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Peaches Entertainment Corporation v. Entertainment Repertoire Associates, Inc., 1993 WL 534016 (E.D. La.)

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Introduction

Peaches Entertainment Corporation ("PEC"), a chain of retail music stores, brought a trademark infringement suit seeking declaratory relief, injunctive relief and damages against Entertainment Repertoire Associates, Inc. ("ERA"), also a chain of music stores, in order to prohibit ERA from infringing its trademark outside ERA's trade territory. The District Court for the Eastern District of Louisiana held that ERA was an intermediate junior user of the disputed mark under § 33(b)(5) of the Lanham Act. ERA thereby had the exclusive right to use the mark and expand its stores within its trade territory.

Facts

The Plaintiff, Peaches Entertainment Corporation, is a Florida corporation that operates a chain of retail record businesses in Florida under the trade name PEACHES. The Defendant, Entertainment Repertoire Associates, is a Louisiana corporation that operates retail record stores in Louisiana, also under the trade name PEACHES. In 1982, PEC took an assignment of the PEACHES mark from Lishon's Inc. ("Lishon's") for retail record stores. PEC also purchased many of Lishon's assets after Lishon's filed for bankruptcy. Lishon's had opened its first PEACHES record store in 1974 and federally registered the PEACHES trademark on July 6, 1976.[1] By 1980, Lishon's had 42 stores in twenty states, the closest record stores to Louisiana were in Dallas, Fortworth, Tulsa, Oklahoma City, Memphis and Atlanta.

In 1975, the incorporators of ERA had entered into an agreement to open retail record stores with the trade name PEACHES and the servicemark /illustration of a peach on the end of a crate. ERA opened PEACHES stores in Ellysian Fields and Jefferson Parish, Louisiana. The idea for the "PEACHES" name and illustration came from the hit song "Eat a Peach" by the Allman Brothers Band in 1975. The "Eat a Peach" albums were marketed to retailers in a peach crate with an illustration of a peach on the end of a crate. In July of 1975, ERA obtained permission to use the name PEACHES and the illustration for their business.

ERA had no knowledge that anyone else used the PEACHES mark in connection with a retail record store. ERA was made aware when Lishon's Inc. sent

1. Peaches Entertainment Corporation v. Entertainment Repertoire Associates, Inc., 1993 WL 534016 (E.D.L.A. Dec. 13, 1993) *1, *2

ERA a cease and desist letter on December 2, 1975. When ERA received the letter, they had already used the PEACHES name for four months. Lishon's eventually dropped the matter. Thus, ERA assumed Lishon's did not object to ERA's use of the PEACHES mark in Louisiana.

Relying on Lishon's inaction, ERA thereafter opened one location each year. By 1981, ERA was operating six PEACHES stores in Louisiana. ERA advertised their PEACHES stores extensively,[2] and expenses for such advertising exceeded $30,000 in some years.

On March 4, 1992, PEC (Lishon's successor) wrote ERA a cease and desist letter. This letter came seventeen years after the first cease and desist letter sent by Lishon's in December of 1975. PEC brought this infringement action to enjoin ERA from expanding its business outside the New Orleans area.

Legal Analysis

The court noted that ERA was entitled to an "intermediate junior user" defense to the infringement suit. That is, ERA began using the PEACHES mark after the senior user, Lishon's Inc. (PEC's predecessor), but before the senior user registered the mark. ERA was therefore entitled to use the mark within its trade territory.

The first issue the court decided was the extent of ERA's trade territory. It held that ERA was not required to provide "strict" proof of the geographic origin of its customers. This was because the retail record business is mostly a cash and carry business. As a result, it is difficult to identify the geographic origin of customers from cash receipts. The court then defined ERA's trade territory as its advertising radius and the area of its reputation. It concluded by stating that based upon all the evidence adduced at trial, ERA's trade territory consisted of the "Louisiana parishes of Orleans, Jefferson, Plaquemines, St. Bernard, St. Tammany, St. Charles and St. John the Baptist parishes."[3]

The second issue the court addressed was whether ERA could expand its business to other locations within the area defined as its trade territory. The court cited prior case law which supported the idea that an intermediate junior user is entitled to use a disputed trademark freely within its trade territory. In *Thrifty Rent-a-Car System v. Thrift Cars, Inc.*,[4] the court there explained that "two parties who innocently adopt similar trademarks and use them in separate markets carve out territories for themselves. Within its territory, each party can use its mark free from interference by the other."[5] Following this reasoning, the district court held that PEC can not interfere with ERA's use of the PEACHES mark,

2. ERA's extensive advertising consisted of flyers, billboards, numerous radio stations, posters, university's paraphernalia (i.e. bookcovers, keychains, desk pads, etc), newspapers, and also presented musical entertainment events.

3. Peaches Entertainment Corporation, 1993 WL 534016, *7.

4. 639 F. Supp. 750 (D. Mass. 1986), *aff'd*, 831 F.2d. 1177 (1st Cir. 1987).

5. *Id.*

nor the expansion of additional PEACHES stores within its trade territory.

The third issue the Court examined was ERA's laches defense.[6] Lishon's wrote a cease and desist letter in 1975, but later dropped the matter. Seventeen years later, in 1992, PEC sent a cease and desist letter. ERA claimed that it relied upon this seventeen years of inaction to expand it business under the PEACHES name, and that it would be prejudiced if it had to build a reputation under a new name. The court ruled that the seventeen year delay was unreasonable and prejudicial since ERA had relied on Lishon's inaction. It noted that during this time, ERA had invested substantial time, effort and money in opening new stores and promoting its retail record business. PEC was thereby estopped by the laches defense from enforcing the rights to its trademark in ERA's Trade Territory.

Conclusion

The District Court for the Eastern District of Louisiana held that the plaintiff PEC was not entitled to an injunction prohibiting the defendant ERA from the use of the mark PEACHES within ERA's trade territory because of the inter-mediate junior user and laches defenses. As an intermediate junior user, the defendant was entitled to exclusive use of the registered trademark within its trade territory, and was also entitled to expand its stores within the trade territory.

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6. Laches is commonly defined as an inexcusable delay that results in prejudice to the defendant.