fifth Circuit’s approach to laches as “passive,” as opposed to the Eleventh Circuit, and emphasizing that active representation by a mark owner that it would not assert a claim is unnecessary to assert acquiescence under Fifth Circuit precedent). “In order to establish the defense of acquiescence, a defendant must prove that: (1) the plaintiff knew or should have known of the defendant’s use of the trademark; (2) the plaintiff made implicit or explicit assurances to the defendant; and (3) the defendant relied on the assurances.” *Board of Regents, Univ. of Tex. Sys. v. KST Elec., Ltd.*, 550 F.Supp.2d 657, 664-65 (W.D. Tex. 2008) (Yeakel, J.).

Paddle Tramps asserts that certain actions by several of the Greek Organizations amount to explicit assurances that induced reliance. According to Paddle Tramps, Delta Delta Delta owns a shop called “Delta Shop” that is run by an alumnus of the sorority. Delta Shop solicited Paddle Tramps to provide products for Delta Delta Delta’s 1968, 1970, and 1972 conventions. According to Paddle Tramps, Mrs. T.N. Bowdle, Delta Shop’s chairperson, sent thank you notes to Kenneth Abraham and continued to encourage sales to Delta

Delta Delta members, some of which were placed with Paddle Tramps directly. Paddle Tramps alleges that this encouragement served as an explicit assurance that Delta Delta Delta acquiesced to Paddle Tramps's use of its marks.

Paddle Tramps also argues that Pi Kappa Alpha has provided explicit assurances sufficient to satisfy acquiescence in two ways. First, Pi Kappa Alpha has ordered generic candle holders without any use of their marks from Paddle Tramps since 1996. While these items were not infringing items, Paddle Tramps claims that Pi Kappa Alpha's business dealings with Paddle Tramps indicates acquiescence to sales of other infringing items. Second, Pi Kappa Alpha sent a cease and desist letter to Paddle Tramps in 1995 regarding the presence of Pi Kappa Alpha marks in an advertisement in a newsletter, the *Campus Chronicle*, which contained an image of a Pi Kappa Alpha paddle. Kyle Abraham, an officer of Paddle Tramps, called a Pi Kappa Alpha employee, Scott Russell, and offered to stop using the offending mark in the advertisement, but said Paddle Tramps would not cease making and selling products containing Pi Kappa Alpha marks without a license, to which Russell apparently did not object. Paddle Tramps claims that this conversation, combined with the subsequent business dealings between the two entities, constituted acquiescence.

Regarding the remaining Greek Organizations, Paddle Tramps asserts that the lack of action amounts to implicit assurances that induced reliance by Paddle Tramps. Paddle Tramps specifically noted the pattern of writing letters expressing the Greek Organizations'

concerns and demands to stop infringement throughout the 1990s and 2000s, but in which no legal action was taken until 2008. Paddle Tramps claims that this unreliable pattern of failing to follow up on threats induced reliance on its part in giving it the impression that it would not be subject to legal action.

The Greek Organizations argue that all of these actions only serve to create implied licenses, which were revoked upon the Greek Organizations' protests. The Greek Organizations point to Kenneth Abraham's testimony, in which he acknowledged that Paddle Tramps had never received explicit permission from the Greek Organizations to use their marks. Rather than directly producing other factual evidence, however, the Greek Organizations argue that, as a matter of law, even if they have acquiesced to Paddle Tramps's infringement, the implied acquiescence in this case created only a revocable license that was revoked upon the Greek Organizations' protests, cease and desist letters, and ultimate filing of claims against Paddle Tramps.

Because the Greek Organizations do not challenge the merits of the acquiescence defense, and because the factual assertions regarding Delta Delta Delta and Pi Kappa Alpha's actions do not appear to be in dispute, the Court is of the opinion that there is no genuine issue of material fact as to the merits of the acquiescence defense. However, it is important to note that "acquiescence is a personal defense which merely results in the loss of rights against one defendant," not every possible defendant. *Exxon Corp.*, 109 F.3d at 1075 n. 7 (quoting *Sweetheart Plastics, Inc. v. Detroit*

Forming, Inc., 743 F.2d 1039, 1046 (4th Cir. 1984)). The specific acts of encouragement or implicit approval undertaken by certain individual Greek Organizations will be relevant to the Court's considerations in fashioning a proper equitable remedy. Of course, as noted above, these determinations may be irrelevant if a jury decides that Paddle Tramps possesses unclean hands, which would bar them from asserting the defenses of laches and acquiescence. For the time being, however, the Court shall not grant summary judgment on the merits of these defenses. The most important considerations in regard to acquiescence (and, to a lesser extent, laches as well) relate to the Greek Organizations' contention that even if there was acquiescence in this case, they are still entitled to injunctive relief as a matter of law. The Court will address this issue in the next section of this Order.

V. Remedies

Having determined that there are genuine issues of material fact surrounding both whether Paddle Tramps possesses unclean hands and, if not, whether laches and acquiescence apply to this case, the Court now moves to the issue of remedies. The Greek Organizations argue that even if laches and acquiescence apply to this case, while their access to damages may be barred, they are still entitled to injunctive relief. Paddle Tramps argues that in the face of a finding of laches and acquiescence, the Greek Organizations should be barred from all relief, monetary or injunctive. Having considered the parties' arguments, it is the opinion of the Court that a finding of laches or acquiescence should not act to bar the

Greek Organizations from seeking injunctive relief, but the Court's ultimate fashioning of a remedy will be dependent upon the jury's findings.

The Supreme Court and courts in this district have long held that a delay of filing suit does not necessarily mean that the party asserting its trademark rights is barred from obtaining injunctive relief. "Where consent by the owner to the use of his trade-mark by another is to be inferred from his knowledge and silence merely, it lasts no longer than the silence from which it springs. It is, in reality, no more than a revocable license." *Menendez*, 128 U.S. at 524; *see also Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1516 (11th Cir. 1984). The Fifth Circuit has held that a finding of laches alone will not foreclose a trademark owner's request for injunctive relief, though it would foreclose a trademark owner's demand for an accounting or damages. *Conan Props.*, 752 F.2d at 152. Unreasonable delay in filing suit has been viewed by the Fifth Circuit as creating a revocable license which is revoked once the trademark owner objects to the other party's infringement. *Id.*(citing *Menendez v. Holt*, 128 U.S. 514, 524 (1888)). Thus, "[m]ere delay in bringing suit does not affect the right to an injunction against further use of an infringed trademark." *American Hosp. Ass'n v. Bankers Commercial Life Ins. Co.*, 275 F.Supp. 563, 565 (N.D. Tex. 1967) (Hughes, J.).

Ultimately, it is clear to the Court that even if the jury finds laches and acquiescence on the part of the Greek Organizations, the law does not foreclose injunctive relief. As one commentator noted, "only in

the most exceptional circumstances will injunctive relief be denied in a case of deliberate infringement.” MCCARTHY ON TRADEMARKS § 31:9 (quoting *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 614-15 (7th Cir. 1965)). Instead, the Court may decide that injunctive relief is appropriate after taking into account the equitable considerations that apply to the case. For example, in *Ironclad*, Judge Solis noted, “Although courts routinely grant injunctive relief in trademark actions, courts are free to balance the interests of the parties and the particular circumstances of the case when determining the appropriateness of the requested remedy.” *Ironclad, L.P. v. Poly-America, Inc.*, No. 3:98-CV-2600, 2000 WL 1400762, at *10 (N.D. Tex. July 28, 2000) (Solis, J.). Importantly, Judge Solis noted that “[m]isconduct by the plaintiff, such as laches and acquiescence, *may justify* a court’s denial of injunctive relief.” *Id.* (emphasis added). Contrary to Paddle Tramps’s assertions, a finding of laches and acquiescence does not require the Court to bar injunctive relief. The facts and circumstances of such a finding are certainly relevant to the Court’s ultimate determination of what remedy is appropriate, but, as a matter of law, the Court may still grant injunctive relief to the Greek Organizations even if they were guilty of laches and acquiescence. As one prominent treatise has provided,

[I]n general, laches will bar a plaintiff’s recovery for past damages but will not impede its relief from future violations. Courts have granted injunctions even after delays of over twenty years on the ground that, whatever the respective rights of the parties, the public

must be protected from the use of confusingly similar trademarks. Trademark infringement is a continuing wrong that gives rise to a claim for relief as long as the infringement persists; thus, a plaintiff may be entitled to injunctive relief as long as the infringement persists; thus, a plaintiff may be entitled to injunctive relief as well as those damages incurred after the suit was filed. Courts have recognized that, in egregious circumstances such as an extraordinarily long delay, there will be rare cases that require denial of all relief.

3-11 GILSON ON TRADEMARKS § 11.08.

Accordingly, in a trademark infringement case such as this, where the Court may be tasked with fashioning an appropriate equitable remedy, the Court must balance a number of equitable considerations. *See Dwinell-Wright v. White House Milk Co.*, 132 F.2d 822, 825 (2d Cir. 1943) (in a trademark case, noting that “equity does not seek for general principles, but weighs the opposed interests in the scales of conscience and fair dealing”). In discussing these factors, one treatise explained,

Although there is no formula or magic number of years that determines whether an injunction should be granted, courts consider certain especially important factors in arriving at their decisions, including any likelihood of confusion from the defendant’s actions and whether the defendant intentionally infringed on the plaintiff’s mark.

Unexcused delay plays a vital role in preliminary injunction decisions as well [T]here may be some special circumstances that will convince a court that a plaintiff has not acted quickly enough to merit injunctive relief.

3-11 GILSON ON TRADEMARKS § 11.08.

Because of the need to balance the equities in this case, the Court declines to accept Paddle Tramps's argument that Judge Johnson's decision in *Birney*, 2000 WL 33538621, "supports the denial of all relief," monetary or injunctive. Pl.'s Supp. Br., Docket No. 79, at 4. In *Birney*, the plaintiff possessed a trademark for the term "theGalleria" that had been used since 1970 to describe commercial real estate enterprises. The mark was registered in 1972. The defendant began using the name "Galleria Oaks" in 1978 for a condominium complex that was near "theGalleria" commercial real estate development. In *Birney*, much like in this case, Paddle Tramps ignored a series of cease and desist letters, and the plaintiff finally brought suit approximately 20 years after the first cease and desist letter. The Court held that the plaintiff had possessed knowledge of the use of its trademark for over 15 years prior to filing suit, and held the claims were barred by laches and equitable estoppel. The Court also barred an injunction because there had been no expansion of services by the defendant and no expanded use of the mark after receipt of the cease and desist letter.

The Court declines to follow the result of *Birney* for two reasons. First, *Birney* does not, as Paddle

Tramps suggests, stand for the proposition that a finding of laches or acquiescence must defeat any kind of relief. Instead, the court held that “equitable defenses *can defeat* prospective injunctive relief.” *Id.* at *10 (emphasis added). Second, and more importantly for the purposes of this case, there are multiple equitable considerations that the Court must take into account that were not present in *Birney*. As the Court shall discuss further below, a decision regarding the appropriateness of injunctive relief despite findings of laches and acquiescence will require the Court’s consideration of the nature of the infringement in this case (which is more direct and likely to cause confusion than in *Birney*), Paddle Tramps’s intent, and other factors. While it is true that *Birney*, *Tillamook*, and other cases cited by Paddle Tramps barred injunctive relief in cases of extensive delay like that seen in this case, the equitable considerations that the Court must take into account in this case are unique, and require the Court to take a different approach and balance the competing interests that are present in this case. *See Dwinell-Wright*, 132 F.2d at 825-26 (listing various interests that must be balanced in case involving use of a mark in the same market).

Having examined the evidence and arguments presented to the Court, it is clear that a number of equitable considerations weigh in favor of Paddle Tramps, while others weigh in favor of the Greek Organizations. For example, the fact that the Greek Organizations delayed for decades in asserting their rights weighs against their attempt to halt Paddle Tramps from continuing with its current business practices. *Amstar Corp. v. Domino’s Pizza, Inc.*, 615

F.2d 252, 265 (5th Cir. 1980) (“A trademark owner that strongly believed its customers were being deceived would hardly have remained idle for such an extended period of time.”). Additionally, Paddle Tramps asserts that it continued to build and develop its business in the face of letters and threats of legal action from the Greek Organizations that were not followed up on, the Greek Organizations’ ignoring Paddle Tramps’s infringement, and in some cases outright encouragement of its business by individual Greek Organizations. *See Conan Props.*, 752 F.2d at 152 (allowing a restaurant’s business to continue when a representative of the mark owner had explicitly approved of the restaurant’s use of the mark at that location). Such equitable factors weigh in favor of Paddle Tramps.

On the other hand, the fact that Paddle Tramps’s infringement involves the use of identical marks used in the very same field and market as properly licensed products weighs in favor of the Greek Organizations. *See Kason Indus.*, 120 F.3d at 1207 (“[I]f the likelihood of confusion is inevitable, or so strong as to outweigh the effect of the plaintiff’s delay in bringing a suit, a court may in its discretion grant injunctive relief, even in cases where a suit for damages is appropriately barred.”). The nature of this infringement in this market brings the public’s interest in avoiding confusion into account, which also weighs in favor of the Greek Organizations. *See Angel Flight of Ga., Inc. v. Angel Flight of Am., Inc.*, 522 F.3d 1200, 1208 (11th Cir. 2008) (“When inevitable confusion occurs in the marketplace due to unrestricted dual use of a trademark, the paramount value of the public interest

demands some adjustment to the status quo,' even in cases involving acquiescence.") (quoting *SunAmerica Corp. v. Sun Life Assur. Co. of Canada*, 77 F.3d 1325, 1337 (11th Cir. 1996)); *ProFitness Physical Therapy Ctr. v. Pro-Fit Orthopedic & Sports Physical Therapy P. C.*, 314 F.3d 62, 68 (2d Cir. 2002) ("Given the strong interest in preventing public confusion . . . , a plaintiff's apparent acquiescence or delay in bringing suit does not necessarily bar relief."); *James Burrough Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 274 (7th Cir. 1976) (noting that in trademark cases, "[a] third party, the consuming public, is present and its interest are paramount"); MCCARTHY ON TRADEMARKS § 31:10 ("If it is inevitable that a significant amount of confusion will probably be created by the junior user's actions, then the right of the public not to be confused and deceived may outweigh the inequity to the junior user of the trademark owner's delay in suing.").

However, there is at least one other equitable factor that the Court must consider about which there is a factual dispute: the intent of the infringer. See 3-11 GILSON ON TRADEMARKS § 11.08 (noting that "whether the defendant intentionally infringed on the plaintiff's mark" is "especially important" to courts in determining whether an injunction should be granted). As noted above, the Court is of the opinion that there is a genuine issue of material fact regarding Paddle Tramps's intent. The jury's determination on Paddle Tramps's intent, including what it was at the time of its founding, and whether it developed into an impermissible intent at any time later in its existence, will be very important in the Court's balancing of the equities in this situation. This dovetails with the

related important consideration of when Paddle Tramps became aware of the Greek Organizations' trademark rights, and what its actions were after that time. *See Elvis Presley*, 141 F.3d at 205 ("Any acts after receiving a cease and desist letter are at the defendant's own risk because it is on notice of the plaintiff's objection to such acts."). These facts, which vary between the Greek Organizations, will have an important impact on the Court's balancing of the equities in fashioning a remedy.

Furthermore, there are certain individual Greek Organizations about which individual factual determinations may be necessary to fashion appropriate relief. For example, there are indications that different Greek Organizations became aware or should have become aware of Paddle Tramps's infringement at different times. Furthermore, some Greek Organizations had individual dealings with Paddle Tramps that could amount to explicit acquiescence or even encouragement of Paddle Tramps's infringing behavior. A jury's ultimate determination regarding these facts will likely have an impact on the terms of the equitable remedy that the Court may fashion. As the Fifth Circuit noted,

[C]ourts construe the plaintiff's unreasonable delay to imply consent to the defendant's conduct, which amounts to nothing more than a revocable license; the license is revoked once the plaintiff objects to the defendant's infringement. In cases where the defendant *actually relies* upon the plaintiff's *affirmative*

act, however, the fiction of implied consent is inapplicable and an injunction may not issue.

Conan Props., 752 F.2d at 152 (emphasis added) (citations omitted). There are disputed facts regarding the actions of individual Greek Organizations that will, upon being considered by a jury, impact the Court's ultimate decision.

The Court finds further guidance from commentary on the issue in Professor McCarthy's seminal treatise. In discussing cases in which an injunction was denied when there was a finding of laches, Professor McCarthy notes that in many of these decisions "there were some plus factors in addition to mere delay and resulting prejudice." MCCARTHY ON TRADEMARKS § 31:7. Such factors include (1) delay during which the mark passed into usage as a generic name, (2) a grossly long period of delay, (3) dubious proof of likelihood of confusion, (4) plaintiff had only dubious title to the mark, (5) business dealings between the parties amounting to a implied consent to use, and (6) defendant's good faith development of a specific territorial area. *Id.* (citations omitted). At least two of these factors come into play in this case. First, it is clear that the lengthy delay in asserting their rights weighs against Paddle Tramps. Second, the existence of previous business dealings between Paddle Tramps and certain Greek Organizations, such as Delta Delta Delta, could impact the Court's decision on injunctive relief. However, the actions and relationships between certain Greek Organizations and Paddle Tramps involve certain disputed issues of material fact; accordingly,

disposition of this issue prior to a jury's consideration of the issues of fact in this case would be inappropriate.

The Court reaches a similar conclusion as to acquiescence. Of course, the factual differences between each of the Greek Organizations' relationships with Paddle Tramps will be relevant, such as the facts surrounding Delta Delta Delta. However, for the vast majority of the Greek Organizations, Paddle Tramps only argues that they provided implicit assurances by their silence and refusal to take action. Such circumstances may not be sufficient to bar injunctive relief. "Where consent by the owner to the use of his trade-mark by another is to be inferred from his knowledge and silence merely, it lasts no longer than the silence from which it springs. It is, in reality, no more than a revocable license." *Menendez*, 128 U.S. at 524; *see also Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1516 (11th Cir. 1984). The Greek Organizations' lack of action in the face of infringement indicates tolerance of the use of the marks, but not approval. Unlike in *Conan Properties*, most of the Greek Organizations did not expressly approve of a type of use of their marks; instead, they merely did nothing in the face of their use until they were organized or were attempting to gain control of their marks' use. *Compare Conan Props.*, 752 F.2d at 152 (noting that an individual owner's positive statements regarding infringing use of the mark provided the implicit or explicit assurance necessary to foreclose injunctive relief). Upon attempts to stop use of or enforce their marks, the Greek Organizations revoked the implied license established by their

silence; accordingly, the Court's consideration of injunctive relief would be appropriate regardless of the availability of the defense. *See Menendez*, 128 U.S. at 524; *Conan Props.*, 752 F.2d at 152-53 (holding injunctive relief to be appropriate for use that mark-owner acquiesced to but not for infringement that took place after receipt of a cease and desist letter). However, whether the length of the delay, prejudice to Paddle Tramps, or other equitable considerations weigh in favor of permitting Paddle Tramps to continue its behavior cannot be determined until a jury considers the disputed issues of fact in this case.

Conclusion

Having carefully considered the issues and the facts of this case, this appears to be a very unique case requiring careful judicial consideration of the issues before the Court, including whether Paddle Tramps possesses unclean hands and the facts surrounding the merits of laches and acquiescence, and the ultimate relief that is available in this case. Additionally, while the fashioning of injunctive relief is within the Court's discretion, the elements that the Court must consider are heavily dependent upon disputed issues of fact. Accordingly, the Court believes that numerous issues surrounding the factual background of this litigation should be submitted to a jury.

Having already determined that Paddle Tramps committed infringement and dilution, the jury will be given three overarching tasks. First, the jury must determine whether Paddle Tramps and its founder, Kenneth Abraham, possessed the bad faith intent necessary to bar the assertion of equitable defenses.

Second, if Paddle Tramps can access equitable defenses, the jury shall determine facts relevant to whether Paddle Tramps has met its burden of proving that laches and acquiescence apply to this case. The third task shall be to determine issues of fact that will be relevant to the Court's ultimate determination of what relief is appropriate in this case. The nature of this final task shall become more concrete closer to trial when the parties submit questions to the jury requesting findings of fact. While some issues, such as Paddle Tramps's intent at various stages of its existence, when the Greek Organizations became aware or should have become aware of the claims, and whether the Greek Organizations explicitly or implicitly approved of Paddle Tramps's infringement, will almost certainly be raised in regard to the first two tasks, the Court will permit the parties to ask for specific findings of fact that will assist the Court in ultimately fashioning a remedy in this case.

Where a unique set of facts "presents a strong weight of equities in the junior user's favor," it is "clear that there can be situations where estoppel by laches will bar injunctive relief." MCCARTHY ON TRADEMARKS § 31:3. The circumstances of this case may present such a situation, and the Court's ultimate resolution of this matter will strongly depend on the jury's findings of fact. Accordingly, Paddle Tramps's Motion for Summary Judgment as to its defenses of laches and acquiescence is DENIED.

It is further ORDERED that the following dates control the disposition of this action. The deadline for any initial designation of expert witnesses and reports

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shall be July 28, 2011. Any responsive designation of expert witnesses and reports shall be filed by August 11, 2011. The deadline for the parties to file a joint pretrial order, motions in limine, and proposed jury instructions or proposed findings of fact and conclusions of law shall be August 22, 2011. The pretrial conference is set for August 29, 2011 at 2:00 p.m. Trial is scheduled for September 12, 2011 at 9:00 a.m.

IT IS SO ORDERED.

Signed this 6th day of July, 2011.

/s/ Royal Furgeson

Royal Furgeson

United States Senior District Judge

APPENDIX D

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

Case No.: 3.08-cv-570-F

THOMAS KENNETH ABRAHAM d/b/a PADDLE
TRAMPS MFG. Co., Plaintiff,

v.

ALPHA CHI OMEGA ET AL., Defendants.

ORDER GRANTING IN PART AND DENYING
WITHOUT PREJUDICE IN PART DEFENDANTS'
MOTION FOR SUMMARY JUDGMENT

BEFORE THE COURT is a Motion for Summary Judgment filed by the defendants and counter-plaintiffs in this action, an assortment of fraternity and sorority organizations ("the Greek Organizations") (Docket No. 54).¹ A Response was filed by Plaintiff

¹ The Greek Organizations include Alpha Chi Omega, Alpha Delta Pi, Alpha Gamma Delta, Alpha Gamma Rho, Alpha Omicron Pi, Alpha Phi, Alpha Tau Omega, Alpha Xi Delta, Beta Theta Pi, Chi Omega, Chi Phi, Delta Chi, Delta Delta Delta, Delta Gamma, Delta Phi Epsilon, Delta Tau Delta, Gamma Phi

Thomas Kenneth Abraham (“Kenneth Abraham”) d/b/a Paddle Tramps Manufacturing Company (“Paddle Tramps”) (Docket No. 65), and the Greek Organizations filed a subsequent Reply (Docket No. 72). The instant Motion concerns whether there is a genuine issue of material fact regarding whether Paddle Tramps committed trademark infringement, unfair competition, and trademark dilution under federal and Texas state law. Paddle Tramps has also filed a Motion for Summary Judgment regarding its affirmative defenses of laches and acquiescence (Docket No. 48), which has been fully briefed by the parties. The Court shall address Paddle Tramps’s Motion in a separate order to be issued at a later date.

After considering the briefing of both parties, the Court is of the opinion that the Greek Organizations’ Motion for Summary Judgment should be GRANTED IN PART AND DENIED WITHOUT PREJUDICE IN PART.²

I. Factual Background

For the purposes of this Motion for Summary Judgment, the Court shall view the facts in the light most favorable to the non-moving party. *General Univ. Sys., Inc. v. Lee*, 379 F.3d 131, 137 (5th Cir. 2004);

Beta, Kappa Alpha, Kappa Delta, Kappa Sigma, Lambda Chi Alpha, Phi Delta Theta, Phi Kappa Sigma, Phi Kappa Tau, Phi Kappa Theta, Pi Kappa Alpha, Pi Beta Phi, Sigma Alpha Epsilon, Sigma Chi, Sigma Kappa, Sigma Phi Epsilon, and Tau Kappa Epsilon, along with their corporate affiliates.

² This resolves Docket No. 54.

Texas Tech Univ. v. Spiegelberg, 461 F.Supp.2d 510, 528 (N.D. Tex. 2006) (Cummings, J.). The Court shall discuss the facts relevant to the Greek Organizations' claims of trademark infringement, unfair competition, and trademark dilution, Facts only relevant to Paddle Tramps's Motion for Summary Judgment addressing its defenses shall be addressed in a separate order.

A. The Greek Organizations

The 32 defendants and counter-plaintiffs in this case are all fraternity and sorority organizations with chapters on college campuses throughout the nation. Due to these organizations' penchant for using Greek letters in their names, they are known as "Greek organizations." All of the Greek Organizations were founded no later than 1959, and most of them are over 100 years old. The Greek Organizations act as holding-type companies which hold ownership of their properties, including their trademarks. Each Greek Organization is identified with a combination of Greek letters; examples of this include "Alpha Gamma Delta," "Sigma Alpha Epsilon," "Delta Delta Delta," and so forth. The Greek Organizations also use Greek letter insignia to identify themselves; in keeping with the examples just mentioned, those three Greek Organizations are also identified as "ΑΓΔ," "ΣΑΕ," and "ΔΔΔ." Most of the Greek Organizations are the owners of valid registrations of trademarks of these Greek letter combinations and insignia issued by the United States Patent and Trademark Office ("PTO").

Some registrations also consist of combinations of Greek letters other than the name of the Greek Organization that serve as a shorthand reference to

that organization, such as “Pi Phi” for Pi Beta Phi. Some other Organizations possess trademark registrations of nicknames reflecting a Greek letter or multiple Greek letters contained in their names. Examples of this type of trademark include “Teke” for Tau Kappa Epsilon, “SigEp” for Sigma Phi Epsilon, or “Pikes” for Pi Kappa Alpha. Additionally, many of the Greek Organizations have obtained valid registrations of a number of graphic designs, which vary in their complexity.³ The images range from ornate and complex crests to simpler shapes such as a sheaf of wheat or a version of a cross. Many of these designs, particularly the crests, contain the Greek letter combinations or insignia of the Greek Organization possessing the trademark. The registrations of all of these marks range from as early as 1928 to as late as 2007. A small number of the marks at issue in this case are not registered with the PTO.

Members of the Greek Organizations, particularly new members (sometimes known as “pledges”), often decorate ceremonial paddles as part of their initiation into the fraternity or sorority. While paddles are often associated with the hazing practices of Greek Organizations, pledges often purchase a crafted wooden paddle, which they decorate to commemorate their membership in the individual Greek

³ The full range of the registered graphic designs can be found from pages 4 to 54 of the Greek Organizations’ Answer and Counterclaims (Docket No. 4). The symbols and crests are described in much greater detail later in this Order.

Organization or to convey to their “big brother” or “big sister” within the fraternity or sorority. Pledges frequently will purchase a blank paddle to decorate, and will also purchase several individual Greek letters, combinations of Greek letters, carvings of their fraternity or sorority’s crest or symbol, and other wooden figures with which to decorate their paddle. This tradition of decorating paddles dates back decades, and is practiced by all of the Greek Organizations who are parties to this case. The Greek Organizations’ marks are also used on other types of merchandise, including pins, clothing, glasses, and mugs, among other items.

B. Paddle Tramps’s Foundation and Business

Kenneth Abraham pledged the Phi Gamma Delta fraternity while attending Texas Tech University in the fall of 1960.⁴ Building upon his pledging experience, Abraham founded Paddle Tramps in 1961. Paddle Tramps’s purpose was to provide materials to pledges for them to construct traditional decorative paddles. Generally, Paddle Tramps would provide fraternity and sorority members with blank paddles and various wooden figures with which to decorate them, and the members themselves would glue the figures to paddle itself. The wooden figures sold by Paddle Tramps included individual Greek letters, which, while not indicating any Greek Organization individually, could be combined to form the Greek letter insignia of a fraternity or sorority. More

⁴ Phi Gamma Delta is not a party to this action.

controversially for the purpose of this litigation, Paddle Tramps sold carved wooden figurines that were replicas of the crests or symbols within the crests of individual Greek Organizations.^{5FN5}

Abraham initially visited various Texas Tech fraternity and sorority houses showcasing his products, and took orders from Paddle Tramps's store location in Lubbock. By 1964, Paddle Tramps had opened a shop in Lubbock, Texas, and arranged for manufacturing of products in Lubbock and shipping the products to customers. As the 1960s progressed, Paddle Tramps's business expanded outside of the state of Texas. Paddle Tramps utilized its own catalogs and traveling salesmen to contact fraternity and sorority chapters at various schools to advertise their products. Paddle Tramps also published a catalog of its products in 1966, which advertised various products that specifically identified the Greek Organizations to which they were tailored.

Eventually, Paddle Tramps began wholesaling its products to stores and retail outlets. Kenneth Abraham's testimony indicates that he was selling products for all of the Greek Organizations who are parties to this lawsuit by 1966, and corresponded with

⁵ As discussed further below, the Greek Organizations do not appear to challenge Paddle Tramps's practices of selling blank paddles and wooden figures of individual Greek letters. Instead, the Greek Organizations' complaints are aimed at Paddle Tramps's sale of wooden replicas of their crests or figures within their crests, as well as the use of the Greek Organizations' names and insignia in their sales efforts.

members of a number of these organizations. In the 1960s and 1970s, Paddle Tramps began wholesaling its products to third party stores throughout the country, and participating in various trade shows. At no point during this early period of its existence did Paddle Tramps attempt to enter into a licensing agreement with any of the Greek Organizations. Conversely, the Greek Organizations did not reach out to Paddle Tramps about obtaining a license to sell products bearing the Greek Organizations' names, insignia, or crests until the 1990s.⁶

C. The Greek Organizations' Licensing Efforts

In the first few decades of Paddle Tramps's existence, certain individual Greek Organizations contacted Paddle Tramps about entering into licensing programs for the use of their marks or about controversies related to Paddle Tramps's use of the marks of certain Greek Organizations in its advertising efforts. These communications frequently led to compromise or resolution without litigation.

In the 1990s, the Greek Organizations began to increase their vigilance in policing their marks. At present, each of the Greek Organizations has a licensing program, and hundreds of vendors are

⁶ The history of communications and disputes between Paddle Tramps and the Greek Organizations is ultimately most relevant to Paddle Tramps's defenses of laches and acquiescence, which were raised in Paddle Tramps's Motion for Summary Judgment. As this Order does not address that Motion, the Court shall not review those facts in great depth here.

licensed to produce memorabilia containing their Greek letter combinations, insignia, crests, and symbols. The Greek Organizations hired Affinity Marketing Consultants (“AMC”) to manage their licensing programs, which include over 10,000 licensing agreements with numerous authorized vendors to sell merchandise containing their Greek letter combinations, insignia, crests, and symbols. Most vendors of such merchandise are now licensed, as Kyle Abraham, the son of Paddle Tramps’s founder and an officer of Paddle Tramps, admitted in his deposition. Products licensed by the Greek Organizations are identified by a stylized symbol, which consists of a circle bordered by the characters of the Greek Alphabet and containing the words “Greek Licensed Product” in the center. *See* Defs.’ App., Docket No. 55-20, at 309-10.

As part of their efforts to educate their members about licensing, the Greek Organizations have sent notices to members urging them to only purchase products bearing their Greek letter combinations, insignia, crests, and symbols from licensed vendors. This effort involves posting such information on the Greek Organizations’ websites, publishing the information in fraternity and sorority newsletters, presenting the information at leadership conferences and in new member educational sessions, and through emails, letters, and flyers distributed to their members.

Despite various offers and attempts to get Paddle Tramps to become licensed with the Greek Organizations, Paddle Tramps has refused to do so

and insisted that it was legally entitled to continue in its business without licenses from the Greek Organizations. After substantial correspondence and requests by the Greek Organizations to cease using their marks, this litigation ensued.

D. Disputes Regarding Paddle Tramps's Manufactured Figures

There is no dispute between the parties regarding some of the figures sold by Paddle Tramps. For example, Paddle Tramps manufactures individual Greek letters, which in combination can be used to put together the name or Greek letter insignia of one of the Greek Organizations. The Greek Organizations do not argue that such products infringe on any protected trademark.^{7FN7} Additionally, the Greek Organizations do not contest Paddle Tramps's production of items unrelated to fraternities and sororities.

Instead, the Greek Organizations' protests relate to figures of certain shapes and designs produced by Paddle Tramps. Each of the 32 Greek Organizations possess a crest, most of which have been successfully registered as trademarks, and many of them have symbols associated with their organizations, most of

⁷ The Greek Organizations note that the Southern District of Florida has held that fraternity and sorority organizations own no proprietary right in individual Greek letters, which are used within the names of multiple such organizations. *Sigma Chi Fraternity v. Sethscot Collection*, No. 98-2102-CIV-SEITZ, 2000 WL 34414961, at *10-*11, 2000 U.S. Dist. LEXIS 6332, at *33-*34 (S.D. Fla. Apr. 7, 2000).

which have also been successfully registered as trademarks. Paddle Tramps manufactures a number of figures that it claims to be generic symbols such as stars, hearts, kites, and crescent moon figures, but the Greek Organizations assert that these alleged “generic” figures are “not simple common generic shapes,” but are “copied from emblems unique to various of the Greek Organizations.” Defs.’ Br. in Support of Mot. for Summ. J., Docket No. 55, at 10.⁸

In support of their argument, the Greek Organizations provide images of their own trademarks of various shapes and figures, *see* Defs.’ Answer & Countercl., Docket No. 4, at 4-54, as well as images of the wooden figures produced by Paddle Tramps that they allege infringe upon the Greek Organizations’ trademarks. *See* Defs. App., Docket Nos. 55-4 to 55-14. The Greek Organizations allege that Paddle Tramps’s crafted figures are identical or extremely similar to their own trademarks.

E. Disputes Regarding Paddle Tramps’s Advertising and Online Activities

In 1997, Paddle Tramps founded a website (www.paddletramps.com). At first, the website merely provided information about Paddle Tramps’s products. In 2001, Paddle Tramps began selling products

⁸ Examples of Paddle Tramps’s manufactured figures seen side by side with several Greek Organizations’ crests and symbols are provided at pages 10 and 11 of the Greek Organizations’ Brief in Support of their Motion for Summary Judgment (Docket No. 55).

directly from its website. Defendants allege that Paddle Tramps's objectionable behavior regarding the use of the Greek Organizations' names and insignia began at this point. Paddle Tramps began selling kits bearing the names of specific Greek Organizations and including a blank paddle and all of the letters, symbols, and other figures necessary for a member of a Greek Organization to decorate the paddle so it would be tailored to the member's fraternity or sorority. These "paddle kits" were advertised with the names of the Greek Organizations on Plaintiff's website. For example, a "Phi Delta Theta Paddle Kit" would include a blank paddle and all of the pieces needed to construct a paddle for a Phi Delta Theta member. The member could order the paddle kit with all of the materials without the need of ordering all of the necessary pieces individually. These materials were also sold in this method at Paddle Tramps's retail outlet in Lubbock, Texas. The Greek Organizations have also alleged that Paddle Tramps has purchased keyword advertising code from Internet search engines and service providers and has embedded the keyword of the Greek Organizations in its website, so that a search for that Greek Organization and the materials necessary to construct a paddle would appear at the top of any Internet search.⁹ The Greek Organizations allege that these activities and uses of their names and insignia constitute trademark infringement.

⁹ The Greek Organizations have provided examples of this keyword coding at Docket No. 55-4.

II. Procedural History

Paddle Tramps filed this lawsuit on April 3, 2008, seeking a declaratory judgment that Paddle Tramps had not infringed upon any trademark rights of the Greek Organizations and that the Greek Organizations' failure to control the use of their marks for decades foreclosed any recovery for infringement by the Greek Organizations. On May 30, 2008, the Greek Organizations raised counterclaims for federal trademark infringement and unfair competition under the Lanham Act, common law unfair competition, and trademark dilution under Texas state law. Aside from injunctive relief, the Greek Organizations seek damages only for royalties that should have been paid four years prior to the filing of the lawsuit.

The Greek Organizations note that the target of their suit is not Paddle Tramps's sale of blank paddles or individual Greek letters. Instead, the Greek Organizations' counterclaim challenges two of Paddle Tramps's practices: (1) the use of the names, insignia, or other indicators of the Greek Organizations in Paddle Tramps's advertising, including Internet advertising, and (2) the portion of Paddle Tramps's product sales of (a) items which actually contain insignia specific to any of the Greek Organizations, (b) specific products advertised using the names, insignia, or unique letter combinations of the Greek Organizations, such as the "paddle kits," and (c) replicas of the Greek Organizations' trademarked symbols, including wood-carved replicas of the Greek Organizations' crests and other of the Greek Organizations' emblems. The Greek Organizations

allege that a judgment on this issue would only affect 2.4% of Paddle Tramps's business. However, Paddle Tramps claims that its business is nearly entirely dependent upon the use of the marks, and that an unfavorable decision would drastically affect its business as a going concern.

The Greek Organizations' Motion for Summary Judgment seeks summary judgment on the issues of liability and an accounting. Specifically, the Greek Organizations contend that there is no genuine issue of material fact regarding whether Paddle Tramps was engaged in trademark infringement, unfair competition, and trademark dilution under federal and state law. The Greek Organizations also seek injunctive relief in the instant Motion, but do not seek summary judgment on the issue of damages.

III. Summary Judgment Standard

Summary judgment is proper "if the pleadings, the discovery and disclosure materials on file, and any affidavits show that there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter of law." Fed.R.Civ.P. 56(c); *Willis v. Coca Cola Enters., Inc.*, 445 F.3d 413, 416 (5th Cir. 2006). A genuine issue of material fact exists when the evidence is such that a reasonable jury could return a verdict for the non-movant. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248-49 (1986). Summary judgment can be appropriate if the non-moving party "fails to make a showing sufficient to establish the existence of an essential element to that party's case." *Celotex Corp. v. Catrett*, 477 U.S. 317, 322-23 (1986). At this stage, all evidence and

reasonable inferences to be drawn therefrom must be viewed in the light most favorable to the party opposing the motion. *United States v. Diebold, Inc.*, 369 U.S. 654, 655 (1962).

IV. Trademark Infringement and Unfair Competition

A trademark is “any word, name, symbol, or device, or any combination thereof . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.” 15 U.S.C. § 1127. The purpose for bringing a cause of action for trademark infringement under the Lanham Act is to “secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers.” *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 774 (1992) (citations omitted).

The Greek Organizations bring claims for trademark infringement, unfair competition, and trademark dilution. The Greek Organizations’ claims for trademark infringement under Section 32(1) of the Lanham Act and for unfair competition under both Section 43(a) of the Lanham Act and Texas law are governed under the same test. *Amazing Spaces, Inc. v. Metro Mini Storage*, 608 F.3d 225, 235 n.7 (5th Cir. 2010). To succeed on their claims of trademark infringement and unfair competition, the Greek Organizations first must show that they have ownership in a legally protectable mark. *Elvis Presley Enters. v. Capece*, 141 F.3d 188, 194 (5th Cir. 1998). They must then show infringement by demonstrating

a likelihood of confusion as to the source, affiliation, or sponsorship of the merchandise. *Board of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel*, 550 F.3d 465, 474 (5th Cir. 2008); *American Rice, Inc. v. Producers Rice Mill, Inc.*, 518 F.3d 321, 329 (5th Cir. 2008).

As an initial matter, Paddle Tramps notes that several of the marks at issue are unregistered, specifically those belonging to Lambda Chi Alpha, Delta Tau Delta, and Kappa Alpha. However, this does not affect the Court's analysis for the purposes of this Order. "Ownership of trademarks is established by use, not by registration." *Union Nat'l Bank of Texas, Laredo v. Union Nat'l Bank of Texas, Austin*, 909 F.2d 839, 842 (5th Cir. 1990). Thus, a mark need not be registered in order to obtain protection. *Smack Apparel*, 550 F.3d at 475. While registration of a trademark is a prerequisite for recovery under 15 U.S.C. § 1114, the Greek Organizations may obtain relief relating to an unregistered trademark under 15 U.S.C. § 1125. *Boston Prof'l Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1010 (5th Cir. 1975). Furthermore, "[t]he same tests apply to both trademarks and trade dress to determine whether they are protectible and whether they have been infringed, regardless of whether they are registered or unregistered." *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 536 (5th Cir. 1998) (emphasis added). Therefore, the Greek Organizations can still pursue relief for their unregistered marks under 15 U.S.C. § 1125 if they are entitled to protection.

The Court further notes that the registered or

unregistered nature of the trademarks is important to the Court's analysis of whether the marks are legally protectable, but the Court's analysis shall proceed regardless of the trademarked status of the mark. Many of the marks at issue in this case are registered with the PTO. *See* Defs.' App., Docket No. 55, at 730-994.¹⁰ As the Greek Organizations correctly note, 15 U.S.C. § 1115(a) provides that a federal registration of a trademark consists of *prima facie* evidence of the

¹⁰ Paddle Tramps objects to the use of these documents because the Greek Organizations have not provided any evidence that the requirements to maintain the trademarks were followed. Thus, Paddle Tramps claims that the registrations are irrelevant as to whether the trademarks are still valid or subsisting. The Court rejects these arguments. The admissibility of trademark registrations is explicitly provided for in the Lanham Act:

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be *prima facie* evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect . . . which might have been asserted if such mark had not been registered.

15 U.S.C. § 1115(a). Therefore, Paddle Tramps's objection is overruled.

validity and ownership of the mark. 15 U.S.C. § 1065 further provides that the fact that many of these registrations are more than five years old, the registrations are now “incontestible,” making the registrations “conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant’s ownership of the mark, and of the registrant’s exclusive right to use the mark in commerce.” 15 U.S.C. § 1115(b).

An analysis under these statutory provisions is helpful to the Court in this litigation. However, several reasons prompt the Court to forego this step at this stage. First, because many of the marks have different histories, registration dates, and uses, the Court’s analysis shall not be uniform to each of the dozens of marks asserted in this litigation. Second, an analysis based on these statutory provisions is unnecessary at this stage because the Court can make a determinative decision on the issue of infringement, regardless of the registered or unregistered nature of the marks, on other substantive grounds described below. Third, while this statutory analysis may be helpful in assessing the remedies available in this litigation, the Court shall refrain from making such an analysis at this stage because, as recounted elsewhere in this Order, Paddle Tramps’s Motion for Summary Judgment regarding its defenses remains pending.

Paddle Tramps further argues that the Court should disregard some of the trademarks asserted by the Greek Organizations because Paddle Tramps has not produced any products that have infringed upon them. At this stage, the Court finds this fact to be of no

consequence. In fact, as shown below, Paddle Tramps admits to manufacturing products containing the marks of the Greek Organizations; the fact that their actions only address some of the marks listed in the Complaint rather than all of them is not relevant to the Court's analysis at this stage. The Court's sole concern here is whether Paddle Tramps committed trademark infringement through the use of the Greek Organizations' marks. If this situation requires further review if and when the Court addresses the issue of the scope of the Greek Organizations' potential remedies, the Court shall instruct the parties to submit specific briefing on that issue at that time.

A. Legally Protectable Marks

"The Lanham Act provides that a trademark may be 'any word, name, symbol, or device, or any combination thereof' that is used or intended to be used 'to identify and distinguish' a person's goods 'from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.'" *Smack Apparel*, 550 F.3d at 475 (quoting 15 U.S.C. § 1127). To determine if a mark is legally protectable, "a court must look at the functionality, distinctiveness, and secondary meaning" of the mark. *Dallas Cowboys Football Club, Ltd. v. America's Team Props., Inc.*, 616 F.Supp.2d 622, 634 (N.D. Tex. 2009) (Kinkeade, J.). A mark is protectable if it is either (1) inherently distinctive, or (2) has become distinctive through a secondary meaning. *Id.* (citing *Two Pesos*, 505 U.S. at 769).

A product is inherently distinctive if its "intrinsic nature serves to identify a particular source." *Wal-*

Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 210 (2000). “Inherent distinctiveness is attributable to a mark when the mark ‘almost *automatically* tells a customer that it refers to a brand . . . and immediately signal[s] a brand or product source.’” *Amazing Spaces, Inc. v. Metro Mini Storage*, 608 F.3d 225, 240 (5th Cir. 2010) (quoting *Wal-Mart Stores*, 529 U.S. at 212) (emphasis in original). To demonstrate secondary meaning, a party must show that, “in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself.” *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n.11 (1982).

The parties urge the Court to follow the Fifth Circuit cases that have applied a familiar test in which a mark could be classified as (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful. *Xtreme Lashes, LLC v. Xtended Beauty, Inc.*, 576 F.3d 221, 227 (5th Cir. 2009) (citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992)). The Fifth Circuit has defined these five classifications as follows:

A *generic* term is the name of a particular genus or class of which an individual article or service is but a member. A generic term connotes the basic nature of articles or services rather than the more individualized characteristics of a particular product. . . . Such terms as aspirin and cellophane have been held generic and therefore unprotectable as trademarks.

A *descriptive* term identifies a characteristic or quality of an article or service, such as its

color, odor, function, dimensions, or ingredients. . . . Examples of descriptive marks would include Alo with reference to products containing gel of the aloe vera plant and Vision Center in reference to a business offering optical goods and services. . . .

A *suggestive* term suggests, rather than describes, some particular characteristic of the goods or services to which it applies and requires the consumer to exercise the imagination in order to draw a conclusion as to the nature of the goods and services. . . . The term Coppertone has been held suggestive in regard to sun tanning products.

Arbitrary or *fanciful* terms bear no relationship to the products or services to which they are applied. . . . The term Kodak is properly classified as a fanciful term for photographic supplies; Ivory is an arbitrary term as applied to soap.

Amazing Spaces, 608 F.3d at 241 (quoting *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 790-91 (5th Cir. 1983)). Because this test largely became prominent through its use in Judge Friendly's opinion in *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976), this test is often referred to as the *Abercrombie* test.

"[W]ithin this spectrum the strength of a mark, and of its protection, increases as one moves away from generic and descriptive marks toward arbitrary marks." *Falcon Rice Mill, Inc. v. Cmty. Rice Mill, Inc.*, 725 F.2d 336, 346 (5th Cir. 1984). Marks classified as

belonging to one of the latter three categories are considered inherently distinctive, and therefore entitled to protection, because their intrinsic nature serves to identify a particular source of a product. *Xtreme Lashes*, 576 F.3d at 227. Generic terms are not entitled to protection, and descriptive terms are only entitled to protection if they have acquired secondary meaning. *Id.*

In this case, there are several different kinds of trademarks at issue. In a recent decision, the Fifth Circuit noted that courts may need to apply different legal tests to word marks as opposed to marks consisting of symbols and designs. *Amazing Spaces*, 608 F.3d at 243. Here, the Greek Organizations are attempting to protect their rights in two different kinds of marks. First, they are attempting to halt Paddle Tramps from using the combinations of Greek letters by which each individual organization is identified in selling their products (i.e., “Alpha Chi Omega,” “Delta Delta Delta,” etc.), or the insignia of the Greek Organizations, which are constructed using the combinations of the individual Greek letters (i.e., “AKΩ,” “ΔΔΔ,” etc.). These are referred to in the Greek Organizations’ counterclaims as “word marks.” Second, the Greek Organizations are attempting to prevent Paddle Tramps from infringing upon certain “graphic designs” affiliated with each Greek Organization, many of which contain the Greek Organizations’ crests or figures within them. These marks include a number of symbols and the Greek Organizations’ crests. As each of these kinds of marks invoke different questions over recognition, the Court may need to apply a different analysis as to the inherent distinctiveness of

each of these different kinds of marks. Accordingly, the Court will address the word marks and the marks containing graphic designs in turn.

The Greek Organizations and Paddle Tramps argue that the word marks at issue are at completely opposite sides of this spectrum. The Greek Organizations assert that the marks consisting of their names should be classified as arbitrary or fanciful, and therefore entitled to the strongest protection. By contrast, Paddle Tramps claims that the Greek Organizations' names and insignia, as mere combinations of Greek letters, are only entitled to generic classification. Paddle Tramps objects to the Greek Organizations' argument that their names and Greek letter insignia should be classified as "fanciful," which could entitle the marks to the greatest possible strength on the spectrum. "Fanciful terms are most often coined words such as 'Xerox' or 'Kodak.'" *Union Nat'l Bank*, 909 F.2d at 845 (citations omitted); see also *Abercrombie & Fitch*, 537 F.2d at 11 n. 12 (defining "the term 'fanciful,' as a classifying concept, is usually applied to words invented solely for their use as trademarks"). It is clear that the words used to identify Greek Organizations were not coined for that use; indeed, the existence of the letters long predates the existence of the Greek Organizations. Therefore, the Court agrees with Paddle Tramps that the Greek Organizations' names and insignia are not "fanciful."

However, while the strength of the marks at issue does not rise to the highest level of a "fanciful" classification, the Court agrees with the Greek Organizations' contention that their names and

insignia are inherently distinctive and therefore entitled to protection. The Court is of the opinion that the most appropriate classification for their names is “arbitrary” and are therefore legally protectable. In *Union National Bank*, the Fifth Circuit provided that, while “fanciful” terms tended to be “coined words,” the term “arbitrary” refers to “ordinary words which do not suggest or describe the services involved.” *Union Nat’l Bank*, 909 F.2d at 845; *see also Abercrombie & Fitch*, 537 F.2d at 11 n. 12 (“When the same legal consequences attach to a common word, i.e., when it is applied in an unfamiliar way, the use is called ‘arbitrary.’”). Combinations of Greek letters have become synonymous with sorority or fraternity organizations, although by themselves Greek letters do not indicate this in any way. Each of the individual Greek Organizations has chosen a combination of Greek letters that, by themselves, do not indicate that they are a sorority or fraternity. The Greek letter combinations are, therefore, the use of common words in an unfamiliar way, and these marks are entitled to an “arbitrary” classification. *See Sport Supply Grp., Inc. v. Columbia Cas. Co.*, 335 F.3d 453, 460 n. 7 (5th Cir. 2003).

Regardless of the exact classification, however, it is clear that the Greek Organizations’ marks are inherently distinctive and therefore are legally protectable. These unique Greek letter combinations automatically tell consumers the source of the mark because it is the very name of the Greek Organization. In the context of the facts of this case, in which Paddle Tramps’s products are sold wholesale to stores that specifically cater to members of Greek Organizations,

it is clear that the word marks asserted by the Greek Organizations are immediately recognizable by the public and target customers as originating from the individual Greek Organizations. Therefore, the word marks are inherently distinctive and entitled to protection.

Paddle Tramps argues that the marks should receive a weak classification because they have been different combinations of Greek letters are used by dozens, if not hundreds, of organizations throughout the country, many of which are not represented by Affinity Marketing Consultants or are fraternity or sorority organizations at all. Paddle Tramps contends that “even if the Greek letter designations were not generic or weak when they were first adopted, they can become generic or weak in the minds of the public as generally designating undergraduate fraternities and sororities, regardless of the Greek Organizations’ efforts.” Pl.’s Resp., Docket No. 66, at 24. Paddle Tramps is perhaps correct that the use of various combinations of Greek letters, in the mind of the public, generally refers to fraternities or sororities. However, the Greek Organizations are not alleging infringement by Paddle Tramps’s use of general combinations of Greek letters. Instead, they are challenging Paddle Tramps’s use of *specific combinations* of Greek letters that represent a fraternity or sorority, which are distinguishable from other combinations of Greek letters and are instantly recognizable by their members. These various other non-party organizations may be using Greek letters, or several of the Greek letters, but they are not using the same combinations of Greek letters as each of the

Greek Organizations.

While individual Greek letters may not be entitled to trademark protection, the combination of such common terms can create a valid trademark. *See Association of Co-op. Members, Inc. v. Farmland Indus., Inc.*, 684 F.2d 1134, 1140 (5th Cir. 1982) (“The whole, in trademark law, is often greater than the sum of its parts. Common words in which no one may acquire a trademark because they are descriptive or generic may, when used in combination, become a valid trademark.”). Therefore, the Court must assess the marks as the distinct combinations of Greek letters, rather than as individual Greek letters or as random combinations. *See Estate of P.D. Beckwith, Inc. v. Comm’r of Patents*, 252 U.S. 538, 545-46 (1920) (“The commercial impression of a trade-mark is derived from it as a whole, not from its elements separated and considered in detail. For this reason it should be considered in its entirety . . . , and to strike out any considerable part of it, certainly any conspicuous part of it, would be to greatly affect its value.”).

When considering the word marks as a whole, it is clear that the marks are inherently distinctive, particularly in the minds of the relevant consumers. Notably, the Court’s judgment of whether a mark is enforceable goes to the “primary significance” of the mark to the “relevant public.” 15 U.S.C. § 1064(3). Here, the “relevant public,” the target consumers, are the members of the Greek Organizations; only those associated with the Greek Organizations, or perhaps their friends and family members, would purchase

these products. It is further clear to the Court that members of these Greek Organizations can distinguish between the marks of different Greek Organizations, even if they involve some of the very same letters. A member of Alpha Omicron Pi could certainly distinguish the mark of her organization from the mark of Alpha Delta Pi, despite the fact that they both contain two of the same letters.

The Court is also certain that a member of the general public can determine the difference between one combination of two or three Greek letters and another. Therefore, the Court does not find convincing Paddle Tramps's argument that the use of Greek letters by numerous organizations translates to the marks being inherently weak. The fact that many organizations use Greek letters in their names may serve to show that the marks are not fanciful or even arbitrary, but the mere existence of a plethora of organizations with Greek letters as the basis for their names does not mean that the individual combinations of Greek letters are not strong, distinctive, or inherently associated with a certain fraternity or sorority. The mere fact that combinations of Greek letters have become associated in the mind of the public with fraternities and sororities does not mean that a specific combination of Greek letters that has been used for decades and is readily associated with a specific organization by relevant consumers is not legally protectable. Therefore, it is clear to the Court that the primary significance of the mark to the target

consumers reflects their own membership in and recognition of the symbols of their own organizations.¹¹

The Court's analysis as to certain of the nicknames, such as "Pi Phi" or "Tekes," is slightly different, but the ultimate result is the same. Within the relevant market, it is clear that these marks are readily identifiable by the target customers. Members of these Greek Organizations would associate these more colloquial word marks with their own organization. Therefore, much of the above analysis appropriately applies to these word marks, and they are entitled to protection.

Accordingly, it is clear to the Court that the word marks are entitled to legal protection. However, the parties' dispute over use of the marks also goes to Paddle Tramps's production and sale of wooden figures containing the Greek Organizations' crests or symbols. The parties' arguments regarding these symbols and images have focused on the *Abercrombie* spectrum test noted above, but the Fifth Circuit has indicated that marks made of symbols or figures may be subject to a different standard than those of words. *Amazing Spaces*, 608 F.3d at 243. In *Amazing Spaces*, the Fifth Circuit affirmed a lower court's decision to refer to a test other than the *Abercrombie* test in assessing a

¹¹ In its briefing, Paddle Tramps in fact admits to this fact and its role as a motivation for its business, writing, "Paddle Tramps primarily sells its products wholesale, but the end market is always the same-members of the Greek Organizations." Pl.'s Reply Brief, Docket No. 70, at 6.

mark that involved a symbol rather than a word. Courts and commentators have held noted that the *Abercrombie* test was developed and applied in reference to word marks, and that in many cases it may not apply to other marks consisting of color schemes, symbols, or geometric shapes. See, e.g. *Wal-Mart Stores*, 529 U.S. at 210-13 (noting that the *Abercrombie* test was created and meant to be applied in the context of word marks and declining to apply it to a product design); 2 MCCARTHY ON TRADEMARKS § 11:2, at 11-7 (“Use of the spectrum of descriptive, suggestive, arbitrary and fanciful is largely confined to word marks. It is usually not suitable for nonword designations such as shapes and images making up trade dress.”).

In evaluating a mark consisting of a designed symbol, the *Amazing Spaces* court applied a test articulated by the United States Court of Customs and Patent Appeals, known as the *Seabrook Foods* test. The *Seabrook Foods* test provides:

In determining whether a design is arbitrary or distinctive this court has looked to [1] whether it was a “common” basic shape or design, [2] whether it was unique or unusual in a particular field, [3] whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods, and [4] whether it was capable of creating a commercial impression distinct from the accompanying words.

Amazing Spaces, 608 F.3d at 243 (quoting *Seabrook Foods, Inc. v. Bar-Well Foods Ltd.*, 568 F.2d 1342, 1344 (C.C.P.A.1978)). While *Amazing Spaces* acknowledged that this test would not be applied in all cases involving marks consisting of symbols, *id.*, the Court finds it appropriate to address both the *Abercrombie* and *Seabrook Foods* tests where necessary in this case.

The Greek Organizations generally assert two categories of marks. The first category consists of each Greek Organization's unique crest. The crests contain certain symbols and often the Greek letter insignia of the Greek Organization itself with whom the crest is associated.¹²

The second category consists of a number of symbols, including:

- a version of a harp for Alpha Chi Omega;
- a version of a lion's head with the words "Alpha Delta Pi" for Alpha Delta Pi;
- a stylized design of a letter "A" for Alpha Gamma Delta;
- a design including a crescent moon and sickle for

¹² Images of the Greek Organizations' crests can be found in their counterclaim. *See* Defs.' Ans. & Countercl., Docket No. 4, at 4-54. While it is true that the pleadings are not summary judgment evidence, *Little v. Liquid Air Corp.*, 37 F.3d 1069, 1075 (5th Cir. 1994), these images are contained elsewhere in the Greek Organizations voluminous appendix. The Court refers to the images in the Greek Organizations' pleadings as a matter of convenience.

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Alpha Gamma Rho;

- a sheaf of wheat for Alpha Omicron Pi;
- a rose for Alpha Omicron Pi;
- a sheaf of wheat bundled with a rose for Alpha Omicron Pi;
- a graphic design containing the Greek letter “Alpha” superimposed upon the Greek letter “Phi” for Alpha Phi;
- a cross including the Greek letters “Alpha,” “Tau,” and “Omega” for Alpha Tau Omega;
- a banner-type lettering of the words “Beta Theta Pi” and “Men of Principle” for Beta Theta Pi;
- a gryphon for Beta Theta Pi;
- a shield with three stars within it and the letters “Beta,” “Theta,” and “Pi” for Beta Theta Pi;
- a stylized version of an owl for Chi Omega;
- a twelve-pointed star for Chi Phi;
- a symbol of a “Chi” superimposed upon a “Phi” for Chi Phi;
- a “Delta” superimposed upon a “Chi” for Delta Chi;
- a crescent moon containing three stars within it for Delta Delta Delta;
- a “Delta” with three smaller “Deltas” within it for Delta Delta Delta;
- an anchor with a shield containing the letters “Delta” and “Gamma” for Delta Gamma;

- a “Delta” containing the letters “Delta,” “Phi,” and “Epsilon” within it sitting upon a platform for Delta Phi Epsilon;
- a four-side figure with sides curved inward containing symbols of stars, a crescent moon, and an eye and the letters “Delta,” “Tau,” and “Delta” for Delta Tau Delta;
- a shield containing a cross and the letters “Kappa” and “Alpha” for Kappa Alpha Order;
- two versions of a diamond with a cross and several letters within it for Kappa Delta;
- a star containing the letters “Kappa” and “Sigma” with a half circle and small skull-and-crossbones above it for Kappa Sigma;
- a triangle consisting of several figures, including what appear to be wings and a sword, for Kappa Sigma;
- a cross superimposed upon a crescent moon for Lambda Chi Alpha;
- a crescent moon with the letter “Lambda” superimposed upon the letters “Chi” and “Alpha” for Lambda Chi Alpha;
- a cross containing a six-pointed star, a skull-and-crossbones, and the letters “Phi,” “Kappa,” and “Sigma” for Phi Kappa Sigma;
- what appears to be a modified version of the letter “F” for Phi Kappa Sigma;
- a diamond with curved edges containing a heart and a shield with the letters “Phi,” “Kappa,” and “Theta” for Phi Kappa Theta;

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- the words “Pi Beta Phi” with an arrow swooping upward for Pi Beta Phi;
- a diamond containing the letters “Pi,” “Kappa,” and “Alpha” with small ovals containing Greek letters coming out of its sides for Pi Kappa Alpha;
- an arrow with a chain handle and a back containing the letters “Pi,” “Beta,” and “Phi” for Pi Beta Phi;
- a diamond containing a bird clutching the previously-identified arrow for Pi Beta Phi;
- a diamond with the images of a man holding a staff and a kneeling lion beside him for Sigma Alpha Epsilon;
- a cross with chain links on the top and containing crossed keys, a scroll, a bird’s head, shaking hands, and the letters “Sigma” and “Chi” for Sigma Chi;
- a shield with a cross within it for Sigma Chi;
- a round symbol with a candelabra and stars above it within it for Sigma Chi;
- a triangle bordered by curved edges with the letters “Sigma” and “Kappa” within it for Sigma Kappa;
- a triangle bordered by a circles with the letters “Sigma” and “Kappa” within it for Sigma Kappa;
- a circle symbol with a bird with wings outstretched and the Greek letters “Sigma” and “Kappa” within the circle for Sigma Kappa;
- a “Kappa” with a snake wrapped around it in

the shape of a “Sigma” for Sigma Kappa;

- a circle with a man turned to the side and the words “The Balanced Man” in English and Greek for Sigma Phi Epsilon;
- an unclosed triangle with black stripe sides with the letters “Tau,” “Kappa,” and “Epsilon” within it for Tau Kappa Epsilon;
- a closed upside-down triangle with black stripe sides with the letters “Tau,” “Kappa,” and “Epsilon” within it for Tau Kappa Epsilon;
- and a circle with three intertwined triangles and the words “Tau Kappa Epsilon” within it for Tau Kappa Epsilon.

See Defs.’ Ans. & Countercl., Docket No. 4, at 4-54.

Often, a Greek Organization’s symbol is contained within its own crest; for example, the knight’s helmet used by Phi Kappa Theta is contained within its crest. Furthermore, most of these symbols explicitly contain the Greek letters consisting of the name of the individual Greek Organizations, or contain those letters spelled out. Other of the symbols have dates on them representing the years that the fraternities were established.

Paddle Tramps’s use of the symbols and crests largely do not contain the words and at times do not contain the letters seen within the registered trademarks. As the Court notes below, however, the symbols themselves are still identifiable with the Greek Organizations, and, in any case, Paddle Tramps notes its own “consistent use” of these marks, which it acknowledges identify the Greek Organizations,

elsewhere in its briefing. Pl.'s Reply, Docket No. 70, at 4-6.

Ultimately, regardless of whether the Court uses the *Abercrombie* or *Seabrook Foods* tests, the Greek Organizations' crests and symbols are entitled to legal protection. Under the *Abercrombie* test, all of the Greek Organizations' symbols consist of shapes or figures that have nothing to do with their status as fraternities or sororities. An image of a sheaf of wheat, knights' helmet, or arrow do nothing to signify a characteristic or quality of a fraternity or sorority organization. Therefore, as the district court in *Amazing Spaces* concluded, under the *Abercrombie* test, the Greek Organizations' various symbols, as used by Paddle Tramps, cannot be given a classification of "generic" because they do not "connote the basic nature of articles or services" of fraternity or sorority organizations in general. *Amazing Spaces*, 608 F.3d at 242. Furthermore, the various symbols do not "identify a characteristic or quality" of fraternity or sorority organizations; therefore, a "descriptive" classification would also be inappropriate. *Id.* Additionally, the various symbols do not "suggest an attribute" of fraternity or sorority organizations; therefore, a suggestive classification would also not be appropriate. *Id.*

After determining that a certain symbol did not fit into the generic, distinctive, or suggestive classifications, the Fifth Circuit in *Amazing Spaces* approved of the district court's subsequent shift to the *Seabrook Foods* test to determine whether the marks were entitled to protection. In this case, however, the

Court shall evaluate the symbols under both the *Abercrombie* and *Seabrook Foods* tests. If the Court were to use the *Abercrombie* test, as promoted by the parties, it appears here that the symbols themselves are entitled to an “arbitrary” classification. The various symbols, such as a sheaf of wheat, arrow, knight’s helmet, lion’s head, rose, or cross, among others, have no relation at all to a fraternity or sorority organization. The use of such figures in association with these organizations that are in no way associated with the subject matter of the figures entitles these marks to an arbitrary classification. An example of a similar “arbitrary” mark provided by the Fifth Circuit is an Apple Computer; the use of the word and symbol of an apple has nothing whatsoever to do with a computer, and such a mark would properly be classified as “arbitrary.” *See Sport Supply*, 335 F.3d at 460 n. 7. The Court finds this commonly-used example particularly instructive for the purpose of evaluating these marks under the *Abercrombie* test, and is convinced that such guidance compels the Court to conclude that the symbols are arbitrary. Under the *Abercrombie* test, therefore, these marks are inherently distinctive.

Despite this conclusion under the *Abercrombie* test, the Court finds the guidance of *Amazing Spaces* helpful in this case, and shall also evaluate the symbols under the *Seabrook Foods* test. As mentioned above, the relevant factors of the *Seabrook Foods* test that the Court must consider include (1) whether the symbols were common basic shapes or designs, (2) whether the symbols are unique or unusual in a particular field, and (3) whether the symbols were

mere refinements of commonly-adopted and well-known forms of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods. *Amazing Spaces*, 608 F.3d at 243 (quoting *Seabrook Foods*, 568 F.2d at 1344).¹³ These questions “are merely different ways to ask whether the design, shape or combination of elements is so unique, unusual or unexpected in this market that one can assume without proof that it will automatically be perceived by customers as an indicator of origin—a trademark.” *Id.* at 243-44 (quoting *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 40 (1st Cir. 1998)).

After evaluating the symbols using these factors, the Court is of the opinion that the symbols at issue are indicators of origin and thus trademarks entitled to legal protection. First, the Court is of the opinion that the designs themselves cannot be classified as “common” in this context. “ ‘Common basic shapes’ or letters are, as a matter of law, not inherently distinctive . . . , [but] stylized shapes or letters may qualify, provided the design is not commonplace but

¹³ The fourth factor, “whether [the symbol or design] was capable of creating a commercial impression distinct from the accompanying words,” only applies “when a party seeks trademark protection for a background design typically accompanied by words.” *Amazing Spaces*, 608 F.3d at 243 n. 14. While many of the crests contain the Greek letter insignia of its accompanying Greek Organization, a majority of the symbols at issue do not. Therefore, the Court shall not apply this factor in regard to the symbols.

rather unique or unusual in the relevant market.” *Amazing Spaces*, 608 F.3d at 244 (quoting *Star Indus. v. Bacardi & Co.*, 412 F.3d 373, 382 (2d Cir. 2005)). While the symbols themselves largely are based upon commonly-known shapes or figures such as a rose, cross, or owl, they often have their own unique elements within their design; the arrow of Pi Beta Phi, for example, has a handle along its bottom, and the cross used by Sigma Chi has curved edges, unlike most crosses. Furthermore, one cannot say that these marks are commonly used amongst fraternity and sorority organizations; indeed, each Greek Organization has unique features by which it seeks to create a unique identity.

It is clear that these symbols are “stylized,” and therefore not “common” under the *Seabrook Foods* test’s definition, particularly considering the second factor of the uniqueness within the market in which the products are sold. Were the rose symbol of Alpha Omicron Pi to be used by a florist’s business, the stylized owl of Chi Omega used by a zoo in its identifying logo, or the knight’s helmet within the crest of Phi Kappa Theta used for a Renaissance Fair’s logo, for example, the symbols themselves would not be unique within their own market. However, among the relevant base of customers, conceded by Paddle Tramps to be members of the Greek Organizations and their families, it is clear that the symbols are inherently distinctive. A symbol is inherently distinctive if it is “so unique, unusual, or unexpected *in this market* that one can assume without proof that it will automatically be perceived by customers as an indicator of origin—a trademark.” *Amazing Spaces*, 608

F.3d at 247 (quoting *I.P. Lund Trading ApS*, 163 F.3d at 40) (emphasis added). To these customers, it is clear that they would recognize these symbols as by their intrinsic nature serving to identify a particular source because they are members of the Greek Organizations that have designed them or adopted them as a symbol. *Wal-Mart*, 529 U.S. at 210; *Amazing Spaces*, 608 F.3d at 247. A member of Alpha Chi Omega, for example, would immediately associate Paddle Tramps's wooden carving of a specifically shaped lyre contained within the Alpha Chi Omega crest with Alpha Chi Omega itself, and would know that the product's design originated with that fraternal organization. The same recognition would be present for a member of Alpha Omicron Pi who saw a wooden carving of a rose or sheaf of wheat, a member of Phi Kappa Sigma who saw a wooden carving of their fraternity's unique stylization of an "F" whose trademark has been registered, or a member of Pi Beta Phi who saw a wooden carving of the uniquely shaped and featured arrow that their sorority uses. These symbols would be recognized by members of the Greek Organizations even though many of the products produced by Paddle Tramps do not contain the Greek letters contained on the registered trademarks; these members would certainly identify the shapes with their fraternities whether those letters were present or not. In sum, application of the *Seabrook Foods* test indicates that the symbols are inherently distinctive.

The Greek Organizations' crests are also entitled to legal protection because they largely contain marks that the Court has identified as inherently distinctive: the Greek combinations of letters unique to each

Greek Organization and the symbols described above. While each Greek Organization uses a crest, it is clear that, to the relevant market, members of each individual Greek Organization would be able to identify his or her own Greek Organization's crest, and therefore identify the Greek Organization as the source or originator of the mark. Thus, like the symbols, the crests are inherently distinctive and are legally protectable trademarks.

Regardless of the exact test used, the Court finds *Smack Apparel* instructive here. In *Smack Apparel*, the Fifth Circuit, discussing the sale of items containing distinguishing marks associated with college sports teams, wrote:

[T]eam emblems and symbols are sold because they serve to identify particular teams, organizations, or entities with which people wish to identify. . . . We think this desire by consumers to associate with a particular university supports the conclusion that team colors and logos are, in the minds of the fans and other consumers, source indicators of team-related apparel.

Smack Apparel, 550 F.3d at 477-78 (citing *Boston Hockey*, 510 F.2d at 1011). The same logic applies to potential customers in this case. Products containing a fraternity or sorority's names or insignia are sold because those buying them wish to identify themselves with that organization. Kenneth Abraham stated that new members of fraternities and sororities "get so excited when they pledge" and that they "want stuff" related to their new organization. Def.'s App., Docket No. 55-1, at 34-36. Similar to the emblems or symbols

of sports teams, new members' desire to associate with their new fraternity or sorority fuels their desire to purchase items with their sorority's name or insignia on them, and supports the conclusion that the Greek letters on those products are "source indicators" that the products are related to the respective fraternity or sorority. *Smack Apparel*, 550 F.3d at 478. Such logic applies to both the word marks and the relevant symbols. It is clear that the presence of the marks trigger the purchase of Paddle Tramps's merchandise at issue.

Paddle Tramps further argues that the Greek Organizations' failure to enforce their marks over the past several decades have weakened their marks to such an extent that they are not entitled to legal protection. The Court is not convinced by this argument. "[A] trademark owner's failure to pursue potential infringers does not in and of itself establish that the mark has lost its significance as an indicator of origin," *Exxon Corp. v. Oxxford Clothes, Inc.*, 109 F.3d 1070, 1080 (5th Cir. 1997). In any case, Paddle Tramps has presented nothing to the Court to indicate that the marks themselves have been so weakened by unauthorized and unpursued infringing use that they have lost their inherent distinctiveness in relation to their affiliation with individual Greek Organizations. Although Paddle Tramps continuously references the Greek Organizations' delay in policing their marks, such behavior is not relevant to whether the marks are legally protectable. "Even if the trademark owner is 'not assiduous,' such inaction is only relevant to an affirmative defense of laches. . . ." *Dallas Cowboys*, 616 F.Supp.2d at 634 (quoting *Ill. High Sch. Ass'n v. GTE*

Vantage, Inc., 99 F.3d 244, 246 (7th Cir. 1996)). As discussed elsewhere in this Order, whether laches applies in this case shall be addressed in a separate order.

In sum, the Court concludes that the Greek Organizations' word marks, crests, and symbols are inherently distinctive, and therefore entitled to legal protection.

B. Likelihood of Confusion

The Court now addresses whether Paddle Tramps's use of the mark "creates a likelihood of confusion in the minds of potential customers as to the source, affiliation, or sponsorship" of the products at issue. *Elvis Presley*, 141 F.3d at 193. "Likelihood of confusion is synonymous with a probability of confusion, which more than a mere possibility of confusion." *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 663-64 (5th Cir. 2000). Courts must consider the following non-exhaustive list of factors in determining the likelihood of confusion: (1) the type of mark allegedly infringed, (2) the similarity between the two marks, (3) the similarity of the products or services, (4) the identity of the retail outlets and purchasers, (5) the identity of the advertising media used, (6) the defendant's intent, and (7) any evidence of actual confusion. *Id.* at 664. The Fifth Circuit also recently identified an eighth factor of "the degree of care exercised by potential purchasers." *Smack Apparel*, 550 F.3d at 478 (citing *American Rice*, 518 F.3d at 329). No single factor is dispositive, and a finding of likelihood of confusion need not be supported by a majority of these factors. *Westchester Media*, 214

F.3d at 664. The Court may also consider other relevant factors in determining whether a likelihood of confusion exists. *Elvis Presley*, 141 F.3d at 194. “While the likelihood of confusion is typically a question of fact, summary judgment is proper if the ‘record compels the conclusion that the movant is entitled to a judgment as a matter of law.’” *Xtreme Lashes*, 576 F.3d at 227 (quoting *Smack Apparel*, 550 F.3d at 474).

1. The Type of the Mark Allegedly Infringed

The type of the mark allegedly infringed refers to “the strength of the mark.” *Smack Apparel*, 550 F.3d at 478-79. “Generally, the stronger the mark, the greater the likelihood that consumers will be confused by competing uses of the mark.” *Id.* at 479. Strength of the mark is determined by two factors: (1) the mark’s classification into one of five categories, each of which is entitled to a different level of protection, and (2) the standing of the mark in the marketplace. *American Rice*, 518 F.3d at 330. As discussed below, the Court is of the opinion that the Greek Organizations’ marks are strong, and that this factor supports a likelihood of confusion.

As mentioned above, “[m]arks are normally assigned to ‘categories of generally increasing distinctiveness’: (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful.” *Xtreme Lashes*, 576 F.3d at 227 (quoting *Two Pesos*, 505 U.S. at 768). The word marks have been classified as arbitrary, and the designs have acquired secondary meaning to such an extent that they are entitled to strong legal protection.

Regarding the standing of the mark in the

marketplace, Paddle Tramps reiterates its argument that the widespread unlicensed use of the marks for decades diminishes the strength of the marks themselves as identifiers of the Greek Organizations. However, “the key is whether the third-party use diminishes in the public’s mind the association of the mark with the plaintiff.” *Smack Apparel*, 550 F.3d at 479. As in *Smack Apparel*, widespread third-party use of the Greek Organizations’ marks does not create an issue of fact concerning the public’s association between the Greek Organizations and the Greek letter combinations “that clearly reference” the individual Greek Organizations. *Id.* In fact, Paddle Tramps’s use of the marks in this case reference the trademark owners even more than the use of several universities’ marks in *Smack Apparel*. In *Smack Apparel*, the alleged infringer used color schemes associated with the universities combined with phrases that referenced the accomplishments of those schools’ football teams. *Id.* at 472-73. In this case, Paddle Tramps uses the exact names of the Greek Organizations to sell their paddle kits, and uses symbols that are, more the most part, either registered trademarks of the Greek Organizations, or are figures within the crests of the Greek Organizations, which in and of themselves are registered trademarks.

In further support of its contention of the weakness of the Greek Organizations’ marks, Paddle Tramps asserts that the *Sigma Chi* court recognized that individual fraternities and sororities could not claim a “strong, distinctive mark” in their Greek letter identifications because of the existence of numerous Greek organizations. However, Paddle Tramps leaves

out the fact that the *Sigma Chi* court undertook this analysis in regard to a claim of *trademark dilution*, which that court specifically said “does not hinge upon proof of a likelihood of confusion.” *Sigma Chi*, 2000 WL 34414961 at *10, 2000 U.S. Dist. LEXIS 6332 at *31 (citing *Nailtiques Cosmetic Corp. v. Salon Sciences Corp.*, No. 96-2709-CIV-NESBITT, 1997 WL 244746, at *4, 1997 U.S. Dist. LEXIS 4662, at *4 (S.D. Fla. Jan. 10, 1997)). Indeed, the *Sigma Chi* court noted that an analysis of a mark’s distinctiveness in a particular market has separate significance than the “famous and distinctive” inquiry regarding a claim for trademark dilution. *Sigma Chi*, 2000 WL 34414961 at *10-*11, 2000 U.S. Dist. LEXIS 6332 at *33-*34. Therefore, Paddle Tramps’s reliance upon *Sigma Chi* to argue the weakness of Greek letter combinations is misplaced and unpersuasive.

In asserting that the marks themselves should be seen as weak, Paddle Tramps raises the Greek Organizations’ lack of effort to police their marks. Paddle Tramps notes one example in which the Fifth Circuit cited a fraternal organization’s historical lack of control over its marks in determining that there was no likelihood of confusion as to the source of the mark. *Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Co.*, 676 F.2d 1079, 1083 (5th Cir. 1982). In *Rainbow for Girls*, a jeweler sold pieces of jewelry containing the mark of a fraternal organization without a license to do so for twenty-five years. *Id.* at 1081. The Fifth Circuit upheld the district court’s determination that there was no likelihood of confusion due to the organization’s advertising of another jeweler being its “official sponsor” and the fact

that the organization had historically failed to take any actions to control the use of its mark. *Id.* at 1083. Paddle Tramps appears to make a similar argument, asserting that because the Greek Organizations have failed to police their marks for so long, the strength of the marks has declined to such an extent that there is no likelihood of confusion as to the source of the marks.

In determining how to weigh the factor of the strength of the marks, the Court does not give determinative weight to the Greek Organizations' delay. *See Dallas Cowboys*, 616 F.Supp.2d at 634 (noting that the issues of delay were relevant to the defense of laches, but not to the strength of the marks). While the Greek Organizations did generally fail to pursue licensing agreements with manufacturers and distributors for the first three decades of Paddle Tramps's existence, there is no longer a history of a lack of control of the marks that would act to weaken them to such an extent that customers would not make a connection between the products and the owners of the marks. In another case involving the use of the marks of fraternities and sororities, one court rejected a manufacturer's attempt to rely upon *Rainbow for Girls* to defeat the fraternal organizations' entitlement to trademark protection because of the increased vigilance of these organizations' policing efforts:

More than twenty years have passed since the Texas district court found a 'historical lack of control' on the part of fraternal organizations with regard to the use of their emblems. To

the extent that factor plays any role in the analysis, we think there is evidence here by attempts of the many plaintiffs, as well as other fraternal organizations, to gain control over the use of their marks.

Alpha Tau Omega Fraternity, Inc. v. Pure Country, Inc., No. IP 01-1054-C-B/F, 2004 WL 3391781, at *8 (S.D. Ind. Oct. 26, 2004).

The Court agrees with the *Pure Country* court's decision, which involved evidence regarding several of the Greek Organizations before the Court in this case. Beginning in the 1990s and accelerating in the 2000s, the Greek Organizations have undertaken a strong effort to ensure that the use of their names, insignia, and symbols are done by licensed vendors. Although it is true that there was a lack of control fifteen or twenty years ago, even Paddle Tramps admits that the majority of products featuring the Greek Organizations' marks are now licensed. There is significant evidence in the record that various Greek Organizations (and eventually all of those before the Court collectively) attempted to invite Paddle Tramps to become licensed and eventually to halt them from using their marks. As in *Pure Country*, the Court is convinced that the Greek Organizations' prior lack of control over their marks does not deprive them of protection under the Lanham Act. However, as frequently mentioned elsewhere in this Order, this argument has greater significance in regard to Paddle Tramps's defenses of laches and acquiescence, which shall be addressed in a separate order.

Therefore, the Court concludes that the Greek

Organizations possess strong marks in their respective names and combinations of Greek letters, weighing heavily in favor of likelihood of confusion

2. The Similarity of the Marks

The second factor, the similarity of the marks, requires consideration of the marks' appearance, sound, and meaning. *Smack Apparel*, 550 F.3d at 479. Here, it is undisputed that Paddle Tramps is producing and selling products using the names and insignia of the individual Greek Organizations. In fact, the similarity of the marks used in this case is even stronger than that seen in *Smack Apparel*. In that case, the Fifth Circuit noted the "striking similarity" of the alleged infringer's designs in comparing them to the universities' licensed products. *Id.* at 479-80. Notably, the opinion stated, "Although the shirt does not use the initials 'LSU' anywhere, its identification of LSU as the national champion is unmistakable from the colors and the references to the games in which LSU played." *Id.* at 480. Here, Paddle Tramps is actually using the names and insignia of the owners of the marks, going beyond the use of color schemes, phrases, and events associated with mark owners in *Smack Apparel*. Therefore, this direct association using the actual names and insignia of the Greek Organizations denotes an even stronger connection than that which existed in *Smack Apparel*. Therefore, the Court concludes that the appearance, sound, and meaning of the names and insignia are exactly the same or extremely similar to the Greek Organizations' word marks, and that this factor weighs heavily in favor of likelihood of confusion. *See Dallas Cowboys*,

616 F.Supp.2d at 638 (finding a strong likelihood of confusion when an alleged infringer used the exact same words consisting of the trademark owner's mark).

The Court also must evaluate the similarity of the symbols and crests produced by Paddle Tramps to properly licensed products of the Greek Organizations. As discussed previously, the Court has compared the Greek Organizations' crests and symbols and the products produced by Paddle Tramps, and finds that wooden figures produced by Paddle Tramps closely replicate the trademarks of the Greek Organizations.

It is true that Kenneth and Kyle Abraham both testified to the effect that the wooden pieces produced by Paddle Tramps are, in their opinion, not replicas of the marks of the Greek Organizations. However, a close investigation of the wooden figures to the marks of the Greek Organizations conclusively shows that Paddle Tramps's wooden figures clearly are copies of the Greek Organizations' various marks. In fact, elsewhere in their briefing, Paddle Tramps provides arguments regarding its defenses that contradict its contentions that their products do not copy the Greek Organizations' marks. For example, Paddle Tramps's Reply brief regarding its own Motion for Summary Judgment contains an entire section entitled, "From Its Founding, Paddle Tramps Has Been Making and Advertising Its Products Using the Greek Organizations' Marks." Pl.'s Reply Br., Docket No. 70, at 3. The Reply Brief also acknowledges Paddle Tramps's "Consistent Use of Names, Letter Combinations, and Crests" of the Greek Organizations.

Id. at 5. Paddle Tramps seems to want to have it both ways; while they argue that the marks are generic and not replicas of the Greek Organizations' various marks, they also argue that they have been using those exact same marks for decades to support their defenses of laches and acquiescence. As mentioned above, that latter fact may be convincing when it comes to their defenses of laches and acquiescence; however, for the purposes of this Motion for Summary Judgment, the Court agrees with Paddle Tramps's own assertion, and finds that it produces products containing marks that are extremely similar to or exactly the same as the Greek Organizations' marks.

In sum, the Court is of the opinion that, as the district court in *Smack Apparel* found, the marks in this case are "virtually identical," "leaving no doubt that [the products] refer" to the fraternities and sororities. *Board of Supervisors of La. State Univ. v. Smack Apparel Co.*, 438 F.Supp.2d 653, 660 (E.D. La. 2006). Accordingly, this factor weighs heavily in favor of likelihood of confusion

3. *The Similarity of the Products or Services*

The third factor involves a comparison of the accused infringer's products with those of the properly licensed entity's products. "The greater the similarity between products and services, the greater the likelihood of confusion." *Exxon Corp. v. Texas Motor Exch. of Houston, Inc.*, 628 F.2d 500, 505 (5th Cir. 1980). In discussing this factor, the Fifth Circuit explained that likelihood of confusion as to similarity of products exists

when the sponsor or maker of one business or

product might naturally be assumed to be the maker or sponsor of another business or product. The confusion evident in such cases is confusion of the business; the deceived customer buys the infringer's product in the belief that it originates with the trademark owner or that it in some way is affiliated with the owner. When this occurs, the infringer is unjustly trading on the true owner's established reputation.

World Carpets, Inc. v. Dick Littrell's New World Carpets, 438 F.2d 482, 488 (5th Cir. 1971) (quoted in *Elvis Presley*, 141 F.3d at 202). This description was noted in reference to cases where the products were not in direct competition; in this case, the products are in direct competition with one another, often sold at the same venues and aimed at the same customers. The Court must determine whether customers are confused as to the "sponsorship, affiliation, or connection between the parties' products." *Elvis Presley*, 141 F.3d at 202.

In this case, Paddle Tramps is manufacturing and selling products with the exact same names, insignia, or symbols of the Greek Organizations, which are sold directly alongside products that are properly licensed by the Greek Organizations. The identical nature of the products, and the fact that Paddle Tramps's products are in direct competition with the Greek Organizations' licensed products, leads the Court to conclude that this factor weighs heavily in favor of likelihood of confusion. *See Smack Apparel*, 550 F.3d at 481.

4. The Identity of the Retail Outlets and Purchasers

The identity of retail outlets in this case consist of college bookstores, craft shops in college towns, and members of the Greek Organizations who make online or direct purchases. The retail outlets to whom Paddle Tramps wholesales its products are in college towns containing communities of fraternities and sororities. While some of these stores are more general outlets tailoring to a college community, such as college book stores or stores containing merchandise affiliated with the college, others cater nearly entirely to fraternity and sorority members. In any case, Paddle Tramps sells its products to stores who also sell similar products licensed by the Greek Organizations, which weighs in favor of likelihood of confusion. *See Smack Apparel*, 550 F.3d at 481 (holding that the fourth digit of confusion weighs in favor of likelihood of confusion “because the Universities’ licensed products are often sold wholesale to the same retailers who purchase Smack’s products”). The fact that these products are sold alongside licensed merchandise in stores that specifically tailor to those who would recognize the source of the marks strongly indicates to the Court that the purchasers would assume that the use of the Greek Organizations’ marks stemmed from the Greek Organizations themselves, and would therefore be confused as to the source of the merchandise. Paddle Tramps makes no arguments as to the individual members of the Greek Organizations, who admittedly are the target market for their products. Accordingly, this factor weighs in favor of likelihood of confusion.

5. The Identity of the Advertising Media Used

Paddle Tramps argues that the Greek Organizations have presented no summary judgment evidence on this topic, and therefore the Court should not weigh this factor. The Court disagrees with this assessment. The Greek Organizations have provided several sources of advertising media that Paddle Tramps uses to promote its products, including at the venues where the products are sold and through the use of internet keywords.

Regarding the physical advertising, the Court agrees with Paddle Tramps that the Greek Organizations have not provided significant evidence of their advertising venues. Therefore, regarding this form of advertising, the Court does not weigh this factor in favor of either party.

One of the major disputes in this case is the use of internet keywords purchased by Paddle Tramps to ensure that searches made on internet search direct to a page where their unlicensed products are offered for sale. The Greek Organizations argue that such behavior is further infringement of the trademarks in their names. Paddle Tramps contends that the purchase of internet search words is permissible in these circumstances, and does not constitute infringing behavior.

In support of their argument that regarding the use of the internet search terms, Paddle Tramps directs the Court to Judge Fish's decision in *Mary Kay, Inc. v. Weber*, 661 F.Supp.2d 632 (N.D. Tex. 2009). In *Mary Kay*, Judge Fish determined that a proposed term of an injunction against a defendant whom a jury

found to be an infringer regarding the purchase of search term key words was too broad, and declined to adopt it. Judge Fish wrote,

Under federal trademark law, it is lawful to use another's trademark, but only to the extent it is necessary to identify a product as having been manufactured by the mark owner. *Smack Apparel*, 550 F.3d at 489. Thus, it is clear that the court must require the defendants to use only so much of the Mary Kay mark as is necessary to identify the products they are selling. This holding does not mean, however, that the words "Mary Kay" may only appear directly before the name of a specific Mary Kay product. *Nor does it mean that the defendants may not purchase the words "Mary Kay" as a search term from search engines such as Google or Yahoo.* As the court discussed at length in its memorandum opinion and order on the defendants' motion for summary judgment, the court finds search engines to be a valuable guide to internet users. The court stated that "the law will destroy the valuable resource that search engines have become if it prevents those search engines from doing what they are designed to do: present users with the information they seek as well as related information the user may also find helpful or interesting." . . .

The court's holding does mean, however, that any use of the Mary Kay mark must exist

for the sole purpose of informing customers that the defendants, as an entity entirely separate and distinct from Mary Kay, offer Mary Kay products for sale. Any use that implies affiliation with, sponsorship by, or endorsement by Mary Kay is unlawful. *Smack Apparel*, 550 F.3d at 489. Unfortunately, it is difficult to be more specific, as every use of a mark is different. The court notes, however, that the defendants should use caution every time they use the Mary Kay mark-even if that use directly precedes the name of a specific Mary Kay product. Any use of the words “Mary Kay,” without an explanation that the defendants are not Mary Kay and have no affiliation with Mary Kay, is suspect.

Mary Kay, 661 F.Supp.2d at 646 (emphasis added).

In this case, it appears that there is a use of search engine key words that may be “suspect” in the same way that Judge Fish identified in *Mary Kay*, such as “Sigma Chi paddle.” However, while the unlicensed use of such keywords to sell unlicensed products does influence the Court’s decision on whether a likelihood of confusion exists, the Court shall not address the question of whether the use of the Greek Organizations’ word marks by purchasing internet key words is impermissible at this stage. As mentioned elsewhere in this Order, the Court shall not determine the issue of whether the Greek Organizations are entitled to injunctive relief, or the scope of that relief, until the Court has issued a decision on Paddle Tramps’s Motion for Summary

Judgment regarding its defenses. Therefore, the Court shall accept Paddle Tramps's argument regarding this factor and does not weigh it in favor of either party. However, the Court does note Judge Fish's conclusion that "[a]ny use that implies affiliation with, sponsorship by, or endorsement by" the Greek Organizations "is unlawful" if there is no actual affiliation, sponsorship or endorsement by the Greek Organizations. *Id.* at 646.

6. The Defendant's Intent

The sixth digit of confusion is the alleged infringer's intent to confuse the public. *Elvis Presley*, 141 F.3d at 203. The Greek Organizations argue that the circumstances of this case are similar to those seen in *Smack Apparel*, in which the trademark owner presented admissions by the alleged infringer, a manufacturer of tee shirts, that it "used school colors and 'other indicia' with the intent of identifying the university plaintiffs as the subject of the message expressed in the shirt design." *Smack Apparel*, 550 F.3d at 481. The Fifth Circuit explained:

Smack asserts that its intent to copy is not the same as an intent to confuse. The circumstances of this case show, however, that Smack intended to capitalize on the potential for confusion. Smack knew that its shirts were sold in the same venues as and sometimes alongside officially licensed merchandise, and it intentionally incorporated color marks to create the kind of association with the Universities that would influence purchasers.

Id. at 482.

As in *Smack Apparel*, the alleged infringer in this case admits to using designs associated with the Greek Organizations by their members “to create the kind of association with the [sororities and fraternities] that would influence purchasers.” *Id.* This element also appears to be met in this case in view of the Fifth Circuit’s opinion in *Boston Hockey*, which read in relevant part,

The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public *knowing that the public would identify them as being the teams’ trademarks*. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, *where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem*.

Boston Hockey, 510 F.2d at 1012 (emphasis added).

Based upon the statements of Paddle Tramps’s owners and executives, this assessment would also apply to Paddle Tramps’s use of the Greek Organizations’ marks. Paddle Tramps’s use of the names of Greek Organizations to sell their “paddle kits” indicates that Paddle Tramps knew that the public, and their targeted customers (i.e. fraternity and sorority members and their families), would identify their products as being affiliated with the teams’ trademarks. Furthermore, it is quite clear that

the trademarked Greek letter combinations, crests, or symbols is “the triggering mechanism for the sale” of Paddle Tramps’s products. *Id.*

Paddle Tramps argues that the purpose of its business is to create a quality, superior product, and that this intent is different than that which was seen in cases such as *Smack Apparel*. Such reasoning appears to reference one Fifth Circuit panel’s expression that “[i]ntent to compete . . . is not tantamount to intent to confuse.” *Scott Fetzer Co. v. House of Vacuums Inc.*, 381 F.3d 477, 486 (5th Cir. 2004). Further attempting to justify its behavior, Paddle Tramps argues that this case is distinguishable from *Smack Apparel* because the defendant in that case “admitted adopting the mark to make money,” while Paddle Tramps’s intent was focused on ease for members of the Greek Organizations and the construction of a quality product. Pl.’s Resp. Br., Docket No. 66, at 32.

The Court rejects this argument. The Fifth Circuit’s decision in *Smack Apparel* clearly indicates that when one’s use of a mark is intended to bring the owner of the mark to mind, and where the alleged infringer utilizes such association to encourage sales of its products, such behavior is impermissible trademark infringement. Paddle Tramps misinterprets the meaning of “intent” in this context. Instead, the Court’s inquiry is into whether the alleged infringer intended “to create the kind of association with the [sororities and fraternities] that would influence purchasers.” *Smack Apparel*, 550 F.3d at 482. It is quite clear to the Court that Mr. Abraham started

Paddle Tramps knowing that the purchasers of his products would be members of Greek Organizations, and that the triggering mechanism of the purchase of the product rose out of their desire to be affiliated and identified with their Greek Organization. *See Boston Hockey*, 510 F.2d at 1012. For the inquiry related to this specific factor for likelihood of confusion, such knowledge clearly demonstrates that Paddle Tramps at least possessed the knowledge that the sale of its products was triggered by the unlicensed use of marks associated with the Greek Organizations. Trying to distinguish this case from *Smack Apparel* by arguing that Paddle Tramps's use was not motivated by profit is unavailing when Paddle Tramps clearly produced products aimed at members of the Greek Organizations that it knows contains marks and symbols that prompt the purchase of those objects.

It is true that certain courts have held that there can be other "plausible" explanations for an intent to copy one's mark or dress, such as attempting to provide replacement parts in a superior way than the manufacturer of the product. *See, e.g., Sno-Wizard Mfg., Inc. v. Eisemann Prods. Co.*, 791 F.2d 423 (5th Cir. 1986). Such motivations can show that there was an intent other trying to "pass off" one's products as another's. Paddle Tramps attempts to utilize this line of argument, arguing that its intent was to make the paddle decoration process easier for members of Greek Organizations, or to create products of a superior quality. However, the Court is convinced that, in this case, there was an intent to "create the kind of association with the [sororities and fraternities] that would influence purchasers" in manufacturing and

selling products directly to that market, thus deriving a benefit from their names and marks. *Smack Apparel*, 550 F.3d at 482. Therefore, the Court is of the opinion that the Greek Organizations have successfully demonstrated that this factor weighs in favor of likelihood of confusion.

Going beyond the intent inquiry for likelihood of confusion purposes, however, much of the argument between the parties as to Paddle Tramps's intent was made in regard to the Greek Organizations' contention that Paddle Tramps could not assert the defense of laches due to the fact that their infringement was intentional. The Fifth Circuit has indicated that the inquiry into the intent necessary to bar the assertion of an equitable defense such as laches may be different than the intent inquiry regarding likelihood of confusion. *See Conan Props., Inc. v. Conans Pizza*, 752 F.2d 145, 150 (5th Cir. 1985) (noting that a party attempting to deny a party the use of the equitable defense of laches must show that the infringing party possessed "an explicit bad faith intent of 'passing off' its service and product as emanating from or endorsed by" the mark owner); *see also Armco, Inc. v. Armco Burglar Alarm Co.*, 693 F.2d 1155, 1159 n. 7 (5th Cir. 1982). Whether Paddle Tramps acted with the intent necessary to bar its assertion of the laches defense is a question that the Court has yet to decide. Accordingly, the Court shall not issue a decision upon the issue of Paddle Tramps's intent in regard to whether it does not have the clean hands necessary to assert equitable defenses until the Court issues a decision on Paddle Tramps's Motion for Summary Judgment.

In sum, while this factor weighs in favor of a likelihood of confusion, certain issues surrounding Paddle Tramps's intent are yet to be resolved.¹⁴ Therefore, while the intent factor in this context weighs in favor of a likelihood of confusion, the Court shall revisit the issue of Paddle Tramps's intent for the purpose of ruling upon Paddle Tramps's Motion for Summary Judgment at the appropriate time.

7. Any Evidence of Actual Confusion

The seventh factor that the Court must consider is its customers' evidence of actual confusion in purchasing the products at issue. The Greek Organizations have provided a number of sworn statements of members of Greek Organizations expressing that they were confused by Paddle Tramps's products and mistook them as originating from their respective Greek Organizations. Paddle Tramps objects to the use of this evidence, due to the untimeliness of their disclosure and Paddle Tramps's inability to cross-examine those who made the statements. Paddle Tramps further argues that it would be unable to undertake this effort because of a

¹⁴ In any case, "[n]o single factor is dispositive," *Smack Apparel*, 550 F.3d at 478, and Paddle Tramps's intent to confuse is "not necessary to finding a likelihood of confusion." *Id.* at 481. Taking all of the factors into account, even if the Court does not consider the intent factor, the Court is of the opinion that the other digits of confusion by themselves sufficiently demonstrate that there was a likelihood of confusion in this case.

shortage of available time.^{15FN15} Paddle Tramps also notes that evidence of actual confusion is very important to the Court's determination of the issue of likelihood of confusion, and asks the Court not to consider this evidence.

While evidence of actual confusion is certainly relevant to the Court's decision, the Court does not wish to prejudice Paddle Tramps in its determination if it believes the evidence of actual confusion could be discounted by cross-examination or countering of the statements at issue. Although the Court does believe that these statements can appropriately be considered at this stage, the Court will grant Paddle Tramps's request and not consider the declarations.

However, declining to consider this evidence is not determinative upon the Court's ultimate conclusion regarding whether there was a likelihood of confusion in this case. Notably, "[n]o single factor is dispositive." *Smack Apparel*, 550 F.3d at 478. Furthermore, "[i]t is well established . . . that evidence of actual confusion is not necessary for a finding of a likelihood of confusion." *Id.* at 483. Because of the strength of the other factors in favor of a likelihood of confusion, the Court need not consider the evidence at issue to make

¹⁵ The Court notes that the parties jointly moved for a delay of the trial date until the Court's decision on the pending Motions for Summary Judgment (Docket No. 73), which the Court granted, but Paddle Tramps has not to this point supplemented its briefing indicating that it has attempted to interview or obtained statements from the relevant declarants.

its determination. Therefore, the Court shall not weigh this factor in favor of either party.

8. Degree of Care Exercised by Potential Purchasers

The Court next considers the degree of care of those who would purchase the products at issue.¹⁶ There are two groups of potential purchasers in this case; retail shops and members of Greek Organizations. Paddle Tramps is correct that the retail shops are likely to be sophisticated purchasers; they have contractual relationships with Paddle Tramps, and, as the Greek Organizations themselves note, many of these retailers sell Paddle Tramps's products alongside licensed products. The Greek Organizations do not convincingly counter this point; accordingly, the Court accepts Paddle Tramps's contention that "the retailers may be assumed to be sophisticated buyers." *Merriam-Webster, Inc. v. Random House, Inc.*, 35 F.3d 65, 72 (2d Cir. 1994). Accordingly, regarding the retailers, this factor weighs against likelihood of confusion.

The second set of potential purchasers are the members of the Greek Organizations. As the Court has made clear at various parts of its analysis, Paddle Tramps's products and products properly licensed by the Greek Organizations are also aimed at the same customer base: members of the Greek Organizations,

¹⁶ The factor of the degree of care exercised by potential purchases has also been described as "the sophistication of the relevant consumer group." GARY MYERS, PRINCIPLES OF INTELLECTUAL PROPERTY LAW 209 (2008).

and, at times, friends and family members of those individuals. The Court is of the opinion that purchases of the items at issue are made by members of Greek Organizations who are distinctly aware of what they are buying and for what purpose: creation of a ceremonial paddle. The items at issue are not “impulse buys” or inexpensive (as a whole); therefore, these characteristics would not prompt a potential purchases to exercise a lesser degree of care. *Smack Apparel*, 550 F.3d at 483; *Sun-Fun-Prods., Inc. v. Suntan Research & Dev. Inc.*, 656 F.2d 186, 191 (5th Cir. 1981).

However, other factors counsel against fully weighing this factor against a likelihood of confusion as to the members of the Greek Organizations. The products themselves are nearly identical; even with a careful examination and a heavy degree of care, it would be difficult to tell the difference between Paddle Tramps’s product and those that are properly licensed. The fact that the unlicensed products also show up as results in internet searches that utilize the Greek Organizations’ protected trademarks further adds to the difficulty in differentiating between licensed products authorized by the Greek Organizations and unlicensed products produced by Paddle Tramps regardless of the degree of care. Furthermore, members of Greek Organizations would be unable to tell by the images of Paddle Tramps’s products on its website that its products are unlicensed because the images show only portions of the products and likely not where the symbol identifying a product as properly licensed by a Greek Organization would be.

Paddle Tramps argues that the fault lies with the

Greek Organizations because their members are not properly instructed to only purchase from licensed vendors or look for licensed products, and that members of the Greek Organizations want to buy Paddle Tramps's products regardless of who manufactures them or whether they are licensed. In support of this contention, Paddle Tramps points to various informational items that the Greek Organizations put out to their members informing them to look for specific symbols that indicate that the products are properly licensed.

The Court is not convinced by this argument. As the Fifth Circuit stated in *Smack Apparel*:

We are not persuaded that simply because some consumers might not care whether Smack's shirts are officially licensed the likelihood of confusion is negated. Whether or not a consumer *cares* about official sponsorship is a different question from whether that consumer would likely *believe* the product is officially sponsored.

Smack Apparel, 550 F.3d at 485 (emphasis in original). This reasoning applies equally to this case. In many cases, the Court is convinced that, although some members of Greek Organizations may be aware of the difference between licensed and unlicensed products, many members would still be unaware of the difference (particularly those who could not check if the products were licensed through the online images), and would likely believe the product is officially sponsored. Accordingly, while the educational efforts of Greek Organizations does increase the sophistication

of potential purchases to some degree, that impact on the significance of the degree of care used may not be particularly extensive, especially considering the online sales methods of Paddle Tramps.

Ultimately, the arguments of the parties are quite balanced regarding this factor. It is true that because the products are identical, it is likely that members of the Greek Organizations would likely be unable to differentiate between licensed and unlicensed products even if they used a high degree of care. At the same time, the members of the Greek Organizations are sophisticated to at least some degree because of the importance of the traditions they are following to the Greek Organizations and that some of them may be aware of the presence of unlicensed products and have received instructions as to how to differentiate between them. Regarding the members of the Greek Organizations, then, the Court does not weigh this factor in favor of either party.

* * *

After considering and weighing all of the factors, and determining that a majority of the factors weigh in favor of a likelihood of confusion, the Court agrees with the Greek Organizations that in this case, “confusion is self-evident.” *Boston Hockey*, 510 F.2d at 1012. In support of its conclusion, the Court notes the prescient decision of the district court in *Sigma Chi*, which, dealing with marks similar to the marks addressed in this case and relying upon the reasoning of *Boston Hockey*, held,

[T]he conclusion is inescapable that, without Sigma Chi’s marks (or those of other

fraternities and sororities), [the alleged infringer] would not have a market for its particular products among fraternity and sorority members desiring to purchase products bearing the marks of their respective fraternity or sorority. . . . In this regard, the confusion factor is met where, as here, the registered mark, originated by Sigma Chi, is the triggering mechanism for the sale of the product.

Sigma Chi, 2000 WL 34414961 at *9, 2000 U.S. Dist. LEXIS 6332 at *29 (citing *Boston Hockey*, 510 F.2d at 1011-12). This passage effectively reflects the ultimate reasoning of the Court's determination that the Greek Organizations have successfully established that Paddle Tramps infringed upon their marks.

Accordingly, it is the opinion of the Court that the Greek Organizations have successfully shown that their marks were infringed by Paddle Tramps and that there is no genuine issue of fact regarding this issue.¹⁷

V. Trademark Dilution

The Greek Organizations also raise claims against Paddle Tramps for trademark dilution under Texas state law. "Trademark dilution is the weakening of the ability of a mark to clearly and unmistakably distinguish the source of a product." *Scott Fetzer Co.*,

¹⁷ Because the Court has determined that Paddle Tramps did infringe upon the Greek Organizations' marks, the Court need not reach the Greek Organizations' argument that Paddle Tramps infringed through progressive encroachment.

381 F.3d at 489; *see also Horseshoe Bay Resort Sales Co. v. Lake Lyndon B. Johnson Imp. Corp.*, 53 S.W.3d 799, 812 (Tex.App.-Austin 2001, pet. denied.). The Texas anti-dilution statute provides:

A person may bring an action to enjoin an act likely to injure a business reputation or to dilute the distinctive quality of a mark registered under this chapter or Title 15, U.S.C., or a mark or trade name valid at common law, regardless of whether there is competition between the parties or confusion as to the source of goods or services.

Tex. Bus. & Com.Code § 16.29. Under this statute, a claimant must show “(1) ownership of a distinctive mark and (2) a likelihood of dilution.” *Pebble Beach Co. v. Tour 18 I, Ltd.*, 942 F.Supp. 1513, 1564 (S.D. Tex. 1996) (Hittner, J.). “The owner of a distinctive mark may obtain relief under an anti-dilution statute if there is a ‘likelihood of dilution’ due to (1) ‘blurring,’ a diminution in the uniqueness and individuality of the mark, or (2) ‘tarnishment,’ an injury resulting from another’s use of the mark in a manner that tarnishes or appropriates the goodwill and reputation associated with the plaintiff’s mark.” *Exxon Corp.*, 109 F.3d at 1081 (footnotes and citations omitted).

Paddle Tramps argues that the Greek Organizations should not be able to raise dilution claims in this case because such claims are usually reserved for non-competing goods, and that infringement is the proper remedy for competing goods. In support of this argument, Paddle Tramps refers the Court to the Fifth Circuit’s opinion in

Holiday Inns, Inc. v. Holiday Out in America, 481 F.2d 445 (5th Cir. 1973), which reads in relevant part,

Dilution is a concept most applicable where a subsequent user uses the trademark of a prior user for a product so dissimilar from the product of the prior user that there is no likelihood of confusion of the products or sources, but where the use of the trademark by the subsequent user will lessen the uniqueness of the prior user's mark with the possible future result that a strong mark may become a weak mark.

Id. at 450. "Dilution legislation flowed from a desire to prevent 'hypothetical anomalies' such as 'Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns, and so forth.'" *E. & J. Gallo Winery v. Spider Webs Ltd.*, 129 F.Supp.2d 1033, 1037 (S.D. Tex. 2001) (Crone, J.) (quoting *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989)). Paddle Tramps thus argues that this claim is not appropriate under these circumstances of direct competition.

In this case, it is true that the marks properly licensed by the Greek Organizations and those being used by Paddle Tramps are identical or nearly identical, and are used within exactly the same field. Accordingly, the use of a dilution claim does not fit within the traditional purposes of anti-dilution statutes as articulated in *Holiday Inns* and *E. & J. Gallo*. However, upon looking at the Texas anti-dilution statute under which these claims were brought, the Court cannot accept Paddle Tramps's

argument that such a claim should not be raised in this case. The Texas anti-dilution statute provides that a claim for dilution may be brought “*regardless* of whether there is competition between the parties.” Tex. Bus. & Com.Code § 16.29 (emphasis added). Accordingly, “the Texas anti-dilution statute applies to competitive goods and services.” *Pebble Beach*, 942 F.Supp. at 1564.

To determine whether a mark is distinctive under the Texas anti-dilution statute, the Court considers “whether the mark is arbitrary, the length of time the user has employed the mark, the scope of the user’s advertising and promotions, the nature and extent of the first user’s business, and the scope of the first user’s reputation.” *Advantage Rent-A-Car, Inc. v. Enterprise Rent-A-Car, Co.*, 238 F.3d 378, 381 (5th Cir. 2001). As the above analysis for trademark infringement and unfair competition has shown, the Greek Organizations have demonstrated ownership of distinctive marks consisting of combinations of Greek letters, their insignia, their crests, and their symbols. These marks possess “arbitrary” classifications, or at least are deserving of an inherently distinctive classification. Additionally, the parties have provided to the Court substantial information about each side’s uses of the marks. The Greek Organizations have used their marks from time periods ranging from decades to a few years. Regarding the marks used by Paddle Tramps, however, the Court is convinced that they are distinctive for the purpose of the dilution inquiry. While it is true that, the Fifth Circuit acknowledged that “a somewhat stricter standard is to be applied in determining ‘strength’ in dilution analysis than in

likelihood of confusion analysis,” *id.* (quoting *Pebble Beach*, 942 F.Supp. at 1565), the Court is of the opinion that this standard has been met in this case, and that their marks are sufficiently strong enough to be diluted.¹⁸

The Court’s analysis now shifts to the second step of determining whether there was a likelihood of dilution. Here, the Court assesses whether the Greek Organizations have demonstrated that Paddle Tramps’s actions have “tarnished” or “blurred” their

¹⁸ Paddle Tramps notes that previous decisions dealing with the insignia of fraternities and sororities have declined to find dilution. *See Sigma Chi*, 2000 WL 34414961 at *10, 2000 U.S. Dist. LEXIS 6332 at *33; *Pure Country*, 2004 WL 3391781 at *12-*14. Notably, however, both of those decisions were issued under federal trademark dilution laws, which require the marks asserted to be a “famous mark that is distinctive.” 15 U.S.C. § 1125(c); *Advantage Rent-A-Car, Inc. v. Enterprise Rent-A-Car, Co.*, 238 F.3d 378, 381 (5th Cir. 2001). The Texas anti-dilution statute, however, contains no such “fame” requirement; a mark need only be “distinctive.” *Advantage Rent-A-Car*, 238 F.3d at 381. For example, the *Sigma Chi* court, in specifically addressing the “famous” part of the inquiry, noted, “Even if a mark is distinctive in its particular market, it does not render it inherently distinctive so as to engender immediate recognition in the general public of a particular product.” *Sigma Chi*, 2000 WL 34414961 at *10, 2000 U.S. Dist. LEXIS 6332 at *33 (quoting *Michael Caruso & Co. v. Estefan Enters.*, 994 F.Supp. 1454, 1463 (S.D. Fla. 1998)). Because the Greek Organizations’ dilution claim is brought under Texas law, however, the Court need not assess its recognition in the general public because this goes to the “fame” of the mark. Within the field in which these products are sold, the mark is distinctive; therefore, this first element has been met.

marks. *Exxon Corp.*, 109 F.3d at 1081. The Greek Organizations claim that the “blurring” form of dilution is the only form of dilution present in this case. Defs.’ Reply Br., Docket No. 72, at 19. Therefore, the Court shall not address whether “tarnishment” took place and shall focus its inquiry upon “blurring.”

Interpreting the Texas anti-dilution statute, both federal and state courts have determined that, if the claimant holds a distinctive mark, “it is enough [for dilution] that the defendant has made significant use of a very similar mark.” *Pebble Beach*, 942 F.Supp. at 1564 (quoting *Freedom Sav. & Loan Ass’n v. Way*, 757 F.2d 1176, 1186 (11th Cir. 1985)); *Horseshoe Bay*, 53 S.W.3d at 812. In this case, Paddle Tramps admits that it has been producing products containing the Greek Organizations’ marks for decades; indeed, the marks used by Paddle Tramps are not just “very similar”; they are identical or nearly identical. Such evidence strongly supports a finding of dilution. As the Supreme Court provided, “It may well be . . . that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can be reliably proved through circumstantial evidence-*the obvious case is one where the junior and senior marks are identical.*” *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 434 (2003) (emphasis added).

In this case, the junior marks of Paddle Tramps are identical to the senior marks of the Greek Organizations; such a finding is sufficient to demonstrate dilution under Texas law. As Judge Cummings wrote in a case regarding the sale of unlicensed products bearing a university’s logo,

Spiegelberg's use of the marks is almost certain to cause dilution by blurring. The circulation of unlicensed products bearing Texas Tech's marks will likely blur the uniqueness of officially licensed products. Undoubtedly, the sale of unlicensed products will result in diminished individuality of the officially licensed products.

Texas Tech, 461 F.Supp.2d at 523-24. Such reasoning applies equally to the circumstances of this case. Accordingly, the Court is of the opinion that Paddle Tramps has committed trademark dilution under Texas law, and that there is no genuine issue of material fact as to this claim.

VI. Paddle Tramps's Defenses

Paddle Tramps raised the defenses of laches and acquiescence in its own Motion for Summary Judgment (Docket No. 48). As previously provided in this Order, the Court has not yet determined whether laches or acquiescence act to bar some or all of the Greek Organizations' claims. Accordingly, the Court shall, by separate order, schedule a hearing regarding Paddle Tramps's Motion for Summary Judgment, and shall issue its decision regarding that Motion at a later date.

VII. The Greek Organizations' Requested Remedy

As mentioned above, the Greek Organizations have not asked the Court to determine the issue of damages at this time. The Greek Organizations have, however, asked the Court to issue an injunction

preventing Paddle Tramps from continuing in its infringing behavior.

While the Court has determined that Paddle Tramps has infringed upon the Greek Organizations' marks, the Court has yet to determine whether, regardless of this behavior, the Greek Organizations' claims are barred by Paddle Tramps's defenses of laches or acquiescence. Accordingly, the Court shall not rule upon the issue of whether an preliminary injunction in this case is appropriate, or what the scope of that preliminary injunction should be, until after the Court issues a decision on Paddle Tramps's Motion for Summary Judgment.

Conclusion

For the reasons stated above, it is the opinion of the Court that Paddle Tramps has infringed upon the Greek Organization's trademarks. There is no genuine issue of material fact that the Greek Organizations possessed legally protectable marks, that Paddle Tramps used the Greek Organizations names, insignia, and symbols, and such use created a likelihood of confusion among the public. Therefore, the Greek Organizations' Motion for Summary Judgment as to liability for trademark infringement and unfair competition is GRANTED. Furthermore, Paddle Tramps has also diluted the Greek Organizations' marks through the unlicensed use of identical or nearly identical marks; therefore, the Greek Organizations' Motion for Summary Judgment as to liability for trademark dilution is also GRANTED.

The Court shall not issue a decision regarding

whether a preliminary injunction is an appropriate remedy for the infringement until after the Court issues a decision on Paddle Tramps's Motion for Summary Judgment relating to its defenses of laches and acquiescence. Accordingly, as to the issue of whether a preliminary injunction is appropriate, the Greek Organizations' Motion for Summary Judgment is DENIED WITHOUT PREJUDICE. Following the Court's decision on Paddle Tramps's Motion for Summary Judgment, the Greek Organizations will, if necessary, have the opportunity to file an additional motion relating solely to the issue of injunctive relief.

IT IS SO ORDERED.

Signed this 26th day of April, 2011.

/s/ Royal Furgeson

Royal Furgeson

United States Senior District Judge