

To EatRight, It May be Too Late

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The Ninth Circuit breathed new life, for now, into a trademark infringement suit brought by Eat Right Foods Ltd.'s ("ERF") against Whole Foods Market, Inc. The district court had granted summary judgment for Whole Foods after concluding ERF's claims were barred by the doctrines of laches and acquiescence. But the Ninth Circuit reversed, concluding there

were disputed facts material to both defenses, and remanded for further proceedings.

From 2004 to 2013, ERF sold gluten-free cookies to Whole Foods that featured ERF's "EATRIGHT" and "EAT RIGHT" marks. In late 2009, Whole Foods contracted with a third party to use its food scoring system designed to communicate the nutritional value of foods to consumers. Whole Foods launched the scoring system in early 2010, and was required to display an "Eat Right America" mark used by the third party. ERF learned of Whole Foods' use of the "Eat Right America" mark in connection with the food scoring system sometime between March and November 2010.

Over three years later, in December 2013, ERF sued Whole Foods for infringement. Whole Foods answered that by waiting over three years before filing suit, ERF had slept on its rights, and that, as a result, the claims were barred by the doctrines of laches and acquiescence. The district court agreed and granted Whole Foods' request for summary judgment on both grounds.

The Ninth Circuit reversed and remanded as to both defenses.

First, the Ninth Circuit concluded that because ERF had knowledge of the alleged

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infringement more than three years prior to when it filed suit in December 2013 – beyond the applicable three year statute of limitations – there was a strong, but rebuttable presumption that laches barred ERF’s claims.

ERF argued the delay was reasonable because ERF was trying to settle its claims against Whole Foods without litigation. Whole Foods countered that ERF was not actually attempting to settle, but instead was trying to “cash in on [its] trademark registrations and sell its brand to a larger company.”

The district court agreed with Whole Foods, and concluded the delay was unreasonable. But the Ninth Circuit disagreed, pointing both to evidence that ERF was trying to settle its claims, and potentially conflicting evidence that ERF was merely trying to sell its brand to Whole Foods. At summary judgment, such factual disputes must be resolved in favor of the nonmoving party, ERF here, rendering summary judgment in favor of Whole Foods inappropriate.

The Ninth Circuit also remanded for further analysis of prejudice. Delay alone will not support a finding of laches; instead, a party must also show the delay caused prejudice. Only prejudice suffered *during the delay* – i.e. expenses incurred after plaintiff knew or should have known about the claim – is relevant to an analysis of expectation-based prejudice. Because the district court’s analysis did not distinguish between all expenses incurred, and expenses incurred only *during the delay*, the Ninth Circuit remanded for further analysis of prejudice.

Lastly, the Ninth Circuit asked the district court to revisit the acquiescence defense to determine whether Whole Foods *actually and reasonably relied* on an affirmative act by ERF. The defense requires a showing that (1) plaintiff actively represented it would not assert a claim, (2) an inexcusable delay between the active representation and assertion of the claim, and (3) undue prejudice caused by such delay. The district court concluded ERF’s acts constituted affirmative conduct and delay, the first and second elements, and that Whole Foods was prejudiced. But the district court failed to make factual findings regarding the extent and reasonableness of Whole Foods’ reliance on ERF’s acts. Was ERF’s conduct the actual and reasonable cause of Whole Foods’ prejudice? The Ninth Circuit remanded with a reminder that prejudice does not equal reliance, and that factual findings for each are required.

While the Ninth Circuit saved ERF’s claims for now, it’s not clear for how long. The Ninth Circuit’s order focuses largely on defects with the district court’s findings, so it’s possible that on remand the district court will make additional findings to shore up the problems with its order, but ultimately come to the same conclusion.