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Defense of Laches Bars Tillamook Creamery's Trademark Infringement Claim Brought 25 Years After First Notice

The U.S. Court of Appeals for the Ninth Circuit affirmed a district court ruling that defendant's request for an injunction on a theory of trademark infringement under 15 U.S.C.S. § 1114(1) was barred by laches. *Tillamook Country Smoker v. Tillamook County Creamery Association*, Case No. 04-35843 (9th cir., Oct. 11, 2006)

Defendant Tillamook County Creamery Association ("Creamery") has been in the dairy business for over a century in Tillamook, Oregon. Creamery began using the "Tillamook" mark for its cheese and butter products as early as 1918. It registered the "Tillamook" mark with the U.S. Patent and Trademark Office ("PTO") in 1921 and 1950. Plaintiff Tillamook Country Smoker ("Smoker") began operations as a processed meat company in 1975 in Tillamook, Oregon. Prior to establishment, the defendant assured plaintiff that there would be no objection to plaintiff's use of the mark 'Tillamook' so long as plaintiff "did not build a cheese factory."

Since Smoker's initial launch in 1976, Creamery did not object to the operation of Smoker. In fact, Creamery actively encouraged the Smoker products by selling Smoker products in its own cheese stores.

Twenty-five years later, when plaintiff began selling its meat snack in supermarkets, defendant for the first time claimed trademark infringement and sought to enjoin plaintiff from further using the 'Tillamook' mark by sending a cease-and-desist letter to plaintiff. In response, plaintiff smoker brought this suit seeking declaratory judgments. Defendant asserted various counterclaims including the trademark infringement claim that was addressed by this appeal.

The Ninth Circuit rejected defendant's contention that the period of laches did not begin until plaintiff began its direct sales to grocery stores. The court held the limitations period for laches starts from the time the plaintiff knew or should have known its potential cause of action. The court set out a two-part test in analogizing the laches claim. First, as a measuring stick, the court relied on the use of the statute of limitation period under the most closely analogous action under state law. As so, the longest relevant statute of limitation period applicable was ten years, long short of defendant twenty-five year delay. Accordingly, the court held that defendant's trademark infringement claim was barred by laches.

Second, The district court must balance the following six factors to determine whether the trademark owner's delay in filing suit was unreasonable and, therefore, barred: "(1) strength and value of the trademark rights asserted; (2) plaintiff's diligence in enforcing mark; (3) harm to senior user if relief is denied; (4) good faith ignorance by junior user; (5) competition between senior and junior user; and (6) extent of harm suffered by the junior user because of senior user's delay." *E-Systems, Inc. v. Monitek, Inc.*, 720 F.2d 604, 607 (9th Cir. 1983). The party asserting laches must demonstrate that it has "suffered prejudice as a result of the plaintiff's unreasonable delay in filing suit." *Jarrows Formulas*, 304 F.3d at 835.

Creamery raised the doctrine of progressive encroachment in an effort to offer an excuse for its long delay as the second factor of the above mentioned balancing test, diligence in enforcement. Under this doctrine, the trademark owner need not sue in the face of *de minimis*, of the least, infringement by the junior user. Here, the court held that there was no progressive encroachment from Smoker's redesign of

its labels, or Smoker's direct sales to grocery stores. As to the labeling, the court held that the redesign did not in any way make the new packaging more similar to Creamery's packaging. Further, the court found that Smoker's expansion of sales to supermarkets represents normal business growth, not expansion into different regions or different markets that would have to be shown to establish progressive encroachment.

In addition, because defendant did not allege that plaintiff's meat snacks threatened the public safety, the court rejected defendant's request for an injunction based on inevitable confusion.

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