

Laches Period Begins from Knowledge of Confusing Use, Not Mere Knowledge of Use

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Reviewing a defendant's laches defense to a trademark infringement claim, the U.S. Court of Appeals for the Fourth Circuit held that a district court applied the wrong legal standard in determining when the defense was triggered, incorrectly measuring the laches period from the date plaintiff first knew of defendants' use of a similar mark, instead of when a likelihood of confusion arose between the parties' marks. ***Ray Communications Inc. v. Clear Channel Communications Inc.***, Case No. 11-1050 (4th Circuit, Mar. 8, 2012) (Davis, J.).

Ray Communications sued Clear Channel Communications and other defendants for alleged infringement of its federally registered AGRINET service mark and for unfair competition under the Lanham Act. The defendants asserted the affirmative defenses of laches, acquiescence and abandonment, alleging that the plaintiff knew of the defendants' allegedly infringing use since the 1970s, but unreasonably delayed in bringing suit for more than 30 years.

The plaintiff countered that while it knew of the defendants' use of the AGRINET mark since the 1970s, such use was limited to a separate geographic region and was licensed by the plaintiff at that time. Thus, Ray Communications argued, there was no likelihood of confusion 30 years ago. The district court granted summary judgment to defendants, concluding that Ray Communications' knowledge of the defendants' use of the AGRINET mark since the 1970s was sufficient to trigger the laches period. The plaintiff appealed.

The 4th Circuit vacated the district court's grant of summary judgment and remanded, holding that the district court applied the wrong legal standard and failed to conduct a fact-intensive inquiry about when a likelihood of confusion arose. In determining whether the laches defense bars a trademark infringement claim, courts consider three factors: whether the owner of the mark knew of the infringing use; whether the owner's delay in challenging the infringement of the mark was inexcusable or unreasonable; and whether the infringing user has been unduly prejudiced by the owner's delay. Further, delay is measured from the time the owner knew of an infringing use, and legal action is not required until there is a real likelihood of confusion.

The 4th Circuit held that the district court erred by measuring the laches period from the time the plaintiff first knew of defendants' use of the AGRINET mark in the 1970s, when the plaintiff and defendants' use of their marks was geographically separate and thus unlikely to cause confusion.

“Although a senior federal registrant has superior priority which extends nationwide,” the court explained, “there is no likelihood of confusion for a court to enjoin unless and until the senior user shows a likelihood of entry into the junior user’s territory.” As the movant for summary judgment on laches, the court found that defendants were “charged with presenting evidence demonstrating that at some identifiable point in time a likelihood of confusion existed and that RCI unreasonably delayed thereafter in taking responsive legal action.”

For the third prong (prejudice arising from Ray Communications’ delay), the 4th Circuit found the record below contained no legally cognizable evidence of prejudice. Other than the length of time the defendants’ used the mark, the defendants did not adduce any evidence of economic prejudice, such as loss of revenue from ceasing use of their mark. In remanding, the 4th Circuit also instructed the district court to address whether the laches defense bars the plaintiff’s right to pursue injunctive relief, which the district court failed to address on summary judgment.

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