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Equitable Defenses in Incontestable Trademark Infringement Actions: *United States Jaycees v. Cedar Rapids Jaycees*

I. INTRODUCTION

Congress gave trademark owners the substantive right of incontestability¹ under the Lanham Act² in 1946. Since then, there has been controversy regarding the availability of equitable defenses³ in trademark infringement litigation once a trademark achieves incontestable status.⁴ The Eighth Circuit decision in

1. "Incontestability" means "conclusive evidence of the registrant's exclusive right to use the registered mark in commerce," subject to several enumerated exceptions. 15 U.S.C. § 1115(b) (1982). A federally registered trademark may gain incontestable status if it has been registered and used continuously in commerce for five years. 15 U.S.C. § 1065 (1982).

The use of the term "incontestable" is misleading. Defendants can contest the "incontestable" trademark on over 20 grounds. See *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 206 n.1 (1985) (Stevens, J., dissenting); Carter, *Trade-mark "Incontestability"*, 36 TRADEMARK REP. 185 (1946); Williamson, *Trade-marks Registered under the Lanham Act are not "Incontestable"*, 37 TRADEMARK REP. 404 (1947); see also Ooms and Frost, *Incontestability*, 14 LAW & CONTEMP. PROBS. 220, 221 (1949) (The concept of incontestability became increasingly restricted with each revision of the Lanham Act). Nevertheless, because the statute itself uses the term "incontestable," and because of the overwhelming use of the description by courts and commentators, this casenote assumes that usage.

2. Trademark Act of 1946, ch. 540, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1051-1127 (1982)) [hereinafter Lanham Act]. Congress enacted the Lanham Act in order to provide national protection for trademarks used in interstate and foreign commerce. S. REP. NO. 1333, 79th Cong., 2d Sess. 5, reprinted in 1946 U.S. CODE CONG. SERV. 1274, 1276.

3. Equitable defenses typically raised in an infringement suit are laches, acquiescence, and estoppel. For an explanation of these defenses in the trademark context, see J. CALIMAFDE, TRADEMARKS AND UNFAIR COMPETITION §§ 15.01-15.11 (1970).

4. For cases holding that equitable defenses are not available in incontestable trademark infringement actions, see *American Auto. Ass'n v. AAA Ins. Agency, Inc.*, 618 F. Supp. 787 (W.D. Tex. 1985) (laches and acquiescence are unavailable once trademark becomes incontestable); *United States Jaycees v. Chicago Jr. Ass'n of Commerce and Indus.*, 505 F. Supp. 998 (N.D. Ill. 1981) (precluding equitable defenses to incontestable trademarks); *General Motors Corp. v. Smith*, 138 U.S.P.Q. (BNA) 382, 384 (S.D. Cal. 1963) ("The defense of laches, acquiescence, and estoppel are not available to defendant where plaintiff's registrations have become incontestable under the provisions of [the Lanham Act]."); *Richard Hudnut v. Du Barry of Hollywood, Inc.*, 127 U.S.P.Q. (BNA) 486, 489 (S.D. Cal. 1960) ("laches is no defense to a permanent injunction, especially with respect to a trademark which has become incontestable under the Lanham Act" (citations omitted)); *Apple Growers Ass'n v. Pelletti Fruit Co.*, 153 F. Supp. 948,

*United States Jaycees v. Cedar Rapids Jaycees*⁵ adopted a unique approach to resolve this controversy.⁶ The court concluded that equitable defenses are unavailable to challenge the substantive right of incontestability, but are available to limit the remedy granted an incontestable trademark owner.

This note explains and analyzes the Eighth Circuit's distinction between disallowing equitable defenses regarding the substantive validity of an incontestable trademark, and allowing the defenses to limit the remedy. It demonstrates that disallowing equitable defenses regarding an incontestable trademark's validity is proper under a fair construction of the Lanham Act, but

951 (N.D. Cal. 1957) ("As to the equitable defenses of laches, estoppel and acquiescence asserted by defendant, such defenses are not available as against allegations of infringement of trademarks which have become incontestable under the appropriate provisions of the Lanham Act . . .").

For cases allowing equitable defenses in an incontestable trademark infringement action, see *Prudential Ins. Co. of Am. v. Gibraltar Fin. Corp.*, 694 F.2d 1150, 1153 (9th Cir. 1982) *cert. denied*, 463 U.S. 1208 (1983) ("Incontestability does not preclude a defense of laches."); *Cuban Cigar Brands N.V. v. Upmann Int'l, Inc.*, 457 F. Supp. 1090, 1092 n.5 (S.D.N.Y. 1978) *aff'd*, 607 F.2d 995 (2d Cir. 1979) ("It is clear from both the statute and the cases that laches is a defense even where a mark is incontestable under 15 U.S.C. § 1065."); *Haviland & Co. v. Johann Haviland China Corp.*, 269 F. Supp. 928, 954 (S.D.N.Y. 1967) ("Incontestability has no effect on the availability of laches as a defense."). All of these cases were decided at a time when the respective courts allowed incontestability only as a defensive shield, not an offensive weapon. See *Tillamook County Cream Ass'n v. Tillamook Cheese Ass'n*, 345 F.2d 158 (9th Cir.), *cert. denied*, 382 U.S. 903 (1965). Since the Supreme Court in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985), held that incontestability can be used both offensively and defensively, these decisions are of questionable authority.

See also R. DOLE, TERRITORIAL TRADEMARK RIGHTS AND THE ANTITRUST LAWS 70 (1965); 1 J. GILSON, TRADEMARK PROTECTION AND PRACTICE §§ 4.03(3), 8.12[12] (1987); 2 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 32:44 (1984); Diggins, *The Lanham Trade-mark Act*, 35 GEO. L.J. 147, 195 (1947); McKnight, *Section 33(b) of the Lanham Act: What Effect in Trademark Infringement Litigation?*, 72 TRADEMARK REP. 329, 341-52 (1982); *Developments in the Law—Trademarks and Unfair Competition*, 68 HARV. L. REV. 814, 830 (1955) [hereinafter *Developments in the Law*]; Note, *Incontestable Trademark Rights and Equitable Defenses in Infringement Litigation*, 66 MINN. L. REV. 1067 (1982) [hereinafter Note, *Incontestable Trademark Rights*]; Note, *Trademark Incontestability—Time for the Next Step*, 18 STAN. L. REV. 1196, 1205 (1966); *An Analysis of Park 'N Fly: A TMR Panel*, 75 TRADEMARK REP. 180, 206-09 (1985) [hereinafter *TMR Panel*].

5. 794 F.2d 379 (8th Cir. 1986).

6. The approach is unique in that the author knows of no other reported case that has relied on the distinction adopted by the Eighth Circuit. It has, however, been advocated by commentators. See Note, *Incontestable Trademark Rights*, *supra* note 4, at 1084; *TMR Panel*, *supra* note 4, at 209; *cf.* *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 137 n.3 (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.").

not under the reasoning the Eighth Circuit used. It then explains how allowing equitable defenses to limit the remedy is, in effect, a backdoor approach permitting equitable defenses to affect the substantive validity of an incontestable trademark. Finally, the note concludes that equitable defenses should not be allowed to affect either the substantive validity or the remedy available once a trademark has become incontestable.

II. THE *Cedar Rapids* CASE

Cedar Rapids arose out of a dispute concerning the admittance of women into the traditionally all-male Jaycees organization. The United States Jaycees ("USJ"), the national Jaycee organization, had since 1920 defined itself as a "young men's civic organization" and had limited its regular voting membership to "young men between the ages of eighteen (18) and thirty-five (35)."⁷ In May of 1982, Cedar Rapids Jaycees ("CRJ"), a local Jaycee chapter, amended its local by-laws to admit women to full voting membership.⁸ The Executive Committee of USJ informed CRJ that if CRJ did not conform its admission requirements to those of USJ, it would invoke By-law 4-4I, which empowered USJ to revoke a local affiliate's license to use the incontestable trademark "Jaycees,"⁹ if the local affiliate did not

7. Prior to 1984, USJ By-law 4-2 stated:

Young men between the ages of eighteen (18) and thirty-five (35), inclusive, of Local Organization Members in good standing in this Corporation shall be considered Individual Members of this Corporation. . . . Such Individual Members shall be qualified by, and represented through, the Local Organization Member so long as he shall pay the dues to the Local Organization Member. . . .

United States Jaycees v. Cedar Rapids Jaycees, 614 F. Supp. 515, 517 (N.D. Iowa 1985), *aff'd*, 794 F.2d 379 (8th Cir. 1986).

By-law 4-3 stated:

An Associate Individual Member is a business concern, association, group or individual not qualified by these By-Laws and Policy to be an Individual Member of a Local Organization Member.

Id.

Thus, women could be Associate Individual Members and could participate in various activities, programs, and community projects, but did not have the right to vote or hold office. *Id.* This requirement, as it applied to local affiliates, was found in By-law 4-4A. *Cedar Rapids*, 794 F.2d at 380 n.2.

8. The Cedar Rapids association voted to substitute the words "young persons" for the words "young men" in the Cedar Rapids by-law which corresponded with USJ By-law 4-4A. *Id.*

9. USJ's Trademark "Jaycees" had become incontestable since it had been registered, in use for five years, and had not been challenged on any of the available grounds. *Id.* at 381.

comply with the national bylaws.¹⁰ CRJ refused to comply, and USJ subsequently revoked CRJ's license to use the trademark. CRJ continued to operate under the name "Jaycees," and USJ sued for an injunction. After a series of proceedings,¹¹ the district court denied the injunction,¹² and the Eighth Circuit affirmed.¹³

10. USJ By-law 4.4I provides:

1. Every Local Organization Member in good standing and in compliance with these by-laws is granted a revocable license to utilize the trademarks, service marks, and collective membership marks of The United States Jaycees, including "JAYCEE", "JAYCEES", "J.C.", "J.C'S", "JUNIOR CHAMBER", AND "JUNIOR CHAMBER OF COMMERCE" in connection with its activities as a member of The United States Jaycees. All such usages shall be in compliance with the quality control requirements of the United States Jaycees.
2. The license granted in paragraph 1 above shall be subject to control by the Executive Committee in respect to the nature and quality of the goods or services in connection with which the marks are used. Said licenses may be revoked at any time by action of the Executive Committee for non-compliance by the Local Organization Member with these by-laws or for non-compliance by the Local Organization Member with the Quality control requirements of The United States Jaycees. Any revoked license may be reinstated by the Executive Committee. All decisions of the Executive Committee with respect to the revocation or reinstatement of a license to use trademarks, service marks, or collective membership marks of The United States Jaycees shall be final.
3. The license granted in paragraph 1 above is terminated immediately and automatically when any Local Organization Member disaffiliates, or when its charter is revoked or suspended for any reason.
4. In the event the license to a Local Organization Member is revoked under paragraph 2 above or terminated under paragraph 3 above, the Local Organization Member, and those in active consort therewith, shall immediately cease use of any trademark, service mark, or collective membership mark belonging to The United States Jaycees, including those marks in paragraph 1 above, and any marks confusingly similar therewith.

Id. at 381 n.3.

11. At the first trial, CRJ argued that USJ was in violation of Iowa's anti-discrimination statute, IOWA CODE § 601A.7 (1981). *United States Jaycees v. Cedar Rapids Jaycees*, 754 F.2d 302, 302 (8th Cir. 1985). The district court granted an injunction based on *United States Jaycees v. McClure*, 709 F.2d 1560 (8th Cir. 1983), which declared unconstitutional an anti-discrimination statute similar to the one relied upon by CRJ. *Id.* The Supreme Court reversed the *McClure* decision in *Roberts v. United States Jaycees*, 468 U.S. 609 (1984), while appeal was pending in the instant case. Based on *Roberts*, the Eighth Circuit vacated the district court's injunction and remanded for a determination of whether the USJ was in violation of the Iowa anti-discrimination statute. *Id.* The district court on remand found that USJ did violate the Iowa Civil Rights Law. *United States Jaycees v. Cedar Rapids Jaycees*, 614 F. Supp. 515 (D.C. Iowa 1985), *aff'd*, 794 F.2d 379 (8th Cir. 1986).

12. *Cedar Rapids Jaycees*, 614 F. Supp. at 518.

13. *Cedar Rapids*, 794 F.2d at 383.

A. USJ's Inequitable Conduct

In affirming the denial of an injunction, the Eighth Circuit focused on USJ's inequitable conduct. The court reasoned that equitable relief should not be granted for an unconscionable purpose, even though USJ had a valid legal right to the incontestable trademark: "The court ought also take care that its decree not be used to promote inequitable ends. It is still, even in this modern day of merged practice, a court of conscience, and it ought not grant equitable relief for an unconscionable purpose, however strong the legal rights asserted may be."¹⁴ The court identified several factors which indicated that USJ's purpose in seeking an injunction was unconscionable. First, USJ revoked CRJ's license to use the "Jaycees" trademark because of a national by-law which discriminated against women,¹⁵ a by-law which was contrary to Iowa state law.¹⁶ Second, even after revoking the license, USJ maintained CRJ as a "Local Organization Member," approved the granting of awards to members of CRJ, and continued to receive dues and new members from CRJ.¹⁷ Third, USJ itself had voted to admit women into full membership only two years after the CRJ vote.¹⁸ Thus, the court concluded that USJ's only purpose in revoking the license was an inequitable one—"punishment of an otherwise productive and conforming member simply because the member was on the prevailing side in a past internal policy dispute."¹⁹ In light of

14. *Id.* at 382.

15. *Id.* at 381 ("USJ does not seriously contend that this revocation was for any reason other than that the CRJ had violated the USJ by-laws by admitting women to voting membership.").

16. The district court found that USJ was a "public accommodation" and thus in violation of IOWA CODE § 601A.7 (1981), which states:

1. It shall be an unfair or discriminatory practice for any owner, lessee, sublessee, proprietor, manager, or superintendent of any public accommodation or any agent or employee thereof:

a. To refuse or deny to any person because of . . . sex . . . the accommodations, advantages, facilities, services, or privileges thereof, or otherwise to discriminate against any person because of . . . sex . . . in the furnishing of such accommodations, advantages, facilities, services, or privileges.

United States Jaycees v. Cedar Rapids Jaycees, 614 F. Supp. 515, 516-17 (N.D. Iowa 1985), *aff'd*, 794 F.2d 379 (8th Cir. 1986).

17. *Cedar Rapids*, 794 F.2d at 383.

18. *Id.* The USJ was forced to change its bylaws in 1984 after the Supreme Court in *Roberts v. United States Jaycees*, 468 U.S. 609 (1984) upheld a Minnesota anti-discrimination statute similar to Iowa's anti-discrimination statute.

19. *Cedar Rapids*, 794 F.2d at 383.

this inequitable purpose, the Eighth Circuit decided that injunctive relief would be inappropriate.²⁰

B. The Distinction Between Substantive Validity And Available Remedies

Before the Eighth Circuit could deny an injunction based on equitable grounds, it had to overcome USJ's argument that both the language of section 33(b)²¹ and the Supreme Court decision in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*²² preclude the use of equitable defenses once a trademark has become incontestable.²³ USJ argued that section 33(b) enumerates the only allowable defenses that can be asserted in an incontestable trademark infringement suit, none of which include general equitable principles.²⁴ In response, CRJ contended that section 34²⁵ expands section 33(b) by allowing a court to consider "principles of equity" in granting injunctions.²⁶ USJ answered that the Supreme Court in *Park 'N Fly* held that a court's equitable powers under section 34 do not encompass a "substantive challenge to the validity of an incontestable mark,"²⁷ and thus do not expand the section 33(b) defenses.

In resolving these arguments, the Eighth Circuit created a distinction between defenses to the validity of an incontestable

20. *Id.*

21. 15 U.S.C. § 1115(b) (1982).

22. 469 U.S. 189 (1985). In *Park 'N Fly*, plaintiff Park 'N Fly operated parking lots near airports in St. Louis, Cleveland, Houston, Boston, Memphis, and San Francisco. Plaintiff used a service mark consisting of the logo of an airplane and the words "Park 'N Fly." This mark had been registered in 1971 and had received incontestable trademark status six years later. Defendant operated a parking lot near the airport in Portland, Oregon, and used the name "Dollar Park and Fly." Plaintiff sued defendant for infringement, and defendant argued that plaintiff's trademark was merely descriptive, and thus not entitled to continued registration. The Supreme Court held that the holder of an incontestable trademark may rely on incontestability to enjoin infringement, and that an infringement action may not be defended on the grounds that the mark is merely descriptive. *Id.*

23. *Cedar Rapids*, 794 F.2d at 382.

24. For a list of the enumerated defenses in § 33(b), see *infra* note 44.

25. 15 U.S.C. § 1116 (1982).

26. Section 34 reads in part:

The several courts vested with jurisdiction of civil actions arising under this Chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office.

15 U.S.C. § 1116 (1982).

27. 469 U.S. 189, 203 (1985).

trademark and defenses affecting the remedy granted after an incontestable trademark owner proves infringement. The court recognized that section 33(b) "limits the defenses which can be asserted against an action for infringement of an incontestable mark,"²⁸ but stated that USJ "confuses the wrong with the remedy."²⁹ The court reasoned that although the Supreme Court in *Park 'N Fly* said that "the equitable power granted under [section 34] does not expand the seven enumerated defenses to the validity of an incontestable mark under [section 33](b), it specifically did not address the question raised here: 'whether traditional equitable defenses such as estoppel or laches are available in an action to enforce an incontestable mark.'"³⁰ The court continued: "We do not believe that the limitations in [section 33](b) relating to the validity or ownership of a mark also limit the discretion of the court to give equitable relief appropriate to the circumstances of each case."³¹ Accordingly, the court held that "to forbid CRJ for the indefinite future to use the name 'Jaycees' would not be consistent with 'the principles of equity,'"³² and affirmed the denial of an injunction.³³

III. ANALYSIS

The Eighth Circuit's reasoning for allowing equitable defenses in incontestable trademark infringement actions is flawed. The court's conclusion that equitable defenses are unavailable to contest the validity of the incontestable status of a trademark was improperly based on an expansive reading of *Park 'N Fly*, even though it is supported by a fair construction of the Lanham Act. Foremost, the court's holding that equitable defenses are available at the remedy stage is analytically unsound because it allows the defendant to accomplish at the remedy stage what could not be accomplished at the validity stage.

A. *Expansive Reading of Park 'N Fly*

The Eighth Circuit read the *Park 'N Fly* decision too broadly in stating that the Supreme Court foreclosed equitable

28. *Cedar Rapids*, 794 F.2d at 382.

29. *Id.*

30. *Id.* (quoting *Park 'N Fly*, 469 U.S. at 203 n.7)(emphasis in original).

31. *Id.*

32. *Id.* at 383 (quoting 15 U.S.C. § 1116 (1982)).

33. *Id.*

defenses concerning the validity of an incontestable trademark.³⁴ The Supreme Court in fact narrowly limited its holding in *Park 'N Fly* to preclude only the non-equitable defense of lack of secondary meaning:³⁵ "Whatever the precise boundaries of the court's equitable power [under section 34], we do not believe that it encompasses a substantive challenge to the validity of an incontestable mark *on the grounds that it lacks secondary meaning*."³⁶ The Court expressly left open the question of whether equitable defenses were foreclosed by the incontestable status of a trademark: "We note, however, that we need not address in this case whether traditional equitable defenses such as estoppel or laches are available in an action to enforce an incontestable mark."³⁷ This statement was meant to distinguish between the defense of lack of secondary meaning and general equitable defenses, rather than between validity and enforceability. Even the dissent in *Park 'N Fly* noted that the majority did not rule on equitable defenses: "The Court emphasizes that it does not address whether traditional equitable defenses are available in an action to enforce an incontestable mark. Thus, the Court chooses not to rule on whether the language of [section] 33(b) can be ignored when a defense such as laches or estoppel is asserted."³⁸ Therefore, the Eighth Circuit improperly stated that the Supreme Court foreclosed equitable defenses concerning the substantive right of incontestability.³⁹

B. *The Lanham Act*

Even though the Supreme Court did not foreclose equitable defenses concerning the validity of incontestable status, the Eighth

34. *Id.* at 382.

35. Lack of secondary meaning is a defense to incontestable trademarks based on the requirement that a "merely descriptive" mark (one that merely describes the qualities or characteristics of a good or service) may be registered only if the registrant shows that it has acquired secondary meaning, *i.e.*, it "has become distinctive of the applicant's goods in commerce." 15 U.S.C. § 1052(e), (f) (1982).

36. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 203 (1985) (emphasis added).

37. *Id.* at 203 n.7.

38. *Id.* at 216 n.22 (Stevens, J., dissenting).

39. See *TMR Panel*, *supra* note 4, at 207 ("The majority opinion expressly left open the question of the applicability of equitable defenses, even though such defenses would not be available if the provisions of section 33(b) were to be strictly construed to exclude all defenses not enumerated therein."); 1 GILSON, *supra* note 4, at § 4.03[3] ("The Supreme Court was unwilling to go beyond its holding that the defense of 'merely descriptive' was foreclosed.").

Circuit could have reached the same conclusion by analyzing the Lanham Act.⁴⁰ A fair construction of the Lanham Act supports the conclusion that equitable defenses are unavailable to challenge the substantive right of incontestability.⁴¹ Both the statutory language and the underlying policies of the Lanham Act indicate that equitable defenses to the validity of an incontestable trademark should be foreclosed.

1. *Statutory language*

Statutory construction begins with the assumption that the ordinary meaning of statutory language accurately expresses the legislative purpose.⁴² Section 33(a) provides that registration of a trademark is "prima facie evidence of registrant's exclusive right to use the registered mark in commerce," subject to "any legal or equitable defense or defect."⁴³ However, section 33(b) states that when a trademark has become incontestable, its registration is "conclusive evidence of the registrant's exclusive right to use the mark in commerce," subject to seven enumerated defenses or defects.⁴⁴ Once a trademark becomes incontestable then, the

40. The Eighth Circuit did not analyze the statute in depth regarding the validity of incontestability, presumably because the validity of the trademark "Jaycees" was not at issue. *Cedar Rapids*, 794 F.2d at 382. The court only addressed the language in *Park 'N Fly* to show that the Supreme Court did not foreclose equitable defenses concerning the scope of injunctive relief.

41. See generally Note, 66 MINN. L. REV. 1067, *supra* note 4, at 1074-78.

42. *Park 'N Fly, Inc., v. Dollar Park and Fly*, 469 U.S. 189, 194 (1985).

43. Section 33(a) reads:

Any registration . . . 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 registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, 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.

15 U.S.C. § 1115(a) (1982).

44. Section 33(b) reads:

If the right to use the registered mark has become incontestable under section 15 hereof, the registration shall be conclusive evidence 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 affidavit filed under the provisions of said section 15 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

- (1) That the registration or the incontestable right to use the mark was obtained fraudulently; or
- (2) That the mark has been abandoned by the registrant; or
- (3) That the registered mark is being used . . . to misrepresent the source of the goods or services in connection with which the

statute narrows the available defenses from "any legal or equitable defense" to the enumerated defenses. One of the enumerated defenses, abandonment, is considered an equitable defense.⁴⁵ Since Congress explicitly included equitable defenses for "contestable" trademarks in section 33(a) and other provisions of the Lanham Act,⁴⁶ its failure to include any equitable defenses for incontestable trademarks (other than abandonment) suggests that equitable defenses were purposefully omitted.⁴⁷

Proponents for inclusion of equitable defenses argue that the defenses should be available against incontestable trade-

mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use . . . of the party's individual name in his own business, . . . or of a term or device which 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; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration . . . or publication of the registered mark . . . : Provided, however, that this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to registration under this Act . . . or publication under . . . this Act . . . of the registered mark of the registrant, and not abandoned: Provided, however, that this defense or defect shall apply only for the area in which the mark was used prior to such registration or publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the anti-trust laws of the United States.

15 U.S.C. § 1115(b) (1982). Section 33(b) incorporates the defenses in section 15 by reference, so there are in reality over 20 defenses that can be asserted after a trademark has become incontestable. See Carter, *supra* note 1; Williamson, *supra* note 1.

45. See CALIMAFDE, *supra* note 3, § 15.01, at 678.

46. Apart from §§ 33(a) and 34, § 19, 15 U.S.C. § 1069 (1982), allows the "equitable principles of laches, estoppel, and acquiescence" to be considered in all inter partes proceedings. See *infra* notes 49-51 and accompanying text. Furthermore, § 35, 15 U.S.C. § 1117 (1982), provides that a plaintiff may recover monetary relief "subject to the principles of equity."

47. See 1 GILSON, *supra* note 4, § 4.03(3), at 4-24.6 ("Since Sections 15 and 33(b) nowhere suggest that equitable defenses are not foreclosed, and since it would have been a simple matter to enumerate them as not being foreclosed, why did the Court [in *Park 'N Fly*] go out of its way to hint that they might not be foreclosed?"); cf. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 196-97 (1985) (arguing that the omission of "merely descriptive" as a defense could not be attributed to inadvertence on the part of Congress); *Developments in the Law*, *supra* note 4, at 830 ("the listing of so common a defense as the "fair use" defense, § 33(b)(4), may indicate that the defenses enumerated were meant to be exclusive.").

marks under section 19,⁴⁸ which provides: "In all inter partes proceedings⁴⁹ equitable principles of laches, estoppel, and acquiescence, where applicable may be considered and applied."⁵⁰ However, section 19 is limited to allowing equitable defenses in cancellation, opposition, and concurrent use proceedings before the Trademark Trial and Appeal Board ("TTAB") and the Court of Customs and Patent Appeals ("CCPA"), actions which are distinct from infringement actions.⁵¹ Section 19 was put in the Lanham Act specifically to change the prior practice of the TTAB and the CCPA which denied the use of equitable defenses.⁵² In fact, a proposal to expand section 19 to allow equitable defenses in all proceedings was never adopted,⁵³ suggesting that equitable defenses under section 19 are limited to those proceedings mentioned.

Furthermore, all sections of an act relating to the same subject matter should be interpreted together.⁵⁴ There are only three provisions dealing with incontestability, sections 14, 15, and 33.⁵⁵ Section 33(a) is the only section which mentions general equitable defenses, and it refers only to registration of a trademark *before* it has become incontestable. Interpreting the relevant sections of the statute together thus excludes the possibility of allowing equitable defenses to incontestable trademarks under section 19.⁵⁶

CRJ's argument in *Cedar Rapids* was that section 34, grant-

48. Christensen, *Trademark Incontestability—Time for the Next Step*, 18 STAN. L. REV. 1196, 1205 (1966).

49. Inter partes proceedings are cancellation, opposition, or concurrent use proceedings before the Trademark Trial and Appeal Board and appeals therefrom to the Court of Customs and Patent Appeals. See 15 U.S.C. §§ 1063, 1064, 1066-71 (1982).

50. 15 U.S.C. § 1069 (1982). For a general discussion of the equitable defenses in inter partes proceedings, see Blynn, *Litigation Before the TTAB and CCPA: The Equitable Defenses*, 70 TRADEMARK REP. 367 (1980).

51. See Note, *Incontestable Trademark Rights*, *supra* note 4, at 1075-76.

52. During the hearings before the subcommittee on trademarks of the House Committee on Patents, 77th Cong., 1st Sess. 180-88 (1941), Representative Rogers stated ". . . I would like to say that [§ 19] was inserted, as I understand it, to take care of a specific situation. The Patent Office and the court of Patent Appeals have held that they cannot consider these equitable doctrines."

53. Representative Robertson proposed that § 19 be amended to read that equitable principles are available in *all* actions and proceedings. Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcommittee on Trademarks of the House Committee on Patents, 77th Cong., 1st Sess. 180-88 (1941).

54. See 2A N. SINGER, STATUTES AND STATUTORY CONSTRUCTION § 47.06, at 132 (4th ed. 1984).

55. See *supra* note 1.

56. See Note, *Incontestable Trademark Rights*, *supra* note 4, at 1076-77.

ing courts power to issue injunctions "according to the principles of equity," somehow expands the enumerated defenses under section 33(b) to include equitable defenses.⁵⁷ However, section 34 refers only to the remedy available once a substantive right has been violated, while section 33(b) relates to the substantive right of incontestability. There is a basic distinction between the establishment of a substantive right and the remedy provided to relieve violations of that right.⁵⁸ The defenses enumerated in section 33(b) all concern the validity of a trademark's incontestable status,⁵⁹ while the section 34 defenses affect only the scope of injunctive relief. The statute thus clarifies that defenses available under the remedy section are not necessarily available under the substantive section.

Furthermore, specific provisions control general provisions in statutory construction.⁶⁰ Section 34 is a general provision addressed to all types of actions brought by a trademark registrant, and provides that generally all defenses will be available to contest injunctive relief. However, section 33(b) deals specifically with incontestability, and narrowly limits the available defenses to those enumerated. Thus, the generality of section 34 cannot expand the specificity of the narrow section 33(b).

Proponents of equitable defenses also argue that since section 33(b) does not expressly exclude equitable defenses, they should be allowed under a court's general equitable jurisdiction. Support for this argument is found in the Supreme Court's statement that "[t]he comprehensiveness of . . . equitable jurisdiction is not to be denied in the absence of a clear and valid legislative command."⁶¹ However, the Supreme Court also stated

57. *United States Jaycees v. Cedar Rapids Jaycees*, 794 F.2d 379, 382 (1986).

58. Note, *Incontestable Trademark Rights*, *supra* note 4, at 1077. See also E. RE, *CASES AND MATERIALS ON EQUITY AND EQUITABLE REMEDIES* 220 (1975).

59. The Supreme Court has stated that the defenses in § 33(b) affect only the evidentiary status of registration, not the validity. If one of the defenses is established, registration constitutes only *prima facie*, and not conclusive, evidence of the owner's right to exclusive use of the mark. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 199 n.6 (1985). However, the defenses do relate to the status of the substantive right of incontestability, as opposed to the § 34 defenses which relate only to the scope of injunctive relief. See *TMR Panel*, *supra* note 4, at 207, 209.

60. See 2A SINGER, *supra* note 54, § 23.15, at 368; e.g., *Union Central Life Ins. Co. v. Wernick*, 777 F.2d 499, 501 (9th Cir. 1985) ("It is a fundamental rule of statutory construction that specific statutory language prevails over general provisions.").

61. *Mitchell v. Robert DeMario Jewelry*, 361 U.S. 288, 291 (1960) (quoting *Porter v. Warner Holding Co.*, 328 U.S. 395, 397-98 (1946) (construing the Fair Labor Standards Act of 1938)).

that restrictions on equity may occur when "a statute in so many words, or by a necessary and inescapable inference, restricts the court's jurisdiction in equity."⁶² An inference created by a standard canon of statutory construction is that there are no implied defenses under section 33(b) since there are express enumerated exceptions.⁶³ Although legislative history offers little or no help,⁶⁴ the language of the statute creates the necessary inference that Congress intended that the substantive right of incontestability be subject only to the enumerated defenses, not general equitable defenses.

2. *The underlying purposes and policies of the Lanham Act*

Preclusion of equitable defenses regarding the validity of an incontestable trademark is supported not only by the language of the Lanham Act, but also by its purposes and policies.⁶⁵ There are two basic purposes of the Lanham Act: 1) to protect the public from confusion regarding the source of goods or services, and 2) to protect a registrant's goodwill investment in a

62. *Id.* at 291 (quoting *Porter*, 328 U.S. at 397-98).

63. See 2A SINGER, *supra* note 54, § 47.11, at 145.

64. See 1 GILSON, *supra* note 4, § 4.03(3), at 4-24.11 n. 48.3 ("The best evidence of Congressional intent is the structure and language of Section 33(b) itself. Because of the clarity of the section, resort to legislative history, which is more ambiguous than the section, should be unnecessary.").

Apparently there were some Congressmen that intended equitable defenses to remain available to incontestable trademarks. For example, during the hearings before the Subcommittee on trademarks of the House Committee on Patents, Representative Robertson proposed that § 19, which allows equitable defenses to be available during inter partes proceedings, be amended to read that equitable principles are available in *all* actions. Representative Fenning agreed, stating: "Certainly there is no disadvantage of putting in actions, and it might be desirable." Representative Handler similarly stated: "There does not seem to be any objection to the inclusion of the words, and it certainly makes more clear what is the intention." 77th Cong., 1st Sess. 180-88 (1941). See also S. REP. No. 2266, 83rd Cong., 2d Sess. 9, 10 (1954), when Senator Wiley suggested that the antitrust defense to incontestable trademark rights under § 33(b)(7), 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." Since neither of these proposals was ever enacted, however, it seems that a majority of Congress intended to exclude equitable defenses.

For a section-by-section analysis of the legislative history to the Lanham Act, see 3-4 GILSON, *supra* note 4.

65. 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 Serv. v. Dublino*, 413 U.S. 405, 419-420 (1973); E. CRAWFORD, *THE CONSTRUCTION OF STATUTES* § 161, at 249 (1940).

trademark.⁶⁶ If equitable defenses are allowed to negate the right of incontestability, a defendant may continue to infringe on a plaintiff's trademark and perpetuate public confusion as to the source of the goods or services.⁶⁷ The value of the registrant's investment in the trademark is also decreased if equitable defenses allow a defendant to share in the benefits of the goodwill associated with a trademark. Thus, allowing equitable defenses to incontestable trademarks contravenes the purposes of the statute.

However, two policy reasons have been advanced in support of allowing equitable defenses. The first is the prevention of unfair business practices. Sometimes the plaintiff's misconduct might include business practices that subvert competition on the merits and result in decreased market efficiency and additional costs to consumers.⁶⁸ By allowing equitable defenses, these business practices arguably might be curtailed. On the other hand, section 33(b) does contain defenses based on unfair business practices,⁶⁹ and other actions and forums remain available to deal with unfair practices.⁷⁰ Consequently, this policy reason is not persuasive.

The second policy in support of equitable defenses is the maintenance of judicial integrity by excluding from the courts claimants who have acted unfairly or who have engaged in some form of misconduct.⁷¹ Equitable principles have traditionally

66. S. REP. No. 1333, 79th Cong., 2d Sess. 3, reprinted in 1946 U.S. CODE CONG. SERV. 1274, 1276. For a list of other reasons given for enactment of the 1946 legislation, see *id.* at 5, 1946 U.S. CODE CONG. SERV. at 1276.

67. See Note, *The Besmirched Plaintiff and the Confused Public: Unclean Hands in Trademark Infringement*, 65 COLUM. L. REV. 109 (1965); Note, *Incontestable Trademark Rights*, *supra* note 4, at 1083-89.

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

69. *E.g.*, § 33(b)(1) (defect if the registration or incontestable status was obtained fraudulently); § 33(b)(3) (incontestability may be defeated based on misrepresentation); § 33(b)(7) (defense based on antitrust violations).

70. 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).

71. Note, *Incontestable Trademark Rights*, *supra* note 4, at 1083. See also 2 POMEROY, A TREATISE ON EQUITY JURISPRUDENCE § 398 (5th ed. 1941). 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 Johnson v.

been important in trademark law,⁷² and the primary relief sought in trademark infringement actions is the equitable relief of injunction.⁷³ As in *Cedar Rapids*, courts often look at a plaintiff's conduct before granting equitable remedies based on the maxim that equity refuses to aid a party guilty of inequitable conduct in a matter intimately connected with the litigation.⁷⁴ Nevertheless, a court's equitable jurisdiction is restricted by the "necessary and inescapable inference" of the Lanham Act that equitable defenses are unavailable under section 33(b).⁷⁵ Furthermore, the possibility of public confusion outweighs individual equitable interests in most cases, so equitable defenses normally would not be sufficient to deny injunctive relief anyway.⁷⁶

In sum, the Eighth Circuit's conclusion that equitable defenses are not available to challenge the substantive right of incontestability is a valid one, although it reached this conclusion by reading *Park 'N Fly* too broadly rather than through a proper analysis of the Lanham Act. However, the court's subse-

Yellow Cab Transit Co., 321 U.S. 383, 402 (1944) (Frankfurter, J., dissenting); 1 R. CALLMAN, *THE LAW OF UNFAIR COMPETITION TRADEMARKS AND MONOPOLIES* §2.27 (4th ed. 1981); Chafee, *Coming Into Equity with Clean Hands*, 47 MICH. L. REV. 877, 877 (1949); cf. *Higgins v. McCrea*, 166 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)).

72. See *DOLE*, *supra* note 4, at 5; W. WALSH, *A TREATISE ON EQUITY* §§ 41, 46 (1930).

73. The equitable relief of an injunction is the most attractive remedy in trademark litigation, because it prevents both further confusion in the market place and the continued weakening of the trademark. Unlike other areas of law, monetary relief is of little value.

74. See Chafee, *Coming Into Equity With Clean Hands*, 47 MICH. L. REV. 877, 877 (1949); e.g. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 217 (1985) (Stevens, J., dissenting) ("[I]t is well established that injunctions do not issue as a matter of course, and that 'the essence of equity jurisdiction has been the power of the Chancellor to do equity'. . . ." (quoting *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944))).

75. See *supra* notes 42-67 and accompanying text.

76. See *James Burrough, Ltd. v. Sign of the Beefeater*, 540 F.2d 266, 274 (7th Cir. 1976) ("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."); *American Auto. Ass'n v. AAA Ins. Agency, Inc.*, 618 F. Supp. 787, 796 (D.C. Tex. 1985) ("even a lengthy delay in bringing suit will not bar injunctive relief to protect the public from confusion"); *Swank, Inc. v. Ravel Perfume Corp.*, 438 F.2d 622, 624 (C.C.P.A. 1971) (court noted in dicta that when the competing trademarks are identical or very similar, equitable defenses are not applicable, because protection of the public from confusion is the "dominant consideration"); *Hitachi Metals Int'l v. Yamakyu Chain Kabushiki Kaisha*, 209 U.S.P.Q. 1057, 1067 (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."); Note, *Incontestable Trademark Rights*, *supra* note 4, at 1083-89.

quent holding that equitable defenses are available to fashion the scope of the remedy is analytically unsound, since it is a "backdoor approach" which allows a defendant to accomplish at the remedy stage what could not be accomplished at the validity stage.

C. *The Backdoor Approach*

Cedar Rapids distinguishes between defenses available to challenge the substantive right of incontestability under section 33(b) and those available only to fashion the remedy under section 34.⁷⁷ This distinction appears appropriate on the face of the statute because the section 33(b) defenses all refer to the validity of the incontestable status of a trademark,⁷⁸ while the section 34 defenses are limited to the scope of injunctive relief to be granted.

In the incontestable trademark setting, however, denial of a remedy is a denial of the substantive right of incontestability. Section 33(b) defines incontestability as "conclusive evidence of the registrant's exclusive right to use the registered mark in commerce."⁷⁹ In other words, an owner of a valid incontestable trademark has the substantive right to use that trademark to the exclusion of all others. The only qualifications to this "exclusive right to use" are the enumerated defenses under section 33(b) and the required showing of infringement under section 32(1).⁸⁰ An injunction is the primary remedy a trademark owner has to enforce the substantive right of incontestability, since enjoining another's infringing use is the only way to grant a trademark owner "exclusive" use.⁸¹ If infringement is proven, the denial of injunctive relief is a denial of the substantive right of exclusive use. For example, if a plaintiff proves that it has a valid incontestable trademark, and that a defendant is infringing on the use of that trademark, the plaintiff should be entitled to a remedy to ensure the "exclusive use" of its incontestable trademark. If a court denies injunctive relief, however, and allows the defendant's use to continue, the denial not only affects the plaintiff's remedy, but in effect denies the plaintiff's sub-

77. See *supra* notes 21-33 and accompanying text.

78. See *supra* note 59.

79. 15 U.S.C. § 1115(b) (1982).

80. 15 U.S.C. § 1114(1) (1982). See *TMR Panel*, *supra* note 4, at 203-04 (incontestability is qualified by need to show infringement).

81. See *supra* note 73 and accompanying text.

stantive right of "exclusive use." If the denial of injunctive relief is based on equitable principles, then the effect of the approach is to create an additional defense to the substantive right of incontestability. In other words, the approach of the Eighth Circuit allows a defendant in through the backdoor to accomplish at the remedy stage what could not be accomplished at the validity stage.

Since the denial of injunctive relief necessarily affects the substantive right of incontestability, the statutory reasons which preclude equitable defenses from challenging an incontestable trademark's validity apply equally to preclude them from affecting injunctive relief.⁸² In particular, the specific defenses enumerated in section 33(b) must limit the general remedy section 34; otherwise, the enumerated defenses to incontestable trademarks would be improperly expanded.⁸³ In addition, the public may be confused and a trademark owner's goodwill investment devalued if two similar trademarks are used in commerce, regardless of whether the concurrent use is due to the lack of a substantive right of exclusive use, or to the lack of injunctive relief. As a result, the purposes of the Lanham Act to protect the public from confusion and to protect the registrant's goodwill investment are contravened whether equitable defenses deny the substantive right of incontestability or simply deny injunctive relief.⁸⁴ Therefore, equitable defenses should not be available either to challenge an incontestable trademark's validity or to deny injunctive relief to the incontestable trademark owner who has proven infringement.

Although the Eighth Circuit noted that the preclusion of equitable defenses at the remedy stage "would indeed make injunctive relief a ministerial act . . . and wipe away the discretion which is inherent in the equitable power,"⁸⁵ it must be remembered that a court's equitable power is restricted when "a statute in so many words, or by a necessary and inescapable inference, restricts the court's jurisdiction in equity."⁸⁶ The necessary and inescapable inference of the Lanham Act must be that

82. See *supra* notes 42-64 and accompanying text.

83. See *supra* note 60 and accompanying text.

84. See *supra* notes 65-67 and accompanying text.

85. *United States Jaycees v. Cedar Rapids Jaycees*, 794 F.2d 379, 382 (8th Cir. 1986).

86. *Mitchell v. Robert DeMario Jewelry*, 361 U.S. 288, 291 (1960) (quoting *Porter v. Warner Holding Co.*, 328 U.S. 395, 397-98 (1946)).

once a trademark achieves incontestable status, the only defenses available to prohibit the trademark's exclusive use are those enumerated in section 33(b); equitable defenses should not be allowed, either at the substantive validity stage or at the remedy stage.

IV. CONCLUSION

The Eighth Circuit's decision in *Cedar Rapids* is flawed. The court's conclusion that equitable defenses are not available regarding the validity of the incontestable status of a trademark is supported by analysis of the language and purposes of the Lanham Act, although the court based this conclusion on an overly-broad reading of the Supreme Court's opinion in *Park 'N Fly, Inc. v. Dollar Park and Fly*.⁸⁷

However, allowing equitable defenses to preclude injunctive relief also affects the substantive right of incontestability. Therefore, the approach of the Eighth Circuit opens a backdoor whereby a defendant may accomplish at the remedy stage what could not be accomplished at the validity stage. This approach should not be followed, because the reasons which preclude equitable defenses at the validity stage apply with equal force to preclude them at the remedy stage. When an incontestable trademark owner proves infringement, a fair construction of the Lanham Act under statutory and analytical reasoning supports the conclusion that equitable defenses are foreclosed entirely.

Kenneth P. Elbert

87. 469 U.S. 189 (1985).