

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA

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JUL 20 2007
JAMES N. HATTELL, Clerk
Deputy Clerk

PEPSICO, INC., a corporation,)
)
Plaintiff,)
)
vs.)
)
#1 WHOLESALE, LLC., a limited)
liability company; LIME LITE)
FASHIONS, INC., a corporation;)
SAHNI ENTERPRISES, INC., a)
corporation; and DOES 1-10,)
)
Defendants.)
)

CASE NO. 07-CV-367
JUDGE BATTEN
FINAL JUDGMENT

I. INTRODUCTION

Plaintiff, PepsiCo, Inc. ("PepsiCo"), brought this action against Defendants #1 Wholesale, LLC, Lime Lite Fashions, Inc. and Sahni Enterprises, Inc. (collectively, "Sahni"), and Does 1-10 to prevent their marketing and sale of bottle and can safes bearing PepsiCo's famous PEPSI, DIET PEPSI, MOUNTAIN DEW, SIERRA MIST and AQUAFINA trademarks. Sahni also marketed and sold food canister safes bearing the CHEETOS, DORITOS and FRITOS trademarks owned by Frito-Lay North America, Inc. (hereinafter, "Frito-Lay").

Based on the evidence adduced, and the parties' stipulation, the Court enters the findings of fact, conclusions of law and relief set forth below.

II. FINDINGS OF FACT

A. PepsiCo's and Frito-Lay's Famous Marks and Products

PepsiCo and Frito-Lay have engaged in the manufacture and marketing of beverages and snack foods for many years throughout the United States and the world. PepsiCo has adopted and made continuous use of the trademarks PEPSI, DIET PEPSI, MOUNTAIN DEW and SIERRA MIST, on their own, or with designs or other variations, in connection with the manufacture, sale and advertising of soft drinks. PepsiCo also has adopted and made continuous use of the trademark AQUAFINA, on its own, or with designs or other variations, in connection with the manufacture, sale and advertising of purified drinking water. Frito-Lay has adopted and made continuous use of the CHEETOS, DORITOS and FRITOS marks, on their own, or with designs or other variations, in connection with the manufacture, sale and advertising of snack foods. The PEPSI, DIET PEPSI, MOUNTAIN DEW, SIERRA MIST, AQUAFINA, CHEETOS, DORITOS and FRITOS marks are hereinafter collectively referred to as the "PepsiCo Marks." PepsiCo is Frito-Lay's parent company and, therefore, PepsiCo and Frito-Lay are collectively referred to as "PepsiCo" where appropriate.

PepsiCo has sold many billions of dollars worth of beverages, snack foods and merchandise under the PepsiCo Marks throughout the United States. PepsiCo

also has expended many hundreds of millions of dollars to advertise and promote these products and the PepsiCo Marks. As a result of PepsiCo's extensive sales, promotion and advertising, the PepsiCo Marks have become famous, represent extraordinarily valuable goodwill owned by PepsiCo and are among the most well-known and famous trademarks in the world.

PepsiCo licenses the PepsiCo Marks for a wide variety of products. It follows a strict and rigorous quality control program to determine how and when to license the use of the PepsiCo Marks for novelty and promotional merchandise. This program permits only the manufacture and sale of merchandise that meets the highest standards of quality, safety and good taste. Licensed merchandise also must be consistent with PepsiCo's marketing programs, objectives and brand image. PepsiCo does not license the PepsiCo Marks for use on bottle safes or can safes.

PepsiCo and Frito-Lay own numerous federal trademark registrations issued by the United States Patent and Trademark Office for the PepsiCo Marks, including, among others: registration numbers 349,886, 824,150, 824,151, 824,153, 1,317,551, 2,100,417, 2,104,304, 2,817,604, 2,838,775 and 2,845,054 for the PEPSI mark; registration numbers 824,149 and 824,152 for the DIET PEPSI mark; registration numbers 820,362, 2,509,558 and 3,134,243 for the MOUNTAIN

DEW mark; registration numbers 2,495,127, 2,580,465, 3,143,628 and 3,183,839 for the SIERRA MIST mark; registration numbers 1,917,411, 2,506,189, 2,509,365 and 2,509,701 for the AQUAFINA mark; registration numbers 2,680,627, 2,683,228, 2,677,619, 2,840,688, 2,925,813 and 2,926,421 for the CHEETOS mark; registration numbers 792,667, 1,777,351, 2,511,850, 2,719,517, 2,753,403, 2,539,248 for the DORITOS mark; and registration numbers 502,325, 689,601, 2,607,824 and 2,582,071 for the FRITOS mark. All of these registrations are valid and subsisting and registration numbers 349,886, 502,325, 689,601, 752,220, 792,667, 820,362, 824,149, 824,150, 824,151, 824,152, 1,777,351, 1,917,411, 2,100,417, 2,100,417, 2,104,304 and 2,495,127 are incontestable in accordance with 15 U.S.C. §§ 1065 and 1115(b).

B. Sahni's Infringing Safes

Sahni and its affiliated entities market and wholesale bottle safes, can safes and food canister safes bearing the PepsiCo Marks ("Infringing Safes"). Sahni sold the products which were manufactured from actual PepsiCo bottles, cans and food canisters. Sahni distributes and sells the Infringing Safes to wholesale distributors and retailers throughout the United States from its Norcross, Georgia, warehouse and via numerous web sites, including, www.1wholesale.us, www.smoke911.com, www.sahniwholesale.com, www.bluntshop.com and www.woodenpipe.com.

The Infringing Safes marketed by Sahni are manufactured by converting genuine PepsiCo bottles, cans and canisters into separate and different products – concealment devices that contain hidden compartments – that are outwardly identical to PepsiCo's products. Upon visual inspection, and even when handled, the Infringing Safes are indistinguishable from PepsiCo's legitimate products.

The modification process for the bottle safes includes using unidentified liquids to simulate the look of legitimate PepsiCo soft drinks and water. These liquids are not genuine PepsiCo soft drinks or water. The caps on some bottle safes are removable and the liquids inside the products may be imbibed by consumers. Consumers who imbibe these liquids are likely to believe that PepsiCo concocted them and blame PepsiCo for allowing them to enter the marketplace.

The modification process for the can safes creates sharp edges where the can safe lid screws into the can body. These sharp edges can cut people who use the products. As part of PepsiCo's quality control procedures, all cans undergo a thorough rinsing process to guard against contamination and ensure product safety. Sahni's can safes do not go through this quality control process.

Sahni does not remove the snack foods from the canisters that are used to create the canister safes. As a result of the modification process, consumers may

eat the stale snack food remaining in the canister safes and mistakenly blame PepsiCo for their foul taste.

III. CONCLUSIONS OF LAW

A. Sahni Infringed the PepsiCo Marks

To establish its trademark infringement and unfair competition claims, PepsiCo need only demonstrate that: (1) it has enforceable rights in the PepsiCo Marks; and (2) Sahni used marks that are the same or confusingly similar.

SunAmerica Corp. v. Sun Life Assurance Co. of Can., 77 F.3d 1325, 1334 (11th Cir. 1996).¹ PepsiCo has established these elements.

In cases with facts very similar to the facts here, PepsiCo obtained permanent injunctions against the sale of bottle safes and can safes. *See PepsiCo, Inc. v. California Security Cans*, 238 F. Supp. 2d 1172 (C.D. Cal. 2002) ("CSC II"); *PepsiCo, Inc. v. California Security Cans*, Case No. CV-02-5321, 2002 U.S.

¹ To establish its unfair competition claims under federal and state law, PepsiCo must demonstrate that: (1) Sahni used the PepsiCo Marks without PepsiCo's consent; and (2) Sahni's unauthorized use of the marks was likely to deceive or cause confusion among consumers. *McDonald's Corp. v. Robertson*, 147 F.3d 1301, 1307 (11th Cir. 1998); *Cumulus Media, Inc. v. Clear Channel Communs., Inc.*, 304 F.3d 1167, 1172 n.2 (11th Cir. 2002) (to prove a claim under Section 43(a) of the Lanham Act, a plaintiff must show rights in a mark and a likelihood of confusion over the defendant's use of the allegedly infringing mark); *Ferrellgas Ptnrs., L.P. v. Barrow*, 143 Fed. Appx. 180, 185 n. 4 (11th Cir. 2005) (claims under Georgia law are governed by the same standards as claims under the Lanham Act) (citations omitted).

Dist. Lexis 22404 (C.D. Cal. October 31, 2002) ("CSC I"); *PepsiCo, Inc. v. Plank*, Case No. CV 02-02476, 2002 U.S. Dist. Lexis 14378 (C.D. Cal. July 18, 2002); *PepsiCo, Inc. v. Eclipse Holdings Limited*, Case No. CV-06-815 (C.D. Cal. Dec. 4, 2006).

1. The PepsiCo Marks are Entitled to the Widest Scope of Protection

PepsiCo's incontestable federal trademark registrations for the PepsiCo Marks conclusively establish its exclusive rights to use these marks. 15 U.S.C. §§ 1065 and 1115(b); *Park 'N Fly v. Dollar Park and Fly Inc.*, 469 U.S. 189, 194 (1985); *Dieter v. B & H Indus. of Sw. Fla., Inc.*, 880 F.2d 322, 328, 329 (11th Cir. 1989). The other registrations constitute *prima facie* evidence of PepsiCo's exclusive rights to use the marks they cover. *See* 15 U.S.C. § 1057(b). PepsiCo's long use, extensive advertising and promotion of the PepsiCo has made these marks among the most famous marks in the United States, including Georgia. *See PepsiCo, Inc. v. California Security Cans*, Case No. CV-02-5321, 2002 U.S. Dist. Lexis 22404, *4 (C.D. Cal. October 31, 2002); *PepsiCo, Inc. v. California Security Cans*, 238 F. Supp. 2d 1172, 1173 (C.D. Cal. 2002). Such marks are entitled a wide scope of protection. *Exxon Corp. v. Texas Motor Exchange, Inc.*, 628 F.2d 500, 504 (11th Cir. 1980); *Jellibears, Inc. v. Skating Clubs of Georgia, Inc.*, 716 F.2d 833, 841 (11th Cir. 1983).

2. Likelihood Of Confusion

PepsiCo has established that consumers are likely to be confused about the source or sponsorship of Sahni's Infringing Safes. In this Circuit, likelihood of confusion depends upon the determination of the following factors: (1) the strength

of the plaintiff's mark; (2) the similarities between the plaintiff's mark and the allegedly infringing mark; (3) the similarity between the products and services offered by the plaintiff and the defendant; (4) the similarity of the sales methods, *i.e.*, retail outlets or customers; (5) the similarity of advertising methods; (6) the defendant's intent, *e.g.*, does the defendant hope to gain a competitive advantage by associating his product with the plaintiff's established mark; and (7) actual confusion. *Barrow*, 143 Fed. Appx. at 189; *Cumulus Media*, 304 F.3d at 1172 n.2.

Based on a review of these factors, consumers will mistakenly believe either that PepsiCo is the source of Sahni's Infringing Safes or that PepsiCo authorized them. *See University of Georgia Athletic Asso. v. Laite*, 756 F.2d 1535, 1546 (11th Cir. 1985) (likelihood of confusion over sale of beer featuring the University of Georgia's Bulldog mark); *Gucci America, Inc. v. Action Activewear, Inc.*, 759 F.Supp. 1060, 1064 (S.D.N.Y. 1991) ("Even though defendants' goods were of an inferior quality, a likelihood of confusion exists because customers could have mistakenly assumed that plaintiffs had begun producing such items, or licensing their marks to the producers of those items."). Even remotely connected products may create confusion as to sponsorship by the trademark owner. *E. Remy Martin & Co., S.A. v. Shaw-Ross International Imports, Inc.*, 756 F.2d 1525, 1530 (11th Cir. 1985).

Likelihood of confusion exists not only among those consumers who purchase Sahni's Infringing Safes directly from Sahni, but also among anyone who encounters the products post-sale. *See Foxworthy v. Custom Tees* In *Foxworthy v. Custom Tees*, 879 F. Supp. 1200, 1216 (N.D. Ga. 1995) (J. Freeman) ("...the likelihood of confusion analysis does not depend upon confusion of the purchaser at the time of purchase. Rather, the question is whether the public, not the purchaser alone, would be confused by the use of the mark") *citing United States v. Torkington*, 812 F.2d 1347, 1352-53 (11th Cir. 1987). Anyone who encounters the Infringing Safes post-sale is likely to believe they are legitimate PepsiCo products, or that the Infringing Safes are licensed or otherwise authorized by PepsiCo.

The above finding of a likelihood of confusion, coupled with PepsiCo's strong, protectable rights in the famous PepsiCo Marks, supports a finding that Sahni has committed trademark infringement and unfair competition.

B. Trademark Tarnishment and Dilution

Sahni's advertisement and sale of the Infringing Safes tarnish the business reputation of PepsiCo and tarnish the goodwill in, and dilute the distinctiveness of, the famous PepsiCo Marks under the Lanham Act and Georgia state law. To prove a violation of the Trademark Dilution Revision Act of 2006, PepsiCo must show that: 1) the PepsiCo Marks are famous; 2) Sahni commenced using the PepsiCo

Marks in commerce after they became famous; 3) Sahni's use of the PepsiCo Marks is likely to cause dilution by blurring or dilution by tarnishment of the PepsiCo Marks. 15 U.S.C. § 1125(c). The test for dilution under Georgia law is similar. GA. CODE ANN. § 10-1-451(b) (injunctions to be granted against use by another of the same or similar trademark where there exists a likelihood of injury to business reputation or of dilution of the distinctive quality of the trademark of the prior user); *see also Augusta Nat., Inc. v. Northwestern Mut. Life Ins. Co.*, 193 U.S.P.Q. 210 (S.D. Ga. 1976) (granting injunction under Georgia Anti-Dilution statute).

The PepsiCo Marks are unquestionably famous as a result of their long use and PepsiCo's extensive sale of products under the marks. *See CSC II*, 238 F. Supp. 2d at 1176; *CSC I*, 2002 U.S. Dist. Lexis 22404 at *20-21; *Plank*, 2002 U.S. Dist. Lexis 14378 at *12. Sahni's marketing and sale of Infringing Safes is likely to dilute and tarnish the PepsiCo Marks because Sahni uses the marks on goods commonly associated with the concealment of illicit narcotics. *See Coca-Cola v. Gemini Rising, Inc.*, 346 F.Supp. 1183 (E.D.N.Y. 1972) (enjoining defendants from using ENJOY COCAINE in famous Coca-Cola script on its posters).

C. Remedies

Trademark infringement, unfair competition and dilution by their very nature result in irreparable injury since the attendant loss of goodwill, reputation and business cannot adequately be quantified and victims cannot be compensated adequately. *Barrow*, 143 Fed. Appx. at 190 ("It is the loss of control of one's reputation by the adoption of a confusingly similar mark that supplies the substantial threat of irreparable harm."); *McDonald's*, 147 F.3d at 1310 ("We can conceive of no realistic way to determine the damages" where trademark infringement through sales of unsanctioned products presented damage to plaintiff's reputation and loss of customers); *Foxworthy*, 879 F. Supp. at 1219 (irreparable harm ordinarily presumed upon a *prima facie* showing of trademark infringement); *accord Variable Annuity Life Ins. Co. v. Joiner*, 454 F. Supp. 2d 1297, 1304 (S.D. Ga. 2006) (lost customer goodwill and business is irreparable because it is "neither easily calculable, nor easily compensable").

Sahni's unauthorized use of the PepsiCo Marks in connection with the sale of Infringing Safes entitles PepsiCo to an award of treble damages. 15 U.S.C. §1117(a). PepsiCo also is entitled to an award of its attorneys' fees because Sahni's actions constitute an exceptional case under the Lanham Act. 15 U.S.C. § 1117(a); *see Burger King Corp. v. Pilgrim's Pride Corp.*, 15 F.3d 166, 168 (11th Cir. 1994).

IV. ORDER

It is ORDERED, ADJUDGED and DECREED that:

1. This Court has personal jurisdiction over the parties, including #1 Wholesale, LLC, Lime Lite Fashions, Inc. and Sahni Enterprises, Inc., as well as subject matter jurisdiction over this action;
2. #1 Wholesale, LLC, Lime Lite Fashions, Inc. and Sahni Enterprises, Inc., their officers, agents, servants, employees, and attorneys, their successors and assigns and all others in active concert or participation with them, are permanently enjoined and restrained from:
 - a) manufacturing, advertising, promoting or selling products composed of:
 - (1) bottle safes, can safes, canister safes, stash bottles, stash cans or any other concealment or diversionary devices bearing the PEPSI, DIET PEPSI, MOUNTAIN DEW, SIERRA MIST, AQUAFINA, CHEETOS, DORITOS and FRITOS marks, and

- (2) bottle safes, can safes, stash bottles, stash cans, canister safes or any other concealment or diversionary devices bearing any other marks owned by PepsiCo, Frito-Lay or their affiliated companies;
- b) using the PEPSI, DIET PEPSI, MOUNTAIN DEW, SIERRA MIST, AQUAFINA, CHEETOS, DORITOS and FRITOS marks, any colorable imitations thereof, or any other marks that are likely to cause confusion with PepsiCo's or Frito-Lay's business or their PEPSI, DIET PEPSI, MOUNTAIN DEW, SIERRA MIST, AQUAFINA, CHEETOS, DORITOS and FRITOS marks in connection with the manufacture, sale, distribution, advertising or promotion of any unauthorized products or services;
- c) committing acts resulting in unfair competition with PepsiCo or Frito-Lay;

- d) diluting the distinctiveness of the famous PEPSI, DIET PEPSI, MOUNTAIN DEW, SIERRA MIST, AQUAFINA, CHEETOS, DORITOS and FRITOS marks; and
 - e) tarnishing PepsiCo's or Frito-Lay's business reputations or their PEPSI, DIET PEPSI, MOUNTAIN DEW, SIERRA MIST, AQUAFINA, CHEETOS, DORITOS and FRITOS marks or products;
3. #1 Wholesale, LLC, Lime Lite Fashions, Inc. and Sahni Enterprises, Inc., shall:
- a) continue to conduct a recall of their Infringing Safes by sending letters by U.S. mail to each of their customers to whom they have sold Infringing Safes;
 - b) instruct their customers not to sell these Infringing Safes;
 - c) indicate that #1 Wholesale, LLC, Lime Lite Fashions, Inc. and Sahni Enterprises, Inc. shall refund the cost of these Infringing Safes;

- d) require customers to return these Infringing Safes to #1 Wholesale, LLC's, Lime Lite Fashions, Inc.'s and Sahni Enterprises, Inc.'s locations at #1 Wholesale, LLC's, Lime Lite Fashions, Inc.'s and Sahni Enterprises, Inc.'s expense; and
- e) continue to receive recalled products under these terms;
- f) jointly and severally be liable for and pay PepsiCo \$15,000, which is a portion of the actual damages, attorneys' fees, costs and prejudgment interest PepsiCo is entitled to under the Lanham Act, 15 U.S.C. § 1117(a), and the laws of Georgia;

- 4. #1 Wholesale, LLC, Lime Lite Fashions, Inc. and Sahni Enterprises, Inc. shall turn over to PepsiCo all the Infringing Safes collected from the recall. These Infringing Safes shall be destroyed pursuant to 15 U.S.C. § 1118, with the exception that PepsiCo may keep samples of the Infringing Safes for archival purposes;

5. Gary Sahni shall act as an agent for service of any subpoena for trial or deposition testimony, regarding #1 Wholesale, LLC's, Lime Lite Fashions, Inc.'s and Sahni Enterprises, Inc.'s knowledge of other manufacturers, distributors or sellers of Infringing Safes in any other action, and said subpoena shall be accepted for service at 6433 Warren Drive, Norcross, Georgia 30093. Each of #1 Wholesale, LLC, Lime Lite Fashions, Inc. and Sahni Enterprises, Inc. shall immediately in writing inform PepsiCo, care of Jonathan S. Jennings at Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP, Suite 5000, 311 South Wacker Drive, Chicago, Illinois 60606, if their respective address for this service changes and the new address for such service;
6. This action is dismissed without prejudice against all remaining Doe Defendants; and

7. This Court shall retain jurisdiction for 180 days over this action for purposes of construing and ensuring compliance with this Final Judgment.

SO ORDERED AND ADJUDGED:

Dated: July 20, 2007

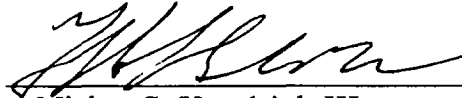
A handwritten signature in black ink, appearing to read "Timothy C. Batten, Sr.", written over a horizontal line.

Honorable Timothy C. Batten, Sr.
United States District Judge

AGREED TO:

DATED: July 17, 2007

By:

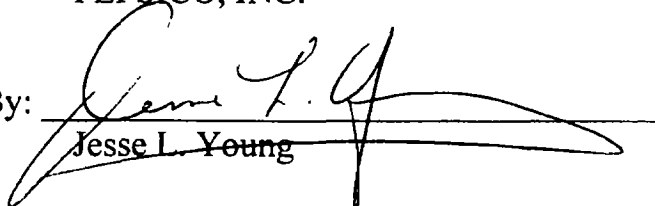


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DATED: July 13th, 2007

By:



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