

### [Ninth Circuit finds permanent injunction questionable despite trademark infringement](#) **Confusion** **United States - McDermott Will & Emery UK LLP**

October 10 2014

In *La Quinta Worldwide LLC v QRTM SA De CV, dba Quinta Real* (Case No 12-15985, August 6 2014), while affirming trademark infringement with respect to a Mexican hotel chain's use of its trademark in the United States, the US Court of Appeals for the Ninth Circuit has also vacated a permanent injunction, finding that the district court must conduct a further assessment of the equities in connection with issuing an injunction.

La Quinta operates more than 800 mid-tier hotels across the United States and has used the LA QUINTA trademark in commerce since 1968. Over the past few years, La Quinta has also opened several hotels in Mexico. Quinta Real opened its first hotel in Mexico in 1986, and it now operates eight luxury hotels throughout Mexico. In 1994, and again in 2007, Quinta Real entered into letters of intent to build a hotel in the United States. While neither letter of intent actually resulted in a new Quinta Real hotel in the United States, Quinta Real has maintained its intent to open a hotel in the United States.

In 2009, two years after the date of Quinta Real's second letter of intent, La Quinta filed a lawsuit seeking an injunction against Quinta Real expanding use of its mark into the United States. After a bench trial, the district court found that there was a likelihood of confusion between the parties' LA QUINTA and QUINTA REAL trademarks and granted a permanent injunction barring use of the QUINTA REAL trademark in the United States. On appeal, Quinta Real raised four arguments:

- that there is no federal subject-matter jurisdiction over the case;
- that no likelihood of confusion exists;
- that La Quinta's suit is barred by laches; and
- that the district court erred in granting La Quinta a permanent injunction.

With respect to the issue of subject-matter jurisdiction, the court rejected Quinta Real's argument that its expressions of intent to open a hotel do not qualify as "use in commerce" of the QUINTA REAL trademark as required under the [Lanham Act](#). Citing previous Supreme Court decisions, the court stated that the "use in commerce" element of the Lanham Act is not a jurisdictional requirement and determined that it had subject matter jurisdiction over La Quinta's claims.

On the issue of trademark infringement, Quinta Real argued that the lower court misapplied the *Sleekcraft* "likelihood of confusion" factors. However, the court determined that all but two neutral factors supported a conclusion that there is a likelihood of confusion between the parties' respective trademarks and confirmed that expansion of Quinta Real's Mexican hotel business into the United States would result in a likelihood of consumer confusion with La Quinta.

In finding that the defence of laches did not apply, the court noted that Quinta Real gave no evidence that La Quinta's period of delay in bringing suit during the time between the two letters of intent prejudiced its efforts to open a hotel in the United States, and the court agreed with the district court that the absence of prejudice was the most important factor in its laches analysis.

Finally, the Ninth Circuit reviewed the district court's decision to grant a permanent injunction for abuse of discretion and found that the lower court's analysis did not discuss a particular fact relevant to weighing the equities - namely, the fact that a permanent injunction would bar Quinta Real from opening a hotel in the United States under its QUINTA REAL trademark, while La Quinta would be free to continue to open hotels and conduct business in Mexico under the LA QUINTA trademark. Accordingly, the court vacated the permanent injunction and remanded to the district court for further assessment of the equities with respect to the permanent injunction in the United States.

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