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Incontestable Trademark Rights and Equitable Defenses in Infringement Litigation

I. INTRODUCTION

When President Truman signed the Lanham Act¹ into law on July 5, 1946, the United States, for the first time, provided comprehensive national protection of trademarks.² One of the benefits accorded federal registrants under the Act is the possibility that the registrant's right to use a trademark may become "incontestable."³ The expanded protection given an owner of incontestable trademark rights is considerable, because the owner's right to use the trademark may be attacked only on limited grounds.⁴ Although the courts traditionally have distinguished between offensive and defensive assertion of incontestable trademark rights,⁵ recent decisions appear to confirm that

1. Trademark Act of 1946, ch. 540, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051-1127 (1976)) [hereinafter cited as the Lanham Act].

2. The Lanham Act is based upon the commerce clause, U.S. CONST. art. I, § 8, cl. 3, and a trademark owner's rights are established when a trademark is "used in commerce." 15 U.S.C. § 1051 (1976). The Act was the culmination of twenty-six years of effort by business, the bar, and Congress to reform the Trademark Act of 1905, ch. 592, 33 Stat. 724 (current version at 15 U.S.C. §§ 1051-1127 (1976)). For a discussion of the history and development of the Lanham Act, see D. ROBERT, *THE NEW TRADE-MARK MANUAL* 233-37 (1947); Carter, *Legislative History of the New Trade-Mark Act*, 36 TRADE-MARK REP. 121 (1946); Rogers, *The Lanham Act and the Social Function of Trade-Marks*, 14 LAW & CONTEMP. PROBS. 173 (1949).

3. The owner of a federally registered trademark may gain "incontestable" rights from the operation of three sections of the Lanham Act. 15 U.S.C. §§ 1064, 1065 & 1115(b) (1976). See *infra* text accompanying notes 15-20. The effect of an incontestable registration when its owner seeks to enforce rights in court is covered by section 1115(b), which makes an incontestable registration "conclusive evidence of the registrant's *exclusive* right to use the registered mark in commerce," subject to several exceptions. 15 U.S.C. § 1115(b) (1976) (emphasis added).

The use of the term "incontestable" is misleading. As the word appeared in early versions of the Act, it characterized the accrued trademark rights with a reasonable degree of accuracy. Subsequent drafts, however, placed increased restrictions on the scope of the concept. See Ooms & Frost, *Incontestability*, 14 LAW & CONTEMP. PROBS. 220, 221 (1949). Nevertheless, because the statute itself uses the term "incontestable," and because of the overwhelming use of the description by courts and commenators, this Note assumes that usage.

4. The grounds for attacking an incontestable registration are stated explicitly in the statute. See 15 U.S.C. §§ 1064, 1065 & 1115(b) (1976); *infra* text accompanying notes 15-20.

5. Some courts asserted that incontestable rights could be used defen-

the benefits of incontestability are uniformly available.⁶ It is still unclear, however, whether equitable defenses may be raised in litigation to defeat registered marks that have become incontestable under the Lanham Act.⁷

This Note evaluates the merits of proscribing equitable defenses against owners of incontestable trademark rights. The Note begins by examining the basic purposes of trademark protection recognized by the sponsors of the Lanham Act, and describes the attributes of incontestability accorded federal registrations. It next identifies arguments that have been offered in favor of allowing equitable defenses against incontestable registrations, but contends through statutory analysis that the Lanham Act does not permit the assertion of equitable defenses in litigation when incontestable trademark rights are involved. The Note briefly reviews judicial treatment of the issue, and concludes with a policy analysis, arguing that the role of

sively but not offensively—incontestable rights could shield the owner's registration and use, but could not add to the owner's rights to exclude others. *See, e.g.,* Schwinn Bicycle Co. v. Murray Ohio Mfg. Co., 339 F. Supp. 973, 979 (M.D. Tenn. 1971), *aff'd*, 470 F.2d 975 (6th Cir. 1972). In practice, this dichotomy removed all meaning from the incontestability provisions in the statute when the registrant was the plaintiff in infringement litigation. For a discussion of the judicial development of the offensive-defensive distinction, see Note, *Trade-Marks—Incontestability*—Union Carbide Corp. v. Ever-Ready, Inc., 18 B.C. INDUS. & COM. L. REV. 396, 408 (1977).

6. The court in *Union Carbide Corp. v. Ever-Ready, Inc.* soundly rejected the offensive-defensive distinction. 531 F.2d 366 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976). *See infra* notes 74-85 and accompanying text. The decision, which held that offensive use of incontestable rights was clearly permissible, has been almost uniformly followed. *See* United States Jaycees v. Philadelphia Jaycees, 639 F.2d 134 (3d Cir. 1981); *Soweco v. Shell Oil Co.*, 617 F.2d 1178 (5th Cir. 1980), *cert. denied*, 450 U.S. 981 (1981); *United States Jaycees v. Chicago Jr. Ass'n of Com. & Indus.*, 505 F. Supp. 998 (N.D. Ill. 1981). The Eighth Circuit, which a year prior to *Union Carbide* had expressed approval of the offensive-defensive distinction, has since indicated that it may reconsider its position. *Compare* *Wrist-Rocket Mfg. Co. v. Saunders Archery Co.*, 516 F.2d 846, 851 (8th Cir.), *cert. denied*, 423 U.S. 870 (1975) with *Wrist-Rocket Mfg. Co. v. Saunders Archery Co.*, 578 F.2d 727, 731 n.4 (8th Cir. 1978). For decisions equivocal on the *Union Carbide* position, see *Koppers Co. v. Krupp-Koppers GmbH*, 517 F. Supp. 836, 845-46, 847 (W.D. Pa. 1981); *Armand's Subway v. Doctor's Assocs.*, 202 U.S.P.Q. (BNA) 305, 311-12 (E.D. Va. 1978).

7. "[T]here is some disagreement whether section 1115(b) precludes the defenses of waiver, acquiescence and estoppel . . ." *Koppers Co. v. Krupp-Koppers GmbH*, 517 F. Supp. 836, 847 (W.D. Pa. 1981). *See also* R. DOLE, *TERRITORIAL TRADEMARK RIGHTS AND THE ANTITRUST LAWS* 70 (1965); 1 J. GILSON, *TRADEMARK PROTECTION AND PRACTICE* § 4.03(3) (1980 & Supp. 1982); 2 J. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* § 32:44 (1973 & Supp. 1981); Diggins, *The Lanham Trade-Mark Act*, 35 GEO. L.J. 147, 195 (1947); Note, *Trademark Incontestability—Time for the Next Step*, 18 STAN. L. REV. 1196, 1205 (1966); *Developments in the Law—Trade-Marks and Unfair Competition*, 68 HARV. L. REV. 814, 830 (1955).

equity in the enforcement of private trademark rights must be considered incidental to protection of the public from confusion as to the source and quality of goods and services in the marketplace.

II. THE LANHAM ACT

The Lanham Act recognized two basic goals underlying protective trademark legislation: protection of the public from confusion and deception as to the quality and source of goods and services and the assurance of an owner's goodwill investment.⁸ Congress reasoned that these goals would be achieved most effectively through a system of national registration of trademarks.⁹ Federal trademark law protects the symbolic and investment value of the trademark, and tends to stabilize the marketplace by mitigating the risk of consumers being confused or deceived with respect to either the goods and services themselves or their origin.¹⁰ The Lanham Act attempts to obvi-

8. These goals were articulated by the Senate Committee on Patents during its final consideration of the bill. S. REP. NO. 1333, 79th Cong., 2d Sess. 3, *reprinted in* 1946 U.S. CODE CONG. SERV. 1274, 1276. Legislative history relating to amendments of the Lanham Act also expresses this view. *See, e.g.*, S. REP. NO. 1400, 93d Cong., 2d Sess. 5, *reprinted in* 1974 U.S. CODE CONG. & AD. NEWS 7132, 7136. For a list of other reasons given for enactment of the 1946 legislation, see S. REP. NO. 1333, *supra* at 5, *reprinted in* 1946 U.S. CODE CONG. SERV. at 1276.

9. *See* S. REP. NO. 1333, *supra* note 8, at 5, *reprinted in* 1946 U.S. CODE CONG. SERV. at 1277 ("[A] sound public policy requires that trademarks should receive nationally the greatest protection that can be given them."). Federal registration procedures seek to reduce potential conflict by: (1) publishing marks that have become "registrable" in the *Official Gazette*, which serves as "constructive notice" to other potential users, 15 U.S.C. §§ 1062, 1072 (1976); (2) providing for opposition proceedings to be initiated within 30 days by any persons who believe they would be damaged by the registration, 15 U.S.C. § 1063 (1976); and by allowing (3) cancellation proceedings, 15 U.S.C. § 1064 (1976) and (4) concurrent use and interference proceedings, 15 U.S.C. §§ 1052, 1066, 1067 (1976). *See generally In re Beatrice Foods Co.*, 429 F.2d 466 (C.C.P.A. 1970). Controversies in these contexts are heard by the Trademark Trial and Appeal Board (T.T.A.B.), *see* 15 U.S.C. § 1067 (1976). Appeal may be to the Court of Customs and Patent Appeals (C.C.P.A.), with review by the United States Supreme Court, *see* 15 U.S.C. § 1071 (1976). Persons dissatisfied with T.T.A.B. decisions may file a civil action in federal district court. *Id.*

10. The Lanham Act sponsors' recognition of protection of the public from confusion as a central purpose of trademark legislation restated common law doctrine. As early as 1882, the Supreme Court observed that a trademark owner is entitled to protection, "not only as a matter of justice to him, but to prevent imposition upon the public." *Manhattan Medicine Co. v. Wood*, 108 U.S. 218, 223 (1882). For a recent statement of this consideration, *see James Burrough, Ltd. v. Sign of the Beefeater*, 540 F.2d 266 (7th Cir. 1976). *See also infra* text accompanying note 116. The test of both common law trademark infringement and federal statutory trademark infringement is whether the public is "likely to be confused." *See McLean v. Fleming*, 96 U.S. 245, 253 (1877); 15 U.S.C. § 1114

ate deception with respect to goods and services themselves by preventing the registration or use of confusing marks for products or services having the same descriptive characteristics.¹¹ Reliability of source is assured through prevention of the registration or use of marks that might lead the consumer to believe that goods and services bearing a particular mark were provided by a company that in fact had no connection with the perceived supplier.¹²

Congress's perception that trademarks serve a beneficial role in the marketplace¹³ gave rise to the Lanham Act's strong national protection provisions, including the incontestability sections.¹⁴ Three sections of the Act combine to define the full scope of incontestable trademark rights,¹⁵ and a fourth section defines the rights of registrants in the absence of incontestability.¹⁶ A trademark owner must meet the requirements set forth in section 1065 for the owner's mark to achieve incontestable status.¹⁷ Section 1065 generally provides that once a mark has been registered and continuously used in commerce for five years, the right of the registrant to use the mark in connection with the goods or services listed in the registration becomes incontestable upon a filing of the proper affidavit with the Patent and Trademark Office.¹⁸ Section 1064 describes the grounds upon which federal registrations may be cancelled, and in certain circumstances even provides for the cancellation of incontestable trademark registrations.¹⁹ Section 1115(b) grants

(1976) (providing that use of a mark by the alleged infringer will be unlawful if it is "likely to cause confusion, or to cause mistake, or to deceive"). For a catalog of the factors courts generally consider in determining likelihood of confusion, see *Union Carbide Corp. v. Ever-Ready*, 531 F.2d 366, 381-82 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976).

11. See 15 U.S.C. §§ 1052, 1064(c), 1065(4), 1115(b) (4) (1976). See also *supra* note 9.

12. See 15 U.S.C. §§ 1051, 1052(d), 1064(c), 1066, 1114(1), 1115(b) (3) (1976).

13. See *supra* text accompanying note 8.

14. See 92 CONG. REC. 7524 (1946) (remarks of Rep. Lanham).

15. See 15 U.S.C. §§ 1064, 1065, 1115(b) (1976).

16. See 15 U.S.C. § 1115(a) (1976).

17. 15 U.S.C. § 1065 (1976).

18. Within the limitations of section 1065, an incontestable right to use the mark is a defense to a cancellation proceeding and, except as modified by section 1115(b), may be asserted offensively or defensively in an infringement action. See generally *supra* notes 5 & 6. Section 1065 incorporates by reference the principal exceptions to section 1064, see *infra* note 19. 15 U.S.C. § 1065 (1976).

19. A trademark is not completely incontestable, but remains subject to cancellation throughout its existence if any of the grounds listed in section 1064(c)-(e) are proved. Cancellation may occur if the registered mark becomes the common descriptive name of an item, or has been abandoned, or if its registration was fraudulently obtained, or if the registered mark is being used by, or

marks with incontestable registrations a conclusive evidentiary presumption of the right of exclusive use, and enumerates seven exceptions to incontestability which the opposing party may raise against the owner of the mark in infringement actions.²⁰

If a federal registration has not yet achieved incontestable status, section 1115(a)²¹ defines the owner's rights. Subsection (a) states that the registration shall be prima facie evidence of the registrant's exclusive right to use the mark in connection with the goods or services listed in the registration. Under this

with the permission of, the registrant so as to misrepresent the source of the goods or services in connection with which the mark is used. 15 U.S.C. § 1064 (1976).

20. These "defenses or defects" to incontestability are: (1) that the registration or the incontestable right to use the mark was obtained fraudulently; (2) that the mark has been abandoned by the registrant; (3) that the registered mark is being used to misrepresent the source of the goods or services in connection with which the mark is used; (4) that the use of the mark charged to be an infringement is a use of the party's individual name in his own business, or of a term or device that is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; (5) that the mark whose use by a party charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party from a date prior to registration or publication of the mark, but this defense or defect applies only for the area in which such continuous prior use is proved; (6) that the mark whose use is charged as an infringement was registered and used prior to registration under this Act or publication under section 12(c) of the Act, but this defense or defect applies only for the area in which the mark was used prior to such registration or publication of the registrant's mark; (7) that the mark has been or is being used to violate the antitrust laws of the United States. 15 U.S.C. § 1115(b) (1976).

Courts and commentators have disagreed as to the effect of a successful assertion of one of the enumerated legal defenses. One view is that the defenses are complete defenses which prevent the trademark holder from obtaining any relief against the defendant infringer. See *Phi Delta Theta Fraternity v. J.A. Buchroeder & Co.*, 251 F. Supp. 968 (W.D. Mo. 1966). Another view maintains that the defenses merely deprive the incontestable registration of its conclusive evidentiary value and reduce the registration to prima facie evidence of the owner's exclusive right to use the mark. See *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena*, 298 F. Supp. 1309 (S.D.N.Y. 1969), *aff'd*, 433 F.2d 686 (2d Cir. 1970) (modifying district court opinion on other grounds), *cert. denied*, 403 U.S. 905 (1971). For purposes of this Note, however, the distinction is not of immediate concern. If equitable defenses were allowed in addition to the seven enumerated defenses in section 1115(b), and were not treated as complete defenses, they would at a minimum operate to deprive the mark of incontestable status and place it within the purview of section 1115(a). Trademarks governed by section 1115(a) are subject to "any legal or equitable defense or defect." 15 U.S.C. § 1115(a) (1976) (emphasis added). Thus, if equitable defenses were available against incontestable rights, either of the views mentioned above would allow the equitable defense to function as a complete defense to the plaintiff's claim of exclusive right of use of the trademark. See 1 J. GILSON, *supra* note 7, § 4.03(3) at 4-24.4 to 4-25, 4-31 to 4-32; see also R. DOLE, *supra* note 7, at 60-74.

21. 15 U.S.C. § 1115(a) (1976).

subsection, however, an opposing party may raise any legal or equitable defense that might have been asserted if the mark had not been registered.²²

III. AVAILABILITY OF EQUITABLE DEFENSES

An unsettled aspect of litigation brought under the Lanham Act is whether a defendant may challenge a plaintiff-registrant who invokes the benefits of incontestability only on the grounds specifically enumerated in section 1115(b), or whether a defendant may also properly raise equitable defenses.²³ The question is an important one. Under the first view a defendant's equitable arguments are insufficient as a matter of law to cause forfeiture of an owner's exclusive right to use a mark, although such arguments may be considered in determining the appropriate injunctive relief.²⁴ Under the opposing view, the defendant would have the opportunity to foreclose entirely the plaintiff's right to exclusive use of the mark.²⁵

22. *Id.*

23. See *supra* note 7.

24. The Lanham Act allows injunctive relief to be granted "according to the principles of equity." 15 U.S.C. § 1116 (1976). See *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134 (3d Cir. 1981). "We agree with [defendants] . . . that incontestability neither makes unnecessary a showing of likelihood of confusion, nor precludes all discretion in the fashioning of injunctive relief." *Id.* at 137 n.3.

25. A successfully asserted equitable defense, if allowed to determine substantive rights, would prevent the plaintiff-registrant from obtaining any relief against the defendant infringer. See 4 J. POMEROY, *EQUITY JURISPRUDENCE* § 1369, at 990 (5th ed. 1941) ("The right constituting an equitable defense may be one which . . . is purely defensive . . . and which simply operates to bar the plaintiff's action."). Of course, it is conceivable that even a court which favored the elimination of equitable defenses would not be prevented from effectively precluding injunctive relief under section 1116 by refusing to give any scope to the injunction. In those circumstances, raising equitable considerations that resulted in a withdrawal of equitable relief would lead to the same net effect as asserting a complete equitable defense. It is difficult, however, to imagine this occurring as a practical matter for several reasons. First, once a substantive legal right is clearly established, it would be psychologically difficult for a court to deny all relief when there has been an infringement of that right. Furthermore, section 1116 speaks in terms of "granting" an injunction; the implication of "granting"—an affirmative act—militates against constricting the effect of the "grant" to the point where it becomes meaningless. In addition, consumer interests become an overriding factor in support of some restriction on one of the parties' use of the mark. See *supra* note 10, *infra* text accompanying notes 103-16. When the plaintiff has a substantive right and the defendant merely has an equitable claim against enforcing that right, the court would be more likely to enforce the right, because its enforcement also would give rise to a remedy that has the effect of protecting consumers from confusion in the marketplace. It is possible for a court to issue injunctions prohibiting both parties from using their marks, but instances of this would occur only in extraordinary circumstances, because the public interest in maintaining the integrity of a symbol

Equitable defenses typically raised in an infringement suit are laches, acquiescence, and estoppel.²⁶ These defenses are clearly available at common law,²⁷ in inter partes proceedings before the Trademark Trial and Appeal Board and the Court of Customs and Patent Appeals,²⁸ and in litigation under the Lanham Act involving marks that have not obtained incontestable status.²⁹ In addition, defendants have commonly raised the doctrine of unclean hands as an equitable defense in trademark proceedings and litigation.³⁰

Equitable principles traditionally have been important in the development of trademark law.³¹ Trademark protection is

the consumer associates with the source or quality of a particular product would still have to be considered. See *Best Foods v. General Mills*, 3 F.R.D. 459, 462-63 n.4 (D. Del. 1944). Finally, unlike other areas of the law, the legal remedies available to a plaintiff in a trademark infringement suit are for the most part of little value, so that denial of an injunction effectively prevents the plaintiff from obtaining any worthwhile relief. For an example of the limits of permissible restrictions on the scope of injunctive relief, see *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134 (3d Cir. 1981), *vacating and modifying* 490 F. Supp. 688 (E.D. Pa. 1979).

26. For an explanation of these defenses in the trademark context, see J. CALIMAFDE, *TRADEMARKS AND UNFAIR COMPETITION* § 15.01, at 678 (1970).

27. See 2 J. MCCARTHY, *supra* note 7, at § 31:1-20. Even under the common law, however, courts sometimes attempted to deal with the problem of consumer confusion by placing restrictions on these defenses. Thus, it was sometimes said that while laches might prevent the award of damages or an accounting for profits, it would not bar injunctive relief. See *McLean v. Fleming*, 96 U.S. 245 (1877). See also *Developments in the Law*, *supra* note 7, at 887-88.

28. Section 1069 of the Lanham Act provides: "In all inter partes proceedings equitable principles of laches, estoppel, and acquiescence, where applicable may be considered and applied." 15 U.S.C. § 1069 (1976). Inter partes proceedings are cancellation, opposition, or concurrent use proceedings before the Trademark Trial and Appeal Board (T.T.A.B.) and appeals therefrom to the Court of Customs and Patent Appeals (C.C.P.A.). See 15 U.S.C. §§ 1063, 1064, 1066-71 (1976); *supra* note 9; *infra* note 48. See also Blynn, *Litigation Before the TTAB and CCPA: The Equitable Defenses*, 70 TRADE-MARK REP. 367 (1980).

29. See 15 U.S.C. § 1115(a) (1976); *supra* text accompanying notes 21-22.

30. See *Warnaco, Inc. v. Adventure Knits*, 210 U.S.P.Q. (BNA) 307, 312 (T.T.A.B. 1981) (Board stated that the application of equitable principles in inter partes proceedings requires that a complainant come into the proceedings with clean hands); Cooper, "Unclean Hands" and "Unlawful Use in Commerce": *Trademarks Adrift on the Regulatory Tide*, 71 TRADE-MARK REP. 38 (1981); Note, *The Besmirched Plaintiff and the Confused Public: Unclean Hands in Trademark Infringement*, 65 COLUM. L. REV. 109 (1965). Even under the common law, however, courts sometimes questioned the soundness of permitting the unclean hands defense when public confusion might result. See *Best Foods v. General Mills*, 3 F.R.D. 459, 462-63 n.4 (D. Del. 1944); see also *Developments in the Law*, *supra* note 7, at 887-88.

31. See R. DOLE, *supra* note 7, at 5; W. WALSH, *A TREATISE ON EQUITY* §§ 41, 46 (1930). The equitable relief of an injunction is the most attractive remedy in trademark litigation, because it prevents both further confusion in the marketplace and the continued weakening of the trademark. For a discussion of the

part of the law of unfair competition,³² which is a product of equity.³³ Thus, although some courts have interpreted the Lanham Act as a clear directive proscribing equitable defenses against incontestable trademark rights, others have been reluctant to reject those defenses entirely. Two reasons may underlie this judicial reluctance to foreclose equitable defenses. First, because trademark suits invariably involve demands for equitable relief, it is reasonable for a court to want to allow defenses normally cognizable in a court of equity.³⁴ The maxim that equity refuses to aid a party guilty of inequitable conduct in a matter intimately connected with the litigation is a powerful psychological component of equitable jurisprudence,³⁵ and courts may not fully understand that a prohibition of equitable defenses against incontestable trademark rights does not eliminate consideration of equitable principles in awarding relief.³⁶ Second, some courts have found the statutory language of the Lanham Act sufficiently ambiguous to permit the assertion of equitable defenses.³⁷ The conclusion of these courts is that congressional intent to deny equitable defenses to substantive rights should not be assumed, absent the clearest evidence.³⁸

A. STATUTORY ANALYSIS

Proponents for allowing equitable defenses to be raised against incontestable trademark rights argue that, because section 1115(b) does not expressly exclude equitable defenses, and because section 1069 provides that in all inter partes proceedings the equitable defenses of laches, estoppel, and acquiescence may be considered and applied,³⁹ these defenses

historical development of the trademark action in law and equity, see Ropski, *The Federal Trademark Jury Trial—Awakening of a Dormant Constitutional Right*, 70 TRADE-MARK REP. 177, 179-82 (1980).

32. See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916); S. REP. NO. 1333, *supra* note 8, at 4, reprinted in 1946 U.S. CODE CONG. SERV. at 1275.

33. See W. WALSH, *supra* note 31, at § 47.

34. See generally 2 J. MCCARTHY, *supra* note 7, at § 30.3 (balancing the equities between plaintiff and defendant).

35. See Chafee, *Coming Into Equity With Clean Hands*, 47 MICH. L. REV. 877, 877 (1949).

36. See *supra* note 24; *infra* text accompanying notes 55-58.

37. See *infra* text accompanying notes 39-62.

38. Cf. *Mitchell v. Robert DeMario Jewelry*, 361 U.S. 288 (1960). The Court held, construing the Fair Labor Standards Act of 1938, that "[t]he comprehensiveness of . . . equitable jurisdiction is not to be denied or limited in the absence of a clear and valid legislative command." *Id.* at 291 (quoting *Porter v. Warner Holding Co.*, 328 U.S. 395, 297-98 (1946)).

39. See *supra* note 28.

should be available against incontestable trademark rights.⁴⁰ This argument, however, contravenes a fair construction of the statute.⁴¹ Section 1115(b) states that if the right to use the registered mark has become incontestable under section 1065, "the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce . . . except when one of the following defenses or defects is established"⁴² On its face, the language of section 1115(b) grants an exclusive right except when certain defenses are proved; in other words, section 1115(b) narrows the available defenses from "any legal or equitable defense or defect" of section 1115(a)⁴³ to the seven enumerated defenses.⁴⁴ Of the seven defenses, at least one, abandonment, is considered to be an equitable defense.⁴⁵ Since Congress was aware of equitable defenses⁴⁶ and could have inserted additional ones had it so desired, its failure to include equitable defenses in addition to abandonment suggests that equitable defenses were purposefully omitted from the list of available defenses.⁴⁷

The argument that equitable principles should be applied to section 1115(b) on the basis of section 1069 is extremely tenuous. Because an infringement suit is not an inter partes proceeding,⁴⁸ section 1069 is inapplicable to trademark litigation.

40. See *Haviland & Co. v. Johann Haviland China Corp.*, 269 F. Supp. 928, 955 (S.D.N.Y. 1967) (court apparently relied upon section 1069 to conclude that the defendant could raise the equitable defenses of laches, estoppel, and acquiescence against plaintiff's incontestable trademark rights); Note, *supra* note 7, at 1205.

41. The same rules of statutory interpretation govern in courts of equity and law. See generally E. CRAWFORD, *THE CONSTRUCTION OF STATUTES* § 179 (1940); 1 J. STORY, *COMMENTARIES ON EQUITY JURISPRUDENCE* 15 (14th ed. 1918), quoted in McDowell, *Joseph Story's "Science" of Equity*, 1979 SUP. CT. REV. 153, 160 (1980).

42. 15 U.S.C. § 1115(b) (1976).

43. 15 U.S.C. § 1115(a) (1976). See *supra* text accompanying notes 21-22.

44. See *supra* note 20.

45. See J. CALIMAFDE, *supra* note 26, § 15.01 at 678. Some other section 1115(b) exceptions may bear a relationship to equitable principles. For a discussion of the policies underlying these exceptions, see *infra* note 115.

46. In addition to mentioning "equitable defense[s]" in section 1115(a), the statute refers to specific equitable defenses in section 1069, see *supra* note 28, and to "the principles of equity" in section 1116, see *supra* note 24. 15 U.S.C. §§ 1069, 1115(a), 1116 (1976).

47. Cf. 1 J. GILSON, *supra* note 7, § 4.03(3) at 4-24.1 (similar argument made to support proscription of other, nonequitable defenses not included in the section); *Developments in the Law*, *supra* note 7, at 830 (the listing of so common a defense as the "fair use" defense, 15 U.S.C. § 1115(b)(4), "may indicate that the defenses enumerated were meant to be exclusive"). See *supra* note 20 for a discussion of the evidentiary effect of proving one of the section 1115(b) exceptions.

48. Inter partes proceedings involve the trademark registration process, in-

The two situations involve different considerations. In inter partes proceedings, it is the federal applicant or registrant who is given the equitable defense benefits of section 1069, while in litigation the nonregistrant is invariably given the benefits. Allowing equitable defenses to benefit a federal applicant or registrant encourages national registration, and prevents parties from sleeping on their alleged trademark rights and later using them to the detriment of another. Thus, when a party attempts cancellation of a registration after a long delay, laches may bar the action, thereby preserving the public's reliance on the new registrant's mark. Granting equitable defenses to nonregistrant defendant litigants, however, would serve neither the Act's purpose of encouraging federal registration nor its goal of protecting public reliance and an owner's investment in goodwill.⁴⁹ To the contrary, granting equitable defenses would cause federal registration to lose some of its attractiveness, and might totally undermine the public's reliance on the plaintiff's mark.⁵⁰

Standard canons of statutory construction also provide that all sections of an act relating to the same subject matter should be interpreted together.⁵¹ The sections of the Lanham Act directly relating to incontestability are sections 1064, 1065, and

cluding (1) opposition proceedings, in which the opposer seeks to prevent issuance of a registration to the applicant, which must commence within 30 days after publication on the principal register, 15 U.S.C. § 1063 (1976); (2) cancellation proceedings, in which the petitioner seeks to obtain cancellation of a registration already issued to the registrant, 15 U.S.C. § 1064 (1976); and (3) concurrent use proceedings, in which both parties seek registration coverage for the same or similar mark under conditions which insure that confusion is unlikely, 15 U.S.C. §§ 1052, 1066, 1067 (1976). Interference proceedings, which the Patent and Trademark Office initiate, and at which the right to registration as between pending applications or between a pending application and a registration are determined, are not allowed against an incontestable registration. 15 U.S.C. § 1066 (1976). See also 1 J. GILSON, *supra* note 7, § 3.05(1) at 3-72.1. Thus, incontestable trademark rights are implicated only in the context of cancellation inter partes proceedings, because the time period there may extend beyond five years. Section 1064 governs such cancellations. 15 U.S.C. § 1064 (1976); see *supra* note 19. For a general discussion of the equitable defenses in inter partes proceedings, see Blynn, *supra* note 28.

49. See *supra* text accompanying notes 8 & 9. The Court of Customs and Patent Appeals has indicated that in cases of concurrent use it will reward those who first seek federal registration of their trademark. See *In re Beatrice Foods Co.*, 429 F.2d 466, 474 n.14 (C.C.P.A. 1970).

50. To the extent that substantive trademark rights under the Lanham Act might be defeated by equitable defenses, federal registrations become less attractive. For a discussion of the public's reliance problem resulting from allowing equitable defenses, see *infra* text accompanying notes 102-29.

51. See 2A C. SANDS, STATUTES AND STATUTORY CONSTRUCTION § 47.06 at 81 (4th ed. 1973) (a revision of the third edition of *Sutherland Statutory Construction*).

1115.⁵² Each of these sections operates independently, although they obviously complement one another. Of these sections, the only one that refers to equitable defenses is subsection (a) of section 1115. Subsection (a) provides that a registered mark "shall be prima facie evidence of registrant's exclusive right to use the registered mark . . . but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered."⁵³ Because Congress specifically mentions equitable defenses in subsection (a), while omitting any such reference in subsection (b), it is reasonable to conclude that the omission in subsection (b) was not an oversight.⁵⁴

Some courts and commentators rely upon section 1116 of the Lanham Act to argue that, although a registrant may have an incontestable registration, the court may decline to give substantive effect to the owner's incontestable rights, and may refuse to issue an injunction if the defendant proves an equitable defense.⁵⁵ Section 1116 provides that the courts have power "to grant injunctions according to the principles of equity."⁵⁶ References to equitable principles in section 1116, however, do not necessarily favor application of those principles to section 1115(b). Arguing that section 1115(b) does not foreclose equitable defenses, because section 1116 requires the court to grant injunctive relief according to equitable principles, confuses the issues involved. There is a basic distinction between the establishment of a right and the remedy provided to relieve violations of that right. The judicial remedy is the law's mechanism for vindicating or enforcing the substantive right that has been violated.⁵⁷ Thus, while sections 1065 and 1115(b) create a conclusive presumption of exclusive trademark rights subject to certain enumerated defenses, section 1116 defines the applicable remedy once a violation of those rights has been established.⁵⁸

52. See *supra* text accompanying notes 15-20.

53. 15 U.S.C. § 1115(a) (1976) (emphasis added).

54. See 1 J. GILSON, *supra* note 7, § 4.03(3) at 4-23 to 4-24.1; see also R. DOLE, *supra* note 7, at 70 (noting that such an inference is possible but that some cases have held differently).

55. See, e.g., *Cuban Cigar Brands N. V. v. Upmann Int'l, Inc.*, 457 F. Supp. 1090, 1092 n.5 (S.D.N.Y.), *aff'd*, 607 F.2d 995 (2d Cir. 1978); 2 J. McCarthy, *supra* note 7, § 32:44 at 496-97.

56. 15 U.S.C. § 1116 (1976).

57. See E. RE, *CASES AND MATERIALS ON EQUITY AND EQUITABLE REMEDIES* 220 (1975).

58. See *supra* notes 24-25. The Supreme Court found similar language in the injunctive relief provision of the antitrust laws to be no evidence of con-

The legislative history of the Lanham Act apparently contains no reference to equitable defenses supplementing the section 1115(b) defenses.⁵⁹ Although the incontestability provisions generated some legislative discussion,⁶⁰ congressional action on these sections gives little assistance in solving the equitable defenses problem. The legislative background, however, clearly indicates that Congress intended the Act to give new substantive rights to federal trademark holders under certain circumstances,⁶¹ and the statutory language apparently allows these new rights to be attacked only on limited, specified grounds.⁶²

gressional intent to make the equitable defense of *in pari delicto* a defense to private antitrust actions. *Perma Mufflers v. International Parts Corp.*, 392 U.S. 134, 138 (1968).

59. See 1 J. GILSON, *supra* note 7, § 4.03(3) at 4-22 to 4-23 n.48.3. "The best evidence of Congressional intent is the structure and language of Section 33(b) [15 U.S.C. § 1115(b)] itself. Because of the clarity of the section, resort to legislative history, which is more ambiguous than the section, should be unnecessary." *Id.*

For portions of the legislative history of the Lanham Act that specifically deal with section 1115(b), see *Trade-Marks: Hearings on H.R. 102, H.R. 5461 and S. 895 Before the House Subcomm. on Trade-Marks of the House Comm. on Patents*, 77th Cong., 1st Sess. 64 (1941) (statement of Robert W. Byerly); *Trade-Marks: Hearings on S. 895 Before the Senate Subcomm. of the Senate Comm. on Patents*, 77th Cong., 2d Sess. 19-20, 27 (1942) (statement of W.H. Martin); *Hearings on H.R. 102, supra*, at 224 (statement of Milton Handler).

A congressional statement that supports the view that equitable defenses are available against incontestable trademark rights occurred some years after the passage of the Lanham Act. See S. REP. NO. 2266, 83d Cong., 2d Sess. 9, 10 (1954). Senator Wiley suggested that the antitrust defense to incontestable trademark rights under section 1115(b), 15 U.S.C. § 1115(b)(7) (1976), should be eliminated "since the defense of unclean hands, under which violation of the antitrust laws would be included, would in any case be available whenever appropriate under the general principles of equity." *Id.* at 9. Although some members of the Senate Committee apparently believed that unclean hands is a defense even against incontestable trademark rights, an analysis of the statutory language suggests differently. See *supra* text accompanying notes 39-58. In addition, it is important to remember that this is an *ex post facto* comment on the Act, and is consequently no evidence of the intent of the Act's sponsors. Moreover, it might be argued that because this portion of the 1954 amendment was never enacted, a majority of the Congress disagreed with Senator Wiley's interpretation.

60. See *supra* citations in note 59.

61. See, e.g., 92 CONG. REC. 7524 (1946) (remarks of Rep. Lanham). For a comprehensive analysis of the substantive clauses, see R. DOLE, *supra* note 7, at 42-74.

62. Well-settled rules of statutory construction suggest that a statute should not be interpreted to conflict with its basic purposes. *New York State Dep't of Social Servs. v. Dublino*, 413 U.S. 405, 419-20 (1973); E. CRAWFORD, *supra* note 41, § 161 at 249; see *supra* text accompanying notes 8 & 9 for statements of the Act's goals. The courts have recognized a variety of contexts in which a statute denies or limits equitable jurisprudence. Restrictions may occur when "a statute in so many words, or by a necessary and inescapable infer-

B. JUDICIAL TREATMENT

In examining the attitude of the courts toward the availability of equitable defenses against incontestable trademark rights, it is useful to divide the cases according to those decided before and those decided after the Seventh Circuit's landmark decision in *Union Carbide Corp. v. Ever-Ready, Inc.*,⁶³ which not only relied upon, but also affirmatively interpreted the Lanham Act's incontestability provisions.⁶⁴ The cases decided prior to *Union Carbide* are somewhat clouded by the controversy surrounding the unsettled distinction between offensive and defensive use of incontestable rights.⁶⁵ None of these opinions provides a clear explanation for its decision on the equitable defenses issue, chiefly because these opinions fail to characterize or to analyze the problem. The reason for precluding equitable defenses in *Apple Growers Association v. Pelletti Fruit Co.*,⁶⁶ for example, apparently was based upon a strict reading of section 1115(b). The court observed that the plaintiff's registration of the word "Diamond" and the diamond symbol as applied to fresh apples had become incontestable under sections 1065 and 1115(b) and thus "exclusively entitled [the plaintiff] to such use subject to the defenses enumerated in [section] 1115(b)."⁶⁷ Because equitable defenses were not among those enumerated, the court concluded that the statute did not allow them.⁶⁸

Other courts prior to *Union Carbide* appeared to hold that equitable defenses against incontestable trademark rights were available, but in a number of these cases a close examination

ence, restricts the court's jurisdiction in equity." *Mitchell v. Robert DeMario Jewelry*, 361 U.S. 288, 291 (1960) (quoting *Porter v. Warner Holding Co.*, 328 U.S. 395, 397-98 (1946)). See also *Albemarle Paper Co. v. Moody*, 422 U.S. 405, 417 (1975) ("[W]hen Congress invokes the Chancellor's conscience to further transcendent legislative purposes, what is required is the principled application of standards consistent with those purposes . . .").

63. 531 F.2d 366 (7th Cir.), cert. denied, 429 U.S. 830 (1976).

64. See *infra* text accompanying notes 74-85; see also *supra* note 6.

65. See *supra* note 5.

66. 153 F. Supp. 948 (N.D. Cal. 1957).

67. *Id.* at 951.

68. *Id.* Another California federal district court relied upon *Apple Growers* three years later. See *Richard Hudnut v. Du Barry of Hollywood*, 127 U.S.P.Q. (BNA) 486, 489 (S.D. Cal. 1960) ("Under the facts of this case, laches is no defense to a permanent injunction . . . , especially with respect to a trademark which has become incontestable under the Lanham Act as has the plaintiff's trademark."). See also *General Motors v. Smith*, 138 U.S.P.Q. (BNA) 382, 384 (S.D. Cal. 1963) (court observed that laches, acquiescence, and estoppel were unavailable as defenses to trademark registrations that had obtained incontestable status).

reveals that the issue was never squarely presented to the courts. Although one district court,⁶⁹ for example, stated that "[i]ncontestability has no effect on the availability of laches as a defense," the statement was dictum.⁷⁰ The court had already held that incontestability had only a defensive and not an offensive use.⁷¹ In effect, the court treated the mark as one devoid of the advantages of incontestability, and thus subject to "any legal or equitable defense."⁷²

The *Union Carbide* case, however, resolved the vagaries that existed in these decisions as a result of the offensive-defensive distinction.⁷³ *Union Carbide*⁷⁴ arose when plaintiff Union Carbide Corporation, manufacturer of batteries, flashlights, and miniature light bulbs under the trademark "Eveready," sued defendant Ever-Ready Incorporated for marketing miniature bulbs for high intensity lamps under the mark "Ever-Ready."⁷⁵ Union Carbide had registered its "Eveready" mark under the Lanham Act, and its right to use the mark had become incontestable in accordance with section 1065.⁷⁶ The district court dismissed the complaint,⁷⁷ however, holding that Union Carbide had failed to establish a valid trademark registration, and that the defendant's mark was in any event not likely to cause consumer confusion.⁷⁸ On appeal, the Seventh Circuit rejected both grounds for dismissal, concluding that the

69. *Haviland & Co. v. Johann Haviland China Corp.*, 269 F. Supp. 928 (S.D.N.Y. 1967).

70. *Id.* at 954.

71. *Id.* at 936.

72. 15 U.S.C. § 1115(a) (1976). This subsection governs marks that have not obtained incontestable status. See *supra* text accompanying notes 21-22. The decision in *Haviland* regarding incontestability and laches rested in part on *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961), an earlier Second Circuit opinion. 269 F. Supp. at 954. In that case, the court of appeals apparently found sufficient facts to warrant application of a sort of equitable prior use exception based on laches, at least with respect to the goods in question. 287 F.2d at 493, 498. The court was also unimpressed by the evidence on likelihood of confusion. *Id.* at 495-96. For an example of how the "likelihood of confusion" test might embody certain equitable considerations, see *Dawn Donut Co. v. Hart's Food Stores*, 267 F.2d 358 (2d Cir. 1959) (court appeared to consider equitable principles in applying likelihood of confusion test, at least judged by the result). See generally Fletcher, *The Chextra Case and Other Spawn of Dawn Donut*, 66 TRADE-MARK REP. 285 (1976).

73. See *supra* note 6. See generally *supra* note 5.

74. *Union Carbide Corp. v. Ever-Ready*, 392 F. Supp. 280 (N.D. Ill. 1975), *rev'd*, 531 F.2d 366 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976).

75. 531 F.2d at 370-71.

76. *Id.*

77. 392 F. Supp. at 294.

78. *Id.* at 289, 294.

district court had erred in finding the marks dissimilar.⁷⁹ More importantly, the court of appeals found that the registration was not invalid as a merely descriptive mark, because that defense was unavailable against marks that had achieved incontestable status under section 1115(b).⁸⁰ The court explicitly held that a plaintiff in an infringement action could rely upon the conclusive evidence rule of section 1115(b),⁸¹ and that "[t]he only grounds upon which the validity of the mark could have been challenged were those enumerated in [section] 1115(b)."⁸²

The *Union Carbide* court's language seems to suggest that all defenses not specified in section 1115(b), including equitable defenses, are unavailable to a defendant. The court, however, discussed the defendant's claim of laches later in the opinion without applying its earlier conclusion. Although the court noted that the defense was waived on appeal, and that the time period would have been insufficient to establish laches, the court's reference to the equitable defense might indicate a willingness to entertain the defense in the future.⁸³ This conclusion, on the other hand, would contravene the general principle of law suggested by *Union Carbide*: that Congress intended the owner of incontestable trademark rights to be entitled to the exclusive use of the registered mark subject only to the seven enumerated defenses.⁸⁴ Thus, although the case had been hailed as "a veritable treatise of United States trademark law,"⁸⁵ the decision failed to address explicitly the additional problem of the availability of equitable defenses in light of section 1115(b).

Decisions subsequent to *Union Carbide* have generally considered the equitable defenses issue only tangentially. In *Cuban Cigar Brands N.V. v. Upmann International, Inc.*,⁸⁶ the

79. 531 F.2d at 388.

80. *Id.* at 377.

81. *Id.*

82. *Id.* at 381.

83. *Id.* at 388-89. One commentator has suggested that the court might have been willing to consider laches not as a defense which would merely defeat the conclusive presumption, but rather as a complete bar to recovery. See Note, *supra* note 5, at 425-26 n.204. Such a distinction, however, does not appear to be significant. See *supra* discussion in note 20.

84. The court in *United States Jaycees v. Chicago Jr. Ass'n of Com. & Indus.*, 505 F. Supp. 998, 999 (N.D. Ill. 1981), recently adopted this interpretation of section 1115(b). See *infra* text accompanying notes 90-96.

85. McCarthy, *Important Trends in Trademark and Unfair Competition Law During the Decade of the 1970s*, 71 TRADE-MARK REP. 93, 106 (1981).

86. 457 F. Supp. 1090 (S.D.N.Y. 1978), *aff'd*, 607 F.2d 995 (2d Cir. 1979).

court stated in a footnote that both the statute and the cases clearly establish that laches is a defense even when an owner's trademark rights have become incontestable.⁸⁷ Despite the unambiguous import of this assertion, it is dictum. The court ultimately decided the case on the exception to incontestability, found in section 1065, based upon the plaintiff's use of the trademark prior to the defendant's registration,⁸⁸ and it ordered cancellation of the registration pursuant to section 1064(c).⁸⁹

In contrast, the court in *United States Jaycees v. Chicago Jr. Association of Commerce & Industry*⁹⁰ squarely dealt with the availability of equitable defenses, and held that section 1115(b) precluded them.⁹¹ The defendant asserted eleven affirmative defenses to plaintiff's infringement claim, several of which were equitable,⁹² but the court sustained a motion to strike a number of the defenses, including all of the equitable defenses.⁹³ The court relied upon a brief statutory analysis,⁹⁴ its reading of *Union Carbide*,⁹⁵ and a short discussion of the

87. 457 F. Supp. at 1092 n.5.

88. *Id.* at 1100.

89. *Id.* at 1100-01. Similarly, the court in *Koppers Co. v. Krupp-Koppers GmbH*, 517 F. Supp. 836 (W.D. Pa. 1981), granted the possibility that equitable defenses might be properly raised against a plaintiff-registrant's incontestable trademark rights. *Id.* at 847. In that case, however, the court did not feel constrained to take a position on the issue, because it found the defendant's claims of laches, acquiescence, and estoppel "unsubstantiated by the record." *Id.* at 846. *Koppers* is representative of a group of cases that undertake an analysis that is a return to the common law approach, in which a court will discuss an equitable defense without examining the possible effect of incontestability. See, e.g., *Lambda Electronics v. Lambda Technology*, 515 F. Supp. 915, 930 (S.D.N.Y. 1981); *Burger King Corp. v. Metro Club, Inc.*, 208 U.S.P.Q. (BNA) 293, 302-03 (E.D. Mich. 1980); *Armstrong Cork Co. v. Armstrong Plastic Covers Co.*, 434 F. Supp. 860, 872 (E.D. Mo. 1977).

90. 505 F. Supp. 998 (N.D. Ill. 1981).

91. *Id.* at 999. This case is important because it is the first decision after *Union Carbide* to hold specifically that equitable defenses are not cognizable under section 1115(b).

92. The first equitable defense claimed "unclean hands and inequitable conduct" and the fourth claimed "laches, waiver, estoppel, and acquiescence." *Id.* at 1001.

93. *Id.*

94. The court contrasted the language of section 1115(b), "the effect of [which] is to foreclose all defenses except the seven defenses specifically enumerated in the statute" with the language of section 1115(a), "which specifies that a registered mark that has not yet become incontestable . . . 'shall not preclude an opposing party from proving any legal or equitable defense,'" and concluded that "as a matter of statutory construction alone, it would be justified in drawing the inference that the kinds of defenses normally available to a defendant in a suit in equity cease to be available once a registered mark crosses the line into a status of incontestability." *Id.* at 999.

95. The court read *Union Carbide* as "establish[ing] conclusively that the types of defenses traditionally available in the exercise of equitable jurispru-

problem in a treatise⁹⁶ to reach its conclusion.

C. POLICY ANALYSIS

Those who support the use of equitable defenses when incontestable trademark rights are involved have offered arguments based upon equitable policy grounds to support their position. Some have suggested, for example, that the main goal of incontestability is to protect registrants against those who have not been vigilant in protecting their rights; thus, incontestability should not protect registrants guilty of similar careless or negligent behavior.⁹⁷ Others have maintained that it would be inappropriate for a court of equity to grant injunctive relief to a registrant who is guilty of unfair business practices.⁹⁸ There are generally two policy reasons for discouraging inequitable conduct by private parties. First, allowing equitable defenses promotes the principle of judicial integrity by excluding from the courts claimants who have acted unfairly or who have engaged in some form of misconduct.⁹⁹ Second, it can be argued that the registrant's misconduct may include business practices that subvert competition on the merits and result in decreased market efficiency and additional costs to consumers.¹⁰⁰ By allowing certain equitable defenses, these business practices arguably may be curtailed. These arguments are reasonable, however, only if it is assumed that the policy of protecting the public from confusion in the marketplace is

dence are foreclosed in an action for infringement of a valid incontestable Lanham Act registration." *Id.* In a footnote, the court specifically rejected the defendant's argument that equitable defenses should be available when the plaintiff is seeking the essentially equitable relief of an injunction. "That argument cannot be sustained, for *Union Carbide itself* was an injunction case in which the plaintiff sought no damages." *Id.* at 999 n.1. The soundness of the *Jaycees* court's reading is questionable, however, in light of *Union Carbide's* equivocal treatment of the laches defense. See *supra* text accompanying notes 81-85.

96. 505 F. Supp. at 1000. See 1 J. GILSON, *supra* note 7, § 4.03(3) at 4-22 to 24.1.

97. See, e.g., Note, *supra* note 7, at 1205.

98. See, e.g., Diggins, *supra* note 7, at 195.

99. See 2 J. POMEROY, *supra* note 25, at § 398. This equitable doctrine is based upon the belief that denying relief when such relief would be unfair or would further some type of misconduct maintains the integrity of the courts. See 1 R. CALLMANN, *THE LAW OF UNFAIR COMPETITION TRADEMARKS AND MONOPOLIES* § 2.27 (4th ed. 1981); Chaffee, *supra* note 35, at 877; *Johnson v. Yellow Cab Transit Co.*, 321 U.S. 383, 402 (1944) (Frankfurter, J., dissenting). Cf. *Higgins v. McCrea*, 116 U.S. 671, 685 (1886) ("No court will lend its aid to a man who founds his cause of action upon an immoral or illegal act." (citation omitted)).

100. See J. MILLER, *UNFAIR COMPETITION* 7-8 (1941); see generally *Developments in the Law—Competitive Torts*, 77 HARV. L. REV. 888 (1964).

incidental to the policy of enforcing private rights.¹⁰¹

It should be remembered that prohibiting equitable defenses against incontestable substantive rights does not eliminate consideration of equitable principles in fashioning relief under the Lanham Act.¹⁰² In addition, the public benefits from strong trademark protection. Congress has recognized that trademarks are the essence of competition, and that they secure to the business community advantages of reputation and goodwill and prevent the public from being confused.¹⁰³ The marketplace validates these observations—trademarks indicate company source and operate as a convenient symbol by which past market experience can be related to currently tendered products. A trademark thus reduces the need to conduct repeated searches for information other than for comparative pricing purposes.¹⁰⁴ In addition, trademarks may provide an accurate prediction of the quality of goods with which the consumer has had no prior market experience, but whose trademark the consumer recognizes.¹⁰⁵ As a result, a trademark not only makes possible the process of distinguishing goods and services in the market, but may also greatly contribute to the homogeneity of goods and services, giving the consumer assurance of uniform characteristics through the mark's implicit guarantee of quality.¹⁰⁶

The source identification function of trademarks allows the consumer to assign responsibility readily for particular alterations in product quality. Underlying this process, of course, is

101. This conclusion, however, would seem to vitiate the purposes expressed by the Act. See *supra* text accompanying notes 8 & 9.

102. See *supra* note 24; see also *supra* text accompanying notes 55-58.

103. See S. REP. NO. 1333, *supra* note 8, at 2-3, reprinted in 1946 U.S. CODE CONG. SERV. at 1275. See *supra* notes 8 & 9 and accompanying text.

104. The total cost of a good to a consumer comprises not only the cost of the item itself, including a reasonable return on capital, but also the cost of knowledge about the product. Consumer reliance on the trademark facilitates market functioning by reducing "search" costs—the cost of the effort expended by consumers seeking prepurchase information. See generally Nelson, *Information and Consumer Behavior*, 78 J. POL. ECON. 311 (1970); Stigler, *The Economics of Information*, 69 J. POL. ECON. 213 (1961).

105. See *infra* note 108 and accompanying text; cf. *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir. 1968) ("[The trademark] makes effective competition possible in a complex, impersonal marketplace by providing a means through which the consumer can identify products which please him and reward the producer with continued patronage. Without some such method of product identification, informed consumer choice, and hence meaningful competition in quality, could not exist.").

106. See Hanak, *The Quality Assurance Function of Trademarks*, 65 TRADE-MARK REP. 318, 318 (1975). For a discussion of the negative aspects of trademarks when used as vehicles for advertising, see *infra* note 111.

the assumption that the consumer is justified in relying upon a trademark as the exclusive legal property of a particular owner, and that the trademark is intended to indicate the origin of the goods to which it is affixed. Increasing market complexity, however, has led to situations in which the consumer remembers the mark itself, rather than the origin of the good or service, and the mark becomes the measure of the consumer's experience.¹⁰⁷ The actual identity of the source of the good is no longer of primary concern. The trademark effectively replaces the actual source as the indicia of the quality of a particular product, and it is the mark itself that becomes the chief factor in many consumer purchase decisions.¹⁰⁸ The trademark is thus a principal means for generating possible goodwill with respect to the commodity,¹⁰⁹ and has an asset value.¹¹⁰ The market significance of the goodwill factor is readily apparent, because that component represents the reasonable expectation that a product or service will be purchased again.¹¹¹

107. Lateral business expansion, mass marketing techniques, and the increased frequency of franchising and licensing make determination of actual source of origin extremely difficult for the consumer. See Hanak, *supra* note 106, at 319. See also Siegel v. Chicken Delight, Inc., 448 F.2d 43, 48 (9th Cir.), *cert. denied*, 405 U.S. 955 (1972).

108. See Hanak, *supra* note 106, at 318; Treece, *Trademark Licensing and Vertical Restraints in Franchising Arrangements*, 116 U. PA. L. REV. 435, 436-39 (1968).

109. See Lundsford, *Trademarks: Prestige, Practice and Protection*, 4 GA. L. REV. 322, 323 (1970).

110. The Supreme Court has referred to trademarks as "valuable business assets" and has committed itself to the "policy of the law to protect them as assets of a business." Jacob Siegel Co. v. FTC, 327 U.S. 608, 612 (1946). Section 177 of the Internal Revenue Code allows for the amortization of acquired trademarks. 26 U.S.C. § 177 (1976).

111. See Treece, *supra* note 108, at 437.

The promulgators of the Lanham Act did not explicitly acknowledge that a function of a trademark is its use as a basis for advertisement and product promotion. Some commentators have suggested that trademarks may be used as a means to create through advertisement irrational consumer demands and preferences, and that the legal protection given to trademarks may have undesirable anti-competitive consequences. Brown, *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1169-75 (1948); Mueller, *Sources of Monopoly Powers: A Phenomenon Called 'Product Differentiation'*, 18 AM. U.L. REV. 1, 14-42 (1968); Timberg, *Trade-Marks, Monopoly, and the Restraint of Competition*, 14 LAW & CONTEMP. PROBS. 323 (1949). See also *In re Borden, Inc.*, 93 F.T.C. 669 (1978) (Federal Trade Commission, in a cancellation proceeding, attacked Borden's "ReaLemon" subsidiary on the grounds that it had unlawfully monopolized the processed lemon juice market, not only through geographic price discrimination, but also through the promotion of its trademark). Opponents of this view contend that advertising is primarily informative and contributes to market efficiency. G. STIGLER, *THE ORGANIZATION OF INDUSTRY* 176, 182-86 (1968); Nelson, *The Economic Consequences of Advertising*, 48 J. BUS. 213 (1975). See also J. LAMBIN, *ADVERTISING, COMPETITION AND*

Trademarks are one of the few means of bridging the gap between the producer and the consumer. Equity, therefore, should allow courts to exercise the greatest flexibility in accommodating consumer as well as private interests.¹¹² By defining the role of equity in this way, the question of whether equitable principles should shape substantive rights between private parties, or whether they should only be considered at the remedy stage, becomes less difficult. Because allowing equitable principles to determine substantive rights forces courts to make an all-or-nothing decision without balancing consumer interests, such a view conflicts with the Lanham Act's policy to avoid consumer confusion regarding source and product quality.¹¹³ Consequently, the position that equitable defenses should be permitted to defeat incontestable trademark rights not only contravenes the results of statutory analysis,¹¹⁴ but also fails to accommodate both private and public interests.¹¹⁵ As the Sev-

MARKET CONDUCT IN OLIGOPOLY OVER TIME (1976). Although trademarks sometimes may be endowed with sales appeal independent of the quality or price of the products to which they are attached, consumers are unlikely to support an artificial brand differentiation when the quality of the familiar trademarked article declines substantially. See *Developments in the Law*, *supra* note 7, at 817-18. In addition, those who attack trademarks because of their link to advertising and potentially irrational consumer preferences assume a role for trademark law that might be handled best in other contexts. There are several devices available, for example, that may promulgate quality standards in forms usable by the consumer—informative labeling, grade labeling, and certifications of quality. See generally Auerbach, *Quality Standards, Informative Labeling, and Grade Labeling as Guides to Consumer Buying*, 14 LAW & CONTEMP. PROBS. 362 (1949). It thus seems that even if some negative aspects may result from the advertising feature of trademarks, they may be corrected without impairing the usefulness of the trademark system as a whole. For a general discussion of this problem, see McClure, *Trademarks and Unfair Competition: A Critical History of Legal Thought*, 69 TRADE-MARK REP. 305 (1979).

112. See Note, *supra* note 30, at 122.

113. See *supra* text accompanying notes 8-12.

114. See *supra* text accompanying notes 39-62.

115. Both the Court of Customs and Patent Appeals and the Trademark Trial and Appeals Board have taken this position as a matter of public policy. See *Swank, Inc. v. Ravel Perfume Corp.*, 438 F.2d 622 (C.C.P.A. 1971) (court noted in dicta that when the competing marks are identical or very similar, equitable defenses are not applicable, because protection of the public from confusion "is the dominant consideration," *id.* at 624); *Hitachi Metals Int'l v. Yamakyu Chain Kabushiki Kaisha*, 209 U.S.P.Q. (BNA) 1057 (T.T.A.B. 1981) (Board announced a policy of disallowing equitable defenses in registration contests in which "confusion or mistake is inevitable," and explained that "[t]he rationale behind [this view] is that public interest necessitates the avoidance of situations that could readily give rise to confusion in the marketplace," *id.* at 1067). The legal "defenses or defects" contained within section 1115(b) do not compromise consumer interests in maintaining an unconfusing marketplace. Instead, each of the defenses is directed at some aspect of public benefit, rather than strictly toward instances of private misconduct between the litigants: (1) A defense is allowed when the registration or its incontestable

enth Circuit has stated:

In the consideration of evidence relating to trademark infringement, therefore, a court must expand the more frequent, one-on-one, contest-between-two-sides, approach. A third party, the consuming public, is present and its interests are paramount. . . .

. . . .

A "trademark" is not that which is infringed. What is infringed is the right of the public to be free of confusion and the synonymous right of a trademark owner to control his product's reputation.¹¹⁶

The deterrence-of-business-misconduct rationale of allowing equitable defenses at the substantive stage is not entirely abrogated by proscribing equitable defenses against incontestable trademark rights. Not only does section 1115(b) contain several defenses based on unfair business practices,¹¹⁷ but also the plaintiff is not immune from challenge for misconduct through other actions or in other forums,¹¹⁸ and equitable

status was fraudulently obtained. This defense is necessary to insure the integrity of the national registration system. (2) The trademark is no longer protectable when a registrant has abandoned a mark. Abandoned marks usually retain no consumer following, and consequently, confusion from adoption of a similar mark is improbable. (3) An owner's incontestable rights may be defeated when the mark is being used to misrepresent the source of the goods or services with which the mark is used. Without such a defense, public reliance on trademarks would be meaningless. (4) A nonregistrant's use of a mark in his or her own business that is also the nonregistrant's name, or that is descriptive of and used fairly and in good faith only to describe the goods or services of the nonregistrant or their geographic origin, is permissible. This defense embodies a "fair use" concept, and the portion dealing with the assertion of a descriptive term stems from congressional concern that such marks would deprive consumers and competitors of the right to use the very name of the product, obviously distorting the informational value of advertising and consumer purchasing decisions. (5) and (6) The "prior use" defenses essentially permit a nonregistrant to continue to use a mark in the geographic area in which such mark was used prior to federal registration by the opposing party. These provisions protect consumer reliance on a mark that has generated goodwill prior to another's registration and use of the same or similar mark. (7) The public interest in preventing restraint of trade is sufficiently great to defeat trademark rights integrally related to an antitrust violation. For a thorough discussion of the evidentiary effect of each of these defenses, see R. DOLE, *supra* note 7, at 60-74.

116. *James Burrough, Ltd. v. Sign of the Beefeater*, 540 F.2d 266, 274 (7th Cir. 1976). See also Note, *supra* note 30, at 109.

117. See *supra* notes 20 & 115.

118. In addition to private actions brought by competitors, a plaintiff who engages in business misconduct may be subject to suits brought by either the FTC under federal law, or by consumers under state law. See generally Craswell, *The Identification of Unfair Acts and Practices by the Federal Trade Commission*, 1981 WIS. L. REV. 107 (1981); Leaffer & Lipson, *Consumer Actions Against Unfair or Deceptive Acts or Practices: The Private Uses of Federal Trade Commission Jurisprudence*, 48 GEO. WASH. L. REV. 521 (1980). The Supreme Court, in an antitrust context, used the argument that other actions or forums are available in which to challenge certain kinds of business misconduct. See *Perma Life Mufflers v. International Parts*, 392 U.S. 134, 139 (1968).

principles may still be considered by the court when fashioning a remedy.¹¹⁹ In addition, separate actions or forums arguably are better suited to dispose of alleged misconduct which is otherwise cognizable under the defense of unclean hands, because separate treatment relieves the court deciding the trademark claim of the burden of ruling simultaneously on an array of collateral issues relating to the alleged misconduct.¹²⁰ Moreover, allowing the defendant to continue the trademark infringement by closing the doors of the court to the plaintiff certainly does not eliminate misconduct by the defendant.¹²¹

The view that if equity is to serve the purposes of the Lanham Act, its application is only desirable at the remedy stage when the consumers' market interests can be considered, is not without parallel in other areas of the law. Specifically, the notion that private conflicts should be removed from equity because of a competing and overriding public interest finds support in antitrust doctrine. Most applicable to the current discussion is the judicial development in antitrust law proscribing unclean hands and in *pari delicto* as equitable defenses to an antitrust claim.¹²² The courts have limited the availability of equitable defenses in private antitrust suits on the ground that the public benefit derived from enforcing the antitrust laws outweighs notions of equity and the interests of the parties.¹²³ One court stated the rationale that "[w]hatever equities may be present as between private litigants, they must yield to the overall public policy of the antitrust laws to prevent monopolies and restraint of trade."¹²⁴ While the refusal to recognize equitable defenses in private antitrust actions rests upon the

119. See *supra* note 24.

120. Collateral issues might include any number of common unfair business practices. These claims arise, for the most part, under state law; other practices might be left to the expertise of the FTC. See *supra* citations in note 118.

121. "Protection of infringers is not a purpose of the Lanham Act. On the contrary, the Act's objective is the protection of the trademark and the public." *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 142 (3d Cir. 1981).

122. See Note, *The Viability of the In Pari Delicto Defense in Private Antitrust Actions*, 31 RUTGERS L. REV. 126 (1977); Comment, *Limiting the Unclean Hands and In Pari Delicto Defenses in Anti-trust Suits: An Additional Justification*, 54 NW. U. L. REV. 456 (1959).

123. In *Perma Life Mufflers v. International Parts*, 392 U.S. 134 (1968) (plurality opinion), the Supreme Court abolished in *pari delicto* in circumstances in which the plaintiffs were coerced. The Court held that the policy of enforcing the antitrust laws, especially through private actions, outweighed equitable considerations. *Id.* at 139-40.

124. *Trebuhs Realty Co. v. News Syndicate Co.*, 107 F. Supp. 595, 599 (S.D.N.Y. 1952) (court denied defense of unclean hands). See also *Perma Life Mufflers v. International Parts*, 392 U.S. at 139; *Kiefer-Stewart Co. v. Joseph E. Seagram & Sons*, 340 U.S. 211, 214 (1951).

strong public policy of discouraging activities in restraint of trade,¹²⁵ the public interest in preventing trademark infringement and the concomitant market confusion it generates is also strong.¹²⁶ With the rise in judicial awareness that the need to protect the public from confusion is a separate consideration in private trademark litigation,¹²⁷ courts should also begin to realize that the likelihood of confusion is not simply a test for infringement, but a compelling ground for granting relief.¹²⁸ The statute directs the courts to follow equitable principles only in formulating the scope of the plaintiff's relief, which may be fashioned to give weight both to the plaintiff's conduct and the interests of the consumer.¹²⁹

IV. CONCLUSION

An analysis of the language of section 1115(b) of the Lanham Act and the other provisions regarding incontestability supports the conclusion that equitable defenses are unavailable against a trademark owner's incontestable rights. Such a construction provides an interpretation consistent with the goal of national trademark protection and the concomitant benefits that national protection affords. In addition, the elimination of equitable defenses to incontestable trademark rights is consistent with antitrust law, in which the prohibition of the defenses has been justified on the ground of increasing market stability to the overall benefit of the public. The effect of equity is not entirely abrogated but is merely shifted, because principles of equity may still be considered in determining the scope of relief. By eliminating equitable defenses and the drastic result of an owner's forfeiture of the exclusive right to use a trademark, the Lanham Act recognizes that the public interest in prevent-

125. The unclean hands defense has also been occasionally proscribed in marital and fiduciary litigation, when a stronger public policy has favored enforcement of the law. See Comment, *supra* note 122, at 462-64.

126. Although the courts have severely limited equitable defenses in antitrust actions, including the plaintiff's own violation of antitrust laws, the Lanham Act explicitly provides that a defendant may raise a plaintiff-registrant's violation of the antitrust laws as a defense to incontestable trademark rights. See 15 U.S.C. § 1115(b)(7) (1976). The defense is not inconsistent with considerations of the maximum public benefit, because it certainly can be argued that antitrust violations harm the public more than confusion caused by trademark infringements. For a statement expressing the overriding public policy against restraints of trade, see *Perma Life Mufflers v. International Parts*, 392 U.S. at 139-40; *supra* note 124 and accompanying text.

127. See *supra* text accompanying note 116.

128. See *supra* text accompanying notes 103-16.

129. See Note, *supra* note 30, at 117-18, 122.

ing consumer confusion is of greater significance than a strict application of the traditional equity maxim to substantive rights. Instead the Act reflects the congressional policy favoring competition in the marketplace based upon informed consumer choice.