IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

THE SOUTHLAND CORPORATION	:	CIVIL ACTION
	:	
v.	:	
	:	
7-HEAVEN, INC., d/b/a 7-HEAVEN FOOD STORE, A PENNSYLVANIA CORPORATION; REJI ABRAHAM, individual; SARA ABRAHAM, individual	:	NO. 96-7909

ADJUDICATION

Fullam, Sr. J. August , 1997

Plaintiff, the Southland Corporation, is the franchisor of several thousand "7-ELEVEN" stores throughout the nation. Plaintiff is the registered owner of various service marks, including "7-ELEVEN," a stylized numeral seven, with the word "ELEVEN" superimposed; the words "Oh Thank Heaven for 7-ELEVEN" and "Oh Thank Heaven." In October 1996, plaintiff brought this action against the defendant 7-Heaven, Inc., doing business as, 7-HEAVEN FOOD STORE, and against the owner of the store and his wife, for trademark infringement and related wrongs. Defendants then filed an answer to the complaint, and included a demand for a jury trial. Plaintiff thereupon sought leave to file an amended complaint (withdrawing its claims for damages), but defendants objected to the proposed amendment on the theory that it might deprive them of their right to a jury trial. At the same time, defendants sought leave to file an amended answer which would include a counterclaim, which would warrant a jury trial in any event.

Shortly before trial, the parties stipulated to a non-jury trial. Although not explicitly stated, it was and is my understanding that all issues which either side wished to present, under either the original or amended versions of their respective pleadings, were to be resolved at that trial.

Plaintiff established its ownership of the various service marks and (virtually by stipulation/judicial notice) the fact that its operations covered many thousands of convenience stores throughout the country, that plaintiff has expended large sums of money in advertising its operations, and has been vigilant in litigating to prevent perceived infringement of its trademarks. Plaintiff then introduced photographs of defendants' store, and I ruled that plaintiff had established a prima facie case of sufficient similarity between the name and logo being used by the defendant corporation and the protected service marks of plaintiff, to establish a likelihood of confusion. I suggested that the defendants should proceed at that point to establish the defenses set forth in their pleadings, and to produce evidence to negate the likelihood of confusion if they had such evidence.

The dispositive facts are not in dispute, and are as follows:

1. The defendant Reji Abraham, a native of India, arrived in the United States in 1985. He is a civil engineer by education, and has become a citizen of the United States. Some time after his arrival in this country, he married the co-defendant who is listed in the pleadings as "Sara Abraham," but whose correct

name apparently is Saramma Reji Abraham. The latter will be referred to herein as "Mrs. Abraham."

2. On February 1, 1991, Reji Abraham entered into a franchise agreement with plaintiff for the operation of a convenience store at 5 Springfield Road, Aldan, Pennsylvania. He operated that store as a franchisee of the plaintiff from March 11, 1991 until May 28, 1992. During that interval, he was assisted part-time by his wife.

3. Pursuant to the franchise agreement, plaintiff had leased the premises from its owners and made them available to Mr. Abraham as franchisee. The lease was due to expire on May 31, 1992. Plaintiff decided not to renew the lease, because the store was not producing sufficient revenues to make renewal economically advantageous. Accordingly, plaintiff notified Mr. Abraham that his franchise would be terminated.

4. Defendant expressed his willingness to continue as a 7-ELEVEN franchisee at some other location, but plaintiff advised him that there were no other franchises available at that time. Defendant then expressed interest in continuing to operate the store in his own right, after termination of the franchise. Plaintiff expressed its willingness to sell to plaintiff the equipment, inventory and other materials on the premises to plaintiff so that he could continue in business at that location.

5. The details of the proposed transaction were set forth in a letter from plaintiff to Mr. Abraham dated April 15, 1992 (Defendants' Exhibit No. 6). In essence, the arrangement was

that Mr. Abraham would purchase all inventory and equipment except items bearing the 7-ELEVEN logo, for the sum of $10,400.

6. Plaintiff's representatives had previously advised Mr. Abraham that it would be advisable for him to form a corporation, and that it would be necessary for him to reach an agreement with the landlord concerning rental of the premises after May 31st.

7. In anticipation of the changeover, Mr. Abraham filed Articles of Incorporation for a business corporation named "7-Heaven, Inc."; the filing was effective March 9, 1992.

8. On May 26, 1992, plaintiff and the landlord formally terminated plaintiff's lease of the premises. The cancellation agreement recites that plaintiff "is selling and transferring all interest and rights in its inventories, fixtures and equipment to landlord's incoming lessee."

9. The closing, between plaintiff and Mr. Abraham, occurred on May 28, 1992, at the store premises. Plaintiff was paid the $10,400 due for the equipment and inventory by the defendant corporation, 7-Heaven, Inc. The check reflecting that payment was drawn on the corporation's account, and bears the printed name "7-Heaven, Inc., 5 Springfield Road, Aldan, PA 19018."

10. In accordance with the franchise agreement and the franchise-termination agreement, plaintiff was required to refund to Mr. Abraham a $10,000 balance of a franchise deposit, not later than a specified date in July 1992. The check in payment of this refund was timely delivered to the store premises by a

representative of plaintiff, some 60 days after the May 28 closing. When this representative visited the store on that occasion, all of the signs bearing defendants' logo were prominently displayed, having been erected within a few days after the May 28 closing.

11. The logo adopted by the defendants consists of a large numeral "7," somewhat similar to, but not identical with, the numeral "7" in plaintiff's logo. Superimposed upon the numeral 7, and largely obscuring it, is a pictorial representation of a cloud and scattered stars. Superimposed upon the cloud is the word "HEAVEN." Beneath the numeral 7, on the free-standing sign at the curbline of defendants' premises, are the words "FOOD STORE." On the sign affixed to the store itself, the numeral 7, with its superimposed cloud, stars, and the word "HEAVEN" are located at the left edge of the sign; to the right are the words "FOOD STORE" and "OPEN 7 DAYS."

12. At the time of the closing, both plaintiff and Mr. Abraham contemplated that Mr. Abraham would be permitted to purchase additional inventory from plaintiff's distribution center, so long as the inventory did not contain plaintiff's logo. In implementation of this arrangement, a new account was opened for Mr. Abraham at the distribution center, under the name "7-Heaven, Inc." Mr. Abraham made several purchases of inventory from the plaintiff, through this account, after the closing. Defendants' purchases after the closing aggregated in excess of $3,000. Mr. Abraham soon decided, however, that it was more convenient to obtain his merchandise elsewhere, because Southland demanded

payment by a certified check at the time of delivery, and its deliveries were made very early in the morning, before the banks were open.

13. For several months before the May 28 closing, in anticipation of the transfer of the business, Mr. Abraham was in regular contact with plaintiff's representatives, including specifically a Mr. Paul Wojcik, plaintiff's field representative assigned to that franchise. Mr. Wojcik was fully aware of the name Mr. Abraham had selected for his new business. All purchases made by Mr. Abraham from the plaintiff's distribution center after the closing were paid for by certified check drawn on the "7-Heaven, Inc." account.

14. During the year in which Mr. Abraham operated the premises as a franchisee of plaintiff, the gross sales of the store were approximately $662,000. For the year 1992, the total sales were approximately $336,000. Over the next several years, defendant's sales gradually increased, and now average approximately the same as in 1991.

15. Mr. Abraham works at the store from early morning until late evening closing, seven days per week.

16. Except for the fact that it is a convenience store selling groceries, food stuffs, cigarettes, delicatessen, lottery tickets, et cetera, defendant's store does not physically resemble the establishments which are franchised by plaintiff. That is, none of plaintiff's merchandise bears 7-ELEVEN logos or anything similar to plaintiff's marks; and the physical layout of the store

is quite different from the usual 7-ELEVEN arrangement. Defendant caters to a local clientele. The store is located at the intersection of two quiet residential streets, and defendants get little or no business from the traveling public.

17. In December 1994, Mr. and Mrs. Abraham purchased the premises from the landlord, for approximately $237,000. Since that time, the defendant corporation has paid rent to Mr. and Mrs. Abraham for its occupancy of the premises.

18. Other than her joint ownership of the underlying real estate, Mrs. Abraham has no current involvement in the store. She is not a shareholder or director or officer of the defendant corporation. For the past couple of years, she has resided primarily in India where the couple's children attend school. She and the children spend school vacations with Mr. Abraham in Pennsylvania.

19. Within the Southland corporate structure, primary responsibility for protecting its trademarks from dilution is reposed in the company's legal department. Company records reflect that plaintiff's legal department first became aware of defendants' alleged infringement in April of 1996. With knowledge of the alleged infringing activity, the legal department waited until October 1996 before filing suit.

20. The first notice that any of the defendants received that the plaintiff or anyone else objected to their use of the name "7-Heaven, Inc." was when they were served with the complaint in this action - some four and one-half years after they began

operating the business under that name and with that logo.

21. At the trial of this action, plaintiff did not call as a witness Mr. Wojcik or any of the other representatives involved in the franchise, the termination of the franchise, and the transfer of the business assets.

22. Although afforded an opportunity to do so, plaintiff did not produce any evidence of actual confusion, or any evidence of damages.

DISCUSSION

For present purposes, it will be assumed that the name "7-HEAVEN" is susceptible of confusion with "7-ELEVEN" and with the catch phrase "Oh Thank Heaven For 7-ELEVEN" or "Oh Thank Heaven." The evidence at trial establishes, however, that whatever confusion might have been created initially has long since dissipated: The establishment is well known by its customers as being unconnected to plaintiff; it is merely a neighborhood convenience store owned and operated by Mr. Abraham's corporation.

I need not express a firm conclusion on that subject, however, since it is quite clear that the plaintiff has long since forfeited its right to complain about the defendants' activities at the Springfield Road location. The totality of the circumstances surrounding the sale of the equipment and inventory establish plaintiff's implied consent to defendants' use of the name 7-HEAVEN. Defendants' logo was plainly visible on the signs at the store shortly after May 28, 1992, and continuously since that time. Plaintiff is thus chargeable with actual knowledge of all of the

relevant facts since at least July 15, 1992, but plaintiff registered no complaint for the next four and one-half years. In the meantime, defendants devoted long hours to building up the business, and incurred significant financial obligations in purchasing the real estate. Plaintiff is, in my view, plainly estopped from challenging defendants' use of the name and logo at this late date.

Plaintiff argues that, since only its legal department was vested with enforcement powers, its delay in objecting should be measured only from the time the legal department first learned of defendants' activities. I reject that contention as legally frivolous, but note that, even accepting the argument, plaintiff's delay from April 1996 until October 1996 was unreasonable, and would, standing alone, justify a finding of laches.

Plaintiff's complaint will therefore be dismissed, with prejudice. This does not mean, of course, that the defendants' right to use the name "7-HEAVEN" or the logo they have adopted extends beyond the geographical area in which the present store is located, or to significantly expanded activities at that location. Defendants may, however, carry on as they have been doing, without interference from the plaintiff.

In view of the conclusions expressed above, defendants' counterclaim will be dismissed as moot.

An Order follows.

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ORDER

AND NOW, this day of August, 1997, IT IS ORDERED:

1. Plaintiff's complaint is DISMISSED WITH PREJUDICE.

2. Defendants' counterclaim is DISMISSED AS MOOT.

3. The Clerk is directed to close the file.

John P. Fullam, Sr. J.