

### Maker of Cristal champagne toasts reversal of laches decision

Confusion

United States - McDermott Will & Emery LLP

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In *Champagne Louis Roederer v J Garcia Carrión SA* (Case 08-2907, June 24 2009), the US Court of Appeals for the Eighth Circuit has overturned the district court's dismissal of a trademark infringement suit on the basis of laches, holding that the district court had abused its discretion by failing to conduct "a meaningful analysis" of key factors relevant to a laches defence in trademark infringement cases.

In 2006 *Champagne Louis Roederer*, the maker of Cristal champagne, sued *J Garcia Carrión SA*, the Spanish maker of Cristalino sparkling wine, for trademark infringement.

Roederer had previously opposed the registration of the CRISTALINO mark in Spain in 1990. Roederer first learned that Cristalino was being sold in the United States in 1995, when Roederer's attorneys discovered an affidavit indicating that a Spanish sparkling wine called Cristalino was being sold in California. Seven years later in 2002, Carrión's US trademark application to register the CRISTALINO mark was published for opposition. Roederer responded with a cease-and-desist letter. After settlement talks failed, Roederer filed a notice of opposition at the [Trademark Trial and Appeal Board](#), as well as the present suit.

Carrión moved for summary judgment, arguing that Roederer's delay in filing its trademark action was unreasonable and prejudiced Carrión because the latter had already invested millions to expand its sales of Cristalino in the United States. The district court agreed, ruling that Roederer's seven-year delay was inexcusable and constituted laches. Roederer appealed.

The Eighth Circuit reversed, holding that the district court had failed properly to analyze laches in a trademark context. To assert a laches defence successfully, a defendant must prove that:

- the plaintiff delayed in asserting a right or a claim;
- the delay was not excusable; and
- there was undue prejudice to the defendant.

The Eighth Circuit focused its analysis on two additional factors that courts apply when evaluating the merits of a laches defence in a trademark context:

- the doctrine of progressive encroachment; and
- the notice to the defendant of the plaintiff's objections to the potentially infringing mark.

With regard to progressive encroachment, the Eighth Circuit found that "the time of delay is to be measured not from when the plaintiff first learned of the potentially infringing mark, but from when such infringement became actionable and provable". As the court explained, the rationale for the doctrine of progressive encroachment is to avoid:

*"[placing trademark holders on] the horns of an inequitable dilemma - sue immediately*

*and lose because the alleged infringer is insufficiently competitive to create a likelihood of confusion, or wait and be dismissed for unreasonable delay."*

As to the notice issue, the court observed that if a defendant knows that the plaintiff objected to the use of the mark, a laches defence generally will not lie. This rule can be understood either as an analogue to assumption of risk or as a factor that prevents the plaintiff from suffering undue prejudice. In either event, being forewarned of a trademark owner's objections generally prevents a defendant from raising a successful laches defence.

The Eighth Circuit further found that the district court had erred by failing adequately to analyze these factors. The court noted that since Roederer had opposed several trademark applications filed by Carrión in Spain, the United States and Colombia in the early and late 1990s (ie, long before Carrión had made a significant investment in improving a particular production plant in 2003), Carrión was certainly on notice of Roederer's objection to use of the CRISTALINO mark.

In addition, the Eighth Circuit held that the district court had erred in finding that Carrión was prejudiced by Roederer's delay in bringing its suit. The court stated that:

*"when a defendant has invested generally in an industry, and not a particular product, the likelihood of prejudicial reliance decreases in proportion to the particular product's role in the business."*

Given the fact that the majority of Carrión's investments were for the benefit of its general private label brands rather than the specific product line at issue, undue prejudice was not established. This failure to show undue prejudice as a result of Roederer's delay in bringing suit was by itself sufficient to bar the laches defence.

The decision highlights the fact that laches is no bar to a trademark infringement suit where:

- the defendant was forewarned that the plaintiff objected to the defendant's use of its trademark;
- no undue prejudice was established by the defendant; and
- the plaintiff acted reasonably soon after the claim became actionable.

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