

NINTH CIRCUIT REPORT

Reno Air Racing Association, Inc. v. Jerry McCord 452 F.3d 1126 (9th Cir. 2006)



NEIL A. SMITH

Sheppard Mullin Richter & Hampton

WHAT NEEDS TO BE SHOWN TO ESTABLISH *LACHES* IN A TRADEMARK CASE

IN *RENO AIR*, THE NINTH CIRCUIT dealt again with a *laches* defense and contempt in a trademark case.

The Plaintiff, trademark owner Reno Air, operated air races at the Reno Airport, identified as “Reno Air Races,” held two federal trademark registrations for its “Pylon” logo. The district court found infringement, both for the use of the registered Pylon Logo trademark and the “Reno Air Races” unregistered marks. It also found the defendant in civil contempt for violating a TRO.

INFRINGEMENT

Defendant McCord sold shirts outside the airport, which bore the names of the races and similar logos, did not challenge the infringement with respect to the “Reno Air Races” mark, but challenged the Pylon Logo finding, inviting the district court

to compare the plaintiffs’ and defendants marks. The Court of Appeals reviewed the district court’s finding of a likelihood of confusion with deference, so while noting the differences in the logo, it refused defendant’s attempt to get the Court to focus solely on the difference between the designs used by the parties. The Court noted that marks are not to be considered in the abstract, but rather, in light of the way the marks are encountered in the marketplace. The Court noted that “similarities weigh more heavily than differences,” and that the defendant McCord’s acknowledgement that he has no right to use the ‘Reno Air Races’ mark should, standing alone, take the air out of his argument that his composite logo designs passed muster. The Ninth Circuit noted that the district court had employed a comprehensive likelihood of confusion analysis, and held that its findings were not clearly erroneous.”

LACHES AS A DEFENSE

As to *laches*, defendant McCord argued that the plaintiff, which was running the air show, must have known of defendant’s infringement long before the year 2000, when Reno Air acknowledges that it made an attempt to contact the defendant to object to his sale of merchandise outside of the air show. The defendant argued that the plaintiff should have known of his infringing activities from 1990 to 1999, first because defendant had sold similar merchandise to certain retail stores in the Reno area. The Court noted that the retail sales were limited, and particularly stated there was no evidence of any actual knowledge by Reno Air.

Since the test of *laches* included not just actual knowledge but whether plaintiff

should have known of the infringement, the Ninth Circuit went on to note that the earliest date that the plaintiff should have known about defendant’s conduct was when, in 1999, McCord began selling merchandise directly outside the gates of the air show where plaintiff was conducting the show. Looking for guidance on when *laches* sets in, the Ninth Circuit noted that the courts look to the analogous statute of limitations, often borrowing analogous time periods from the statute of limitations under the state law, which in this case was three years.

As the Court noted, “*laches* penalizes inexcusable dilatory behavior; if the plaintiff legitimately was unaware of the defendant’s conduct, *laches* is no bar to suit.” Finally, the Court further noted that, “In addition [a] party asserting *laches* must show that it suffered prejudice as a result of the plaintiff’s unreasonable delay in filing suit.” citing *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829 (9th Cir. 2002).

Thus while presumably the defendant was selling similar merchandise in retail outlets in the Reno area, there was no evidence of Reno Air’s knowledge of this, and the suit was filed within three years from the time the plaintiff knew or reasonably should have known of McCord’s infringing conduct, so that, under the law, “the strong presumption is that *laches* is inapplicable.” *Id.* at 835. Moreover, the Ninth Circuit noted that the defendant had not demonstrated prejudice sufficient to overcome this strong presumption.

NO CONTEMPT OF *EX PARTE* RESTRAINING ORDER

The case also included an appeal from a contempt finding made by the dis-

district court, which is a caution to those who seek to enforce *ex parte* temporary restraining orders. In certain cases of clear infringement, and a risk of irreparable injury and a clear likelihood of success on the merits, a trademark owner may obtain a temporary restraining order *ex parte*, without advance notice.

A couple of years after learning of McCord's infringement, Reno Air filed suit, and obtained an *ex parte* temporary restraining order which was served on the defendant, enjoining the use of its trademarks. As it turned out, the TRO was served late on the Friday of the Reno Air Races' weekend, and McCord didn't immediately obtain an attorney but stopped selling the design pictured in an exhibit to the temporary restraining order, yet continued to sell merchandise using the term "Reno Air Races," which was also being enjoined.

Six months later, the plaintiff brought a motion for contempt, which the district court granted; the Ninth Circuit reversed the contempt order. The Ninth Circuit noted first that Reno Air's TRO application's supporting evidence was 'thin and bare-boned at best.' It was supported only by conclusory statements from Reno Air's counsel, based upon his claimed experience with the sale of counterfeit goods at one-time-famous events. The plaintiff did not advise the Court of its prior dealings with the defendant, or that it had known about his activities for at least two years.

The Ninth Circuit examined the language of the TRO and held that the TRO was not specific enough under Federal Rule 65 to clearly specify the infringing conduct which would violate the TRO. FRCP 65 requires that TRO's be clear and specify what is being prohibited. Although the Ninth Circuit said that the TRO was not defective in incorporating by reference a picture of the prohibited design, it cautioned against doing so. The Ninth Circuit did find that the reference in the TRO to the infringing trademarks which were enjoined was unclear, and the

injunction speaking of prohibiting "confusingly similar variations thereof" was further unclear, so as to vitiate any contempt from its enforcement based upon these terms. The Court noted that "the 'specific terms' and 'reasonable detail' of the injunction, mandated by Rule 65(d), should be understandable by the lay person, who is the target of the injunction. This is a circumstance, among many in the legal field, that, the Court noted, cries out for 'plain English.'"

Accordingly, as the TRO was improperly issued *ex parte* and failed to describe the prohibited conduct with specificity to its intended defendant, the Court held that it failed to serve as a foundation for the finding of civil contempt, which the Court vacated.

This case may provide a lesson to those who seek to obtain *ex parte* temporary restraining orders, and enforce them against unsophisticated parties. The courts will not always presume certain knowledge and understanding by a defendant, and thus a plaintiff needs to make the Court aware of all the background circumstances and, particularly, draft a TRO that will clearly make the target of the restraining order aware of the restrictions of the order in plain and understandable English.