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United States: Co-Existence Outside Of U.S. May Be Relevant To Obtaining Permanent Injunction In U.S.

Last Updated: March 19 2015

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La Quinta Worldwide LLC v. Q.R.T.M., S.A. de C.V., 762 F.3d 867 (9th Cir. Aug. 6, 2014)

It is a fundamental principle of trademark law, both in the United States and internationally, that trademark rights are territorial. That is, trademark rights are secured and protected within a certain territory (usually, a country), and what happens outside that territory is generally considered irrelevant to trademark rights in the territory. A recent ruling by the United States Court of Appeals for the Ninth Circuit ("Ninth Circuit") has called that territoriality principle into question. In doing so, the Ninth Circuit has continued a trend where injunctions are becoming more and more difficult to obtain in trademark infringement cases.

La Quinta Worldwide LLC v. Q.R.T.M., S.A. de C.V., dba Quinta Real (La Quinta) involves a trademark dispute between two hotel chains. La Quinta is a U.S.-based hotel chain in operation since 1968 with more than 800 mid-tier hotels across the United States. Quinta Real is a Mexico-based hotel chain with eight luxury properties in Mexico, the first having opened in 1986. The dispute arose because Quinta Real had an interest in opening a hotel under the QUINTA REAL name in the United States, and had entered into a letter of intent for that purpose in 1994 and again in 2007, although a U.S. hotel never materialized. At the same time, La Quinta had been operating hotels under the LA QUINTA name in Mexico since 2007 without objection by Quinta Real, the senior user in the territory.

In 2009, La Quinta filed a federal lawsuit in Arizona seeking to enjoin Quinta Real from opening a hotel in the United States. After conducting a bench trial, the district court determined that there was a likelihood of confusion between the marks LA QUINTA and QUINTA REAL, and granted a permanent injunction against use of QUINTA REAL in the United States.

Quinta Real appealed, raising four arguments, namely: (1) the court lacked subject matter jurisdiction; (2) no likelihood of confusion exists; (3) La Quinta's suit was barred by laches; and (4) the district court erred in issuing a permanent injunction. 762 F.3d at 871.

The Ninth Circuit affirmed the district court on the first three bases of appeal, but reversed and remanded on the question of whether plaintiff was entitled to a permanent injunction. 762 F.3d at 880.

Under the Lanham Act, courts have the "power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable." 15 U.S.C. § 1116. According to U.S. Supreme Court precedent, a permanent injunction is appropriate only where a plaintiff shows "(1) that it has suffered irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of the hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction." *eBay v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

In *La Quinta*, the Ninth Circuit remanded due to concerns about the district court's analysis of the balance of hardships. In

particular, the court was concerned that the district court may not have considered whether it was equitable to bar Quinta Real from operating in the United States when La Quinta was permitted to operate in Mexico. As the Ninth Circuit explained:

We are concerned that the district court's analysis does not discuss a fact we think relevant to weighing the equities in this case: That a permanent injunction in favor of La Quinta here would bar Quinta Real from opening a hotel in the United States under its own name, while at the same time La Quinta would remain free to open hotels and do business in Mexico as "La Quinta." We do not decide that this fact is determinative and we express no opinion on whether the district court should issue a permanent injunction after having taken account of all the relevant facts. But to our thinking this consideration is pertinent to whether a permanent injunction here against Quinta Real operating through its name in the United States is fair and equitable relief in light of the La Quinta hotel operations in Mexico. The omission of this consideration from the district court's analysis leaves us uncertain whether the district court considered all relevant factors in assessing the balance of hardships.

762 F.3d at 880.

On remand, as of this writing, the parties had submitted briefs to the district court on the issue, but the district court has not yet made any further ruling. Predictably, La Quinta's brief insists that the parties' coexistence in Mexico should have no bearing on the United States, arguing that the hotel industry, legal systems, language, and customs differ markedly in Mexico. Equally predictably, Quinta Real's brief on remand focuses on what it perceives as the "fundamental lack of fairness" if it is wholly enjoined from using the QUINTA REAL mark in the United States while La Quinta is permitted to continue its "unbridled march" south of the border in Quinta Real's "backyard."

Regardless of how the district court ultimately rules, the Ninth Circuit's ruling will likely have an impact on many trademark disputes. How far will district courts delve into issues concerning use, coexistence, and infringement in foreign jurisdictions in order to consider the equities of issuing an injunction in the United States? The answer could have broad-ranging implications for discovery and trial presentations. The Ninth Circuit's ruling should also cause companies to rethink coexistence strategies, since coexistence outside of the United States could potentially affect a company's ability to obtain an injunction in the United States.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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