

analysis of the factors relevant to such a determination shows that such a likelihood does not exist.

Finally, Plaintiff is not likely to succeed on the merits because its state trademark registration is subject to cancellation. Because another entity began using a similar “Windsor” mark in connection with a retail jewelry store before Plaintiff first used its registered mark, Plaintiff is not entitled to its state registration.

The facts and evidence do not justify the extraordinary relief Plaintiff seeks. For the reasons discussed below, Plaintiff’s motion should be denied.

ARGUMENT

I. Injunctive relief should not be granted as Plaintiff is not likely to succeed on the merits.

A preliminary injunction is an “extraordinary measure,” and may be granted only if Plaintiff satisfies the two elements required for such relief: (1) Plaintiff must show a likelihood of success on the merits of its case and (2) Plaintiff must show it is likely to sustain irreparable loss unless the injunction is issued. *VisionAIR, Inc. v. James*, 167 N.C. App. 504, 508 (2004) (citing *Ridge Cmty. Investors, Inc. v. Berry*, 293 N.C. 688, 701 (1977); *A.E.P. Indus., Inc. v. McClure*, 308 N.C. 393, 401 (1983)).

II. Plaintiff is not likely to succeed on the merits, as it has not established sufficient “use” of its mark in Charlotte to claim exclusive rights in Charlotte.

A. Plaintiff cannot seek injunctive relief from Defendants’ use of its WINDSOR FINE JEWELERS name in Charlotte unless Plaintiff demonstrates that it has exclusive rights in Charlotte.

As an initial matter, Plaintiff has failed to provide any authority for the proposition that the North Carolina Trademark Act presumptively gives Plaintiff the right to exclude Defendants’ use of its WINDSOR FINE JEWELERS name in a geographic market in which Plaintiff is not

present. However, assuming for purposes of this brief that Plaintiff's state registration provides statewide rights in a manner similar to the nationwide rights provided pursuant to the federal Lanham Act, Plaintiff still would not be entitled to injunctive relief against junior use in an area where Plaintiff does not use its mark. Even under the broad grant of rights provided by the Lanham Act, federal registration provides the trademark owner with a presumption of nationwide priority as a senior user, but the trademark owner has no right to injunctive relief against a junior user unless the trademark owner has used its mark in the same geographic area as the junior user. As explained in *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Virginia, Inc.*, 43 F.3d 922 (4th Cir. 1995),

Under the Lanham Act, the senior owner of a federal registration has superior priority over all junior users, but a court will enjoin the junior user only if the registrant is likely to enter, or has entered, the junior user's trade territory. As a leading commentator has explained, "the registrant has a nationwide *right*, but the injunctive *remedy* does not ripen until the registrant shows a likelihood of entry into the disputed territory...."

Id. at 931-32 (quoting McCarthy on Trademarks § 26.14[1], at 26-52 (3d ed. 1992)). See *Emergency One, Inc. v. American Fire Eagle Engine Co., Inc.*, 332 F.3d 264, 269 (4th Cir. 2003) (noting that "even the owner of a federally registered mark – who enjoys the presumption of nationwide priority – is not 'entitled to injunctive relief except in the area actually penetrated' through use of the mark") (quoting *Lone Star*, 43 F.3d at 932). Thus, even if its state registration gave Plaintiff a presumption of statewide priority similar to the nationwide priority under the Lanham Act, Plaintiff would not be entitled to injunctive relief against an alleged infringer unless Plaintiff has penetrated the same geographic area as the alleged infringer.

Similarly, the Supreme Court has held that under common law trademark rights, which Plaintiff has also asserted in this case, a prior user could only protect its trademark against junior

use in areas where the prior user established a market for its goods. As stated in *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916),

Since it is the trade, and not the mark, that is to be protected, a trademark acknowledges no territorial boundaries of municipalities or states or nations, but **extends to every market where the trader's goods have become known and identified by his use of the mark**. But the mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article.

Id. at 417 (emphasis added). Thus, unless Plaintiff can establish sufficient use in Charlotte such that others might be confused by Defendants' mark, it cannot be granted injunctive relief against Defendants.

B. The relevant geographic market is the Charlotte area, which Defendants broadly define as Mecklenburg County.

In order to determine the relevant market into which Plaintiff must show market penetration, this Court should consider such penetration "on the basis of natural trading areas." *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1399 n.34 (3d Cir. 1985). As explained in *Natural Footwear*, "for most products, including traditional wearing apparel and footwear, the relevant geographic market will comprise only a relatively small portion of a state (e.g., the Pittsburgh area) or of several states (e.g., the Delaware Valley area)." *Id.*

Based on the nature of the retail jewelry business, with residents of a city like Charlotte having access to upwards of 100 retail jewelry stores in their county,¹ the natural trading area for a retail jewelry store located in the city of Charlotte may be broadly defined as Mecklenburg County. Defendants note that the Charlotte Metropolitan Statistical Area ("Charlotte MSA") is defined by the U.S. Census Bureau as Mecklenburg County and five surrounding counties that

¹ In 2006, Mecklenburg County had 100 specialty jewelry stores. Report of John E. Connaughton, Ph.D, "Economic Analysis of the Specialty Jewelry Market in Mecklenburg County, North Carolina," Dec. 15, 2008 (hereinafter "Connaughton Report"), p. 4 (Exhibit A).

are socially and economically connected to it: Anson, Cabarrus, Gaston, Union and York (South Carolina). Connaughton Report, p. 7. Although the government defines the Charlotte area as the Charlotte MSA, it is beneficial to Plaintiff to instead define the Charlotte area as Mecklenburg County. This is because, for the year 2006, Mecklenburg County accounted for 75% of specialty jewelry store sales in the Charlotte MSA. Additionally, Plaintiff's sales figures are significantly lower in the surrounding five counties. Thus, giving the benefit of the doubt to Plaintiff's sales figures and potential penetration of the Charlotte area, Defendants have defined the relevant geographic area as Mecklenburg County and will therefore analyze Plaintiff's sales and presence in Mecklenburg County. *Id.* at p. 7.

To the extent Plaintiff attempts to claim that Charlotte should be defined as "a fifty mile radius from the center of Cornelius," as it did in its Opposition to Defendants' Motion to Dismiss and in the supporting Affidavit of Sarah Simon (Exhibit B), this definition is entirely arbitrary. It is not based on any analysis of a natural trading area, or otherwise supported by law or fact. In explaining how it chose to define the Charlotte market, Plaintiff's President, stated "I believe that was my wife looking in a market radius of what she felt like was a reasonable area around Charlotte, that we would consider somebody being in that – to us Charlotte, Lake Norman, Statesville is all one market to us." Deposition of Robert Simon, December 12, 2008 (Exhibit C) ("Simon Depo."), 46:19–23. Notably, Plaintiff did not define the market area as a radius around Charlotte, but rather as a radius around Cornelius, a seemingly arbitrary point. Thus, Plaintiff's definition should be considered irrelevant to a determination of whether Defendants' use of a mark *in the city of Charlotte* is likely to cause confusion as to an affiliation with Plaintiff. In fact, pursuant to Plaintiff's definition, sales to consumers who reside as far away as Wilkesboro and even the southern suburbs of Winston-Salem could be used in a determination of whether

Defendants' used its mark in Charlotte.

Further, Plaintiff's current definition of the Charlotte market area appears to be inconsistent with a definition it has previously provided to the Court. When asked to explain the apparent inconsistency in sales figures between those listed in Exhibit B to Plaintiff's Memorandum in Support of its Rule 65(b) Motion and those listed in the Affidavit of Sarah Simon, Plaintiff's President acknowledged that he simply did not know if the same definition of the Charlotte area was used to prepared these inconsistent sales figures and went on to speculate that the sales figures may have been calculated by zip code in one document and by radius in another. Simon Depo., 55:11-14.² This unexplained inconsistency further undermines the credibility of Plaintiff's definition of the Charlotte area.

Moreover, Plaintiff cannot possibly claim that its sales in this 50-mile radius from the center of Cornelius give it exclusive rights within that area, as another jewelry store has been operating under a "Windsor" name in Salisbury, NC, since before Plaintiff's first use of its WINDSOR JEWELERS designation. This entity, Windsor Gallery Jewelers, Inc. ("Windsor Salisbury") has been continuously operating its jewelry store since approximately 1984. *See* Barefoot Private Investigations, Investigative Report 1, p. 2 (Exhibit E) (hereinafter "Barefoot Report"). The fact that Salisbury is within Plaintiff's arbitrary definition of "Charlotte," with a driving distance of approximately 38 miles separating the two cities, further underscores why Plaintiff cannot claim exclusive rights within this geographic area.

Thus, not only are Plaintiff's inconsistent definitions of the "Charlotte area" entirely

² Although Plaintiff's President, Mr. Simon, was designated as Plaintiff's Rule 30(b)(6) witness on numerous topics including "support for Plaintiff's sales numbers shown in Exhibit B to Plaintiff's Memorandum in Support of its Motion for Temporary Restraining Order" and "[t]he facts set forth in the documents attached to Plaintiff's complaint or otherwise produced at or before the deposition in response to Schedule B," Rule 30(b)(6) Notice of Deposition of Plaintiff (Exhibit D), Simon Depo. at 8:24 – 9:1, Mr. Simon offered nothing more than speculation as to "what [his] wife was thinking" in preparing the sales figures Plaintiff has submitted to the Court. Simon Depo., 55:19-20.

arbitrary and in many ways irrelevant to a determination of whether consumers will be confused by the operation of a jewelry store under the name WINDSOR FINE JEWELERS in the city of Charlotte, but the existence of Windsor Salisbury – since before Plaintiff first began using its mark – negates Plaintiff’s claim that it has exclusive rights in the region it defines as the “Charlotte area.”

C. Charlotte is not within Plaintiff’s “zone of natural expansion,” nor does Plaintiff have “market penetration” in Charlotte.

As discussed above, regardless of whether a trademark owner’s rights are as broad as those provided under the Lanham Act or are more limited under the common law, the trademark owner must show that it uses its mark in the relevant geographic market before an alleged infringer can be enjoined from using a similar mark in that area. The Fourth Circuit has noted that “use” in this context refers to use of the trademark in a market that the trademark owner has entered or is likely to enter. *Lone Star*, 43 F.3d at 921-32. These two related theories are referred to as the “zone of natural expansion” theory and the “market penetration” theory. *See, e.g., Spartan Food Systems, Inc. v. HFS Corp.*, 813 F.2d 1279, 1283 (4th Cir. 1987).

It is Plaintiff’s burden to demonstrate that it has a market presence in Charlotte. “[T]he senior user bears the burden of proving the reputation of its trademark extends into a particular area. This may be because the senior user normally has exclusive control of the facts necessary to prove its market penetration.” *ACCU Personnel, Inc. v. AccuStaff, Inc.*, 846 F. Supp. 1191, 1206 n.15 (D. Del. 1994).

1. Charlotte is not within Plaintiff’s “zone of natural expansion”

Courts using the “zone of natural expansion” consider the following to determine a trademark owner’s area of use: “(1) previous business activity, (2) previous expansion or lack thereof, (3) dominance of contiguous areas, (4) presently-planned expansion and (5) possible

market penetration by means of products brought in from other areas.” *Spartan*, 813 F.2d at 1283 (internal quotation omitted).

First, Plaintiff’s business activity, both presently and for the past 20+ years of its existence, has been limited to one retail store in Winston-Salem. Compl., ¶ 3. As to both the second and fourth factors, Plaintiff has not expanded into the Charlotte area, nor has it indicated anything more than a subjective intent to do so aside from merely considering a location in Cornelius, North Carolina more than nine years ago. *Simon Depo.*, 22:4-10. That Plaintiff may have considered expansion at certain times in the past does not show an intent to expand sufficient to support any of the relevant factors, particularly given Plaintiff’s long history with only one location in Winston-Salem. Plaintiff admittedly has considered a Charlotte location since 1983 or 1984, but in the last 25 years, has not taken any affirmative steps to open a location. *Simon Depo.*, 31:21-24. Indeed, Plaintiff’s website supports its local, one-store presence, when it states that “[f]or over twenty years, Windsor Jewelers has provided the Triad³ with a large selection of [various jewelry].” <http://windsor-jewelers.com/windsor-jewelers/about/> (last visited Dec. 16, 2008) (Exhibit F). Additionally, Plaintiff describes itself in the Google online search engine as “[t]he Triad’s premier jeweler” (Exhibit G). Plaintiff cannot be granted the exclusive, monopoly right to use the word “Windsor” in connection with jewelry stores in Charlotte based on nothing more than a speculative possibility of someday opening a store in Charlotte.

Plaintiff has also failed to present evidence that it *dominates* contiguous areas. In fact, the evidence proves the contrary. Defendants’ initial research has revealed at least two jewelry

³ The “Triad” area of North Carolina encompasses Winston-Salem, Greensboro, and High Point. See North Carolina’s Piedmont Triad Partnership, “About Us,” http://www.piedmonttriadnc.com/about_us.asp (last visited Nov. 13, 2008); Wikipedia.com, “Piedmont Triad,” http://en.wikipedia.org/wiki/Piedmont_Triad (last visited Nov. 13, 2008). It is indisputable that the Triad does not include Charlotte.

stores in areas between or around Winston-Salem and Charlotte with the name “Windsor.” One store, Windsor Salisbury, primarily sells custom fine jewelry including rings, watches, necklaces, stones and other items. Barefoot Report, pp. 1-2. According to a Windsor Salisbury employee, this jewelry store has been in continuous operation at the same location for approximately 25 years. *Id.* Finally, Plaintiff has not shown, and cannot show, market penetration in Charlotte (the last factor in the “zone of natural expansion” inquiry) for the reasons discussed below.

2. Plaintiff has not penetrated Charlotte.

Since Plaintiff has not presented sufficient evidence to demonstrate that Charlotte is within its zone of natural expansion, Plaintiff is not entitled to injunctive relief in Charlotte unless it proves that it has sufficiently penetrated Charlotte. This means that Plaintiff must have penetrated Mecklenburg County with its mark in a way that would create a likelihood of confusion with Defendants’ mark. *Natural Footwear*, 760 F.2d 1383, 1397 (3d Cir. 1985) (“[A] party should be awarded ownership of a mark in a specific geographic area only when the party’s mark has achieved market penetration that is ‘significant enough to pose the real likelihood of confusion among the consumers in that area.’”) (quoting *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 929 (8th Cir. 1967)). Since a finding of market penetration in Charlotte would give Plaintiff a monopoly over the use of Plaintiff’s service mark in Charlotte, Plaintiff “must make a showing of clear entitlement.” *Natural Footwear*, 760 F.2d at 1397; *The Hub, Inc. v. Manhattan-Ward, Inc.*, 673 F. Supp. 770, 771 (W.D. Va. 1987) (“[Plaintiff] must establish significant market penetration into a given area under [its service mark] in order to be entitled to the exclusive use of the mark in that area.”).

Courts determine use in an area under the “market penetration” theory by considering “(1) the volume of sales of the trademarked product, (2) growth trends in the area, (3) the

number of persons actually purchasing the trademarked production in relation to the potential number of customers, and (4) the amount of product advertising in the area.” *Spartan*, 813 F.2d at 1283 (internal quotation omitted). It then follows that “[t]he proper geographic scope of an injunction in a trademark infringement case is determined by examining the market penetration of the mark.” *Charles Jacquin Et Cie, Inc. v. Destileria Serralles, Inc.*, 921 F.2d 467, 472 (3d Cir. 1990). Plaintiff has not shown that it has penetrated the Charlotte market in any significant way. Plaintiff’s own testimony, documents, and sales figures prove that it neither targets Charlotte through advertising, nor has a significant volume or quantity of sales or customers in the Charlotte market. The evidence also shows no growth trends in this area.

a. Plaintiff has insignificant sales volume in Charlotte.

Plaintiff’s penetration into Charlotte must be evaluated as of the summer of 2008, the time when Defendants first used their mark in Charlotte. *Natural Footwear*, 760 F.2d at 1397. The Court must look to Plaintiff’s sales in the Charlotte area, as evidenced by the number of customers and value of gross sales in assessing whether they are sufficient to show market penetration or are so small or sporadic and thus, *de minimis*. *Id.* at 1400. However, even if Plaintiff’s sales to Mecklenburg County are more than *de minimis*, it is not automatically entitled to protection of its mark and the exclusive right to use the mark in the area. *See Charles Jacquin*, 921 F.2d at 473.

It is important to note that in the context of Plaintiff’s jewelry sales, a single item can exceed tens of thousands of dollars. As a result, sales in Mecklenburg County of \$100,000 per year is insufficient to satisfy this prong of the market penetration test. *See Natural Footwear*, 760 F.2d at 1399, n. 35 (“Consideration of the volume of sales in a given area must, of course, account for the general cost of the trademarked product. Sales of \$10,000 in a given area are

likely to represent more significant market penetration in that area if the product is candy, than if the product is an automobile.”). Since absolute numbers of sales may not provide a meaningful basis for evaluating market penetration, courts also look to the volume of sales of the trademarked product in a given area against the volume of all sales of that product in that area. *See Charles Jacquin*, 921 F.2d at 473-74. In 1997, Mecklenburg County jewelry stores averaged sales of \$817,430 per year. Connaughton Report, p. 4, Table 5. In 2006, Mecklenburg County jewelry stores averaged sales of \$1,385,783 per year. *Id.* Over the last 15 years, Windsor Jewelers has averaged annual sales of \$66,024 per year in Mecklenburg County. *Id.* at p. 5. Furthermore, in only four of those 15 years have Plaintiff’s sales exceeded \$70,000 per year. *Id.* These numbers indicate that Plaintiff’s sales volume represents only 0.05% of Mecklenburg County’s annual jewelry store sales, whereas all other jewelry stores in the county average about 1.0% of the total of the county’s sales. *Id.* Also, Windsor’s average annual transaction level of 58 per year represents 0.03% of total transactions of Mecklenburg County jewelry stores. *Id.* Accordingly, Windsor’s overall sales volume in the Mecklenburg market is extremely low (twenty times lower than stores in this area) and does not rise to the level necessary for “market penetration.”

Courts may also consider whether sales have declined. *Natural Footwear*, 760 F.2d at 1399, n.38 (internal citations omitted). In terms of dollar amounts, Plaintiff’s sales in Mecklenburg County declined in six different years since 1994, the first year for which Plaintiff has produced its sales data. *See* Connaughton Report, p. 6, Table 10. Furthermore, the number of transactions with Charlotte customers declined in five different years. *See id.* Finally, Plaintiff’s sales figures indicate that most of its sales in Mecklenburg County are to the same customers. As a result, in the last 15 years, Plaintiff has only had 102 different customers in

Mecklenburg County.⁴ According to the Third Circuit, this sales data is insufficient to surpass a meaningful threshold. *See Natural Footwear*, 760 F.2d at 1403 (finding that plaintiff's failure to establish clothing sales above \$5,000 per year and more than 50 customers in any year did not reach a minimal threshold for market penetration). All of these facts demonstrate that Plaintiff has not penetrated the Charlotte retail jewelry market and associated itself in the minds of Charlotte consumers to create a likelihood of confusion.

b. Plaintiff's yearly sales volume indicates no growth trends.

Plaintiff sales figures do not indicate any growth trends in Charlotte; this is consistent with the fact that Plaintiff has neither attempted to expand into the Charlotte market nor significantly advertised there. As discussed earlier, in only four of the last 15 years did Plaintiff exceed \$70,000 in annual sales in Mecklenburg County. Connaughton Report, p. 5. Further, Plaintiff's annual sales in Charlotte ranged from \$11,000 to \$130,000 per year, and Plaintiff's annual transactions in Charlotte ranged from a low of 7 to a high of 167 (versus Plaintiff's estimated overall total of 14,000 – 15,000 transactions per year, Simon Depo., 201:11-14), with several years of declining sales. *Id.* Accordingly, Windsor's sales pattern "has been lumpy with no discernable [growth] trend." *Id.* at p. 8. Windsor's sales "trend" in Charlotte is not consistent with the Charlotte market, as retail jewelry store sales in Mecklenburg County increased by 70 percent from 1997 to 2006. *Id.* at p. 4, Table 5. Plaintiff's lack of growth in Charlotte also differs from the overall growth of its business, which Mr. Simon testified has been in the "double digits." Simon Depo., 150:11-15. Plaintiff's lack of growth trends in the area, coupled with sales *decreases* in six of the last 15 years, supports a finding of no market penetration.

⁴ Plaintiff's sales figures indicate that it has 102 unique customer numbers in Mecklenburg County which represent 102 unique customers or customer families (i.e., husband and wife). *See* Simon Depo., 218:1–8.

c. Plaintiff has not shown a significant number of persons actually purchasing its product in relation to the potential number of customers in the Charlotte area.

Courts evaluate this factor by determining the total number of sales of the product by all companies in competition in the Charlotte area. *King Bearings, Inc. v. King Bearing, Inc.*, 882 F. Supp. 630, 634-35 (W.D. Ky. 1994) (citing *Charles Jacquin*, 921 F.2d at 474). In 2006, Mecklenburg County had one store for every 8,353 residents. Connaughton Report, p. 4. Over the past 15 years, Plaintiff's sales figures indicate that Plaintiff has had a *total* of only 102 different customers from Mecklenburg County. Indeed, some of Plaintiff's customers are retail stores which re-sell Plaintiff's jewelry. Simon Depo., 236:12-20. Therefore, Plaintiff has a significantly small customer base in Mecklenburg County compared to the potential number of jewelry customers in the area.

d. Plaintiff has not shown a significant amount of product advertising in Charlotte.

Although Plaintiff has put forth evidence of advertising in a few national and state-wide publications, “[a]dvertising alone cannot establish common law rights.” *Spartan*, 813 F.2d at 1283 (internal citations omitted). Nonetheless, the evidence shows that the majority of Plaintiff's advertising is directed to Winston-Salem and the surrounding Triad area. Further, Plaintiff has failed to show the effect, if any, of its advertising in other parts of the state, including Charlotte. *See* Simon Depo., 150:2-8: (“Q: So as you sit here today, you have not undertaken to determine what effect your advertising adventures have had on Charlotte residents? A: I have not measured it. Q: Has anyone measured it on your behalf? A: Not that I’m aware.”) *See Spartan*, 813 F.2d at 1283-84 (“[Plaintiff] presented no evidence that its advertising brought customers from throughout [the state] to its restaurants.”). Indeed, Plaintiff's sales figures and visual representations as discussed above indicate that its advertising has had a

minimal effect in Charlotte, given the significantly small number of customers, transactions and sales it has had in Charlotte.

Plaintiff focuses its advertising at the Triad area, which is consistent with its alleged reputation as “[t]he Triad’s premier jeweler.” (Exhibit G). Plaintiff admits that the majority of its advertising money is spent on media in the greater Triad area. Simon Depo., 142:13-25, 143:1-2. A review of Plaintiff’s advertisements produced in this case shows that the overwhelming majority of its advertisements appear in the following publications:

- The Winston-Salem Journal
- Winston-Salem Magazine
- Triad Business News
- Winston-Salem’s Finest
- Triad Living
- Winston-Salem Monthly

Since Plaintiff’s advertising is focused largely on the Triad Area with “relatively little overlap” with the Charlotte area, this factor weighs against Plaintiff. *See The Hub*, 673 F. Supp. at 772.

When asked about its advertising directed specifically at Charlotte and its residents, Plaintiff was only able to point to a few random instances, with little supporting documentation. Plaintiff has alleged that it advertised in national or regional publications (along with Defendant Windsor-Augusta), but Plaintiff is not aware of the extent these publications’ reach Charlotte residents, or the effect this advertising has on drawing Charlotte residents to Winston-Salem. Simon Depo., 148:22 – 149:6. Plaintiff cannot point to any specific television advertisements in Charlotte. Simon Depo., 135:5-10. It cannot name a specific instance of purchasing billboard advertisements in the Charlotte area. *Id.* at 139:20-25. The only radio advertising in Charlotte it

alleges with certainty is a Charlotte-based broadcast from five or six years ago. *Id.* at 137:6-8. Plaintiff is not listed in either the Yellow Pages or the White Pages in Charlotte. *Id.* at 242:15-25. Although Plaintiff purchased an advertisement in the Charlotte Observer in November 2008, after the instant dispute arose, this is “nothing more than a belated attempt or after-the-fact effort to expand its trading area.” *Weiner King*, 615 F.2d at 518 (internal quotations omitted); Simon Depo., 187:2-4. The only other print advertising it alleges is in Lake Norman papers, but it discontinued those advertisements in 2005, with no intent to resume, and has not produced any documents directed to the same. Simon Depo., 143:20-23.⁵ Finally, since Plaintiff has failed to present evidence “that its advertising brought customers” from Charlotte to its Winston-Salem location, it has not shown the effect of this advertising in a manner sufficient to show use of its mark for trademark purposes. *Spartan*, 813 F.2d at 1283-84.

e. Plaintiff has not met its burden of proof for market penetration.

Even if the Court decides that Plaintiff’s level of sales in the Charlotte area are more than *de minimis*, the market penetration inquiry does not end. Instead, the Court must analyze the remaining factors to determine the extent of Plaintiff’s market penetration. *See Charles Jacquin*, 921 F.2d at 463. Although at the TRO proceeding, this Court preliminarily determined that Plaintiff’s sales rose past a *de minimis* level, the evidence and analysis now available demonstrates otherwise. A comparison of Plaintiff’s sales to those of other retail jewelry stores in Mecklenburg County shows that Plaintiff’s sales in the Charlotte area do not reach a minimum threshold for a market presence in Charlotte. In fact, based on its current sales volume, Plaintiff is far from being able to even support a single location in Charlotte. Connaughton Report, p. 8. Further, the remaining factors necessary to support a finding that Plaintiff penetrated Charlotte

⁵ Plaintiff apparently has no intention of resuming this advertising, based on Mr. Simon’s testimony that Plaintiff is “cut[ting] back” on such print advertising. Simon Depo., 42:5:16.

with its mark are not present: (1) Plaintiff has a very small, and indeed, almost non-existent customer base in the Charlotte area, thus showing that no significant portion of Charlotte consumers associate “Windsor” with Plaintiff or would be confused by Defendants’ use of the name WINDSOR FINE JEWELERS in Charlotte; (2) Plaintiff has shown no growth trends in a market that has shown continuous growth trends since 1997; and (3) Plaintiff does not target the Charlotte market with its advertising, and therefore, has not sufficiently introduced its mark into Charlotte or maintained any presence in Charlotte. There is no evidence before the Court of Plaintiff’s reputation in Charlotte, and the evidence shows that Plaintiff’s customers, sales, and advertising here, or lack thereof, supports a finding that Plaintiff’s reputation is virtually non-existent. As a result, Plaintiff has not penetrated the Charlotte market in a way that would cause a likelihood of confusion with Defendants’ mark.

III. Plaintiff is not likely to succeed on the merits, as it has not shown a likelihood of confusion.

As discussed above, under either its state registration or its purported common law rights, Plaintiff has not demonstrated that it has an exclusive right in the Charlotte area to use the words “WINDSOR” and “JEWELERS” in connection with jewelry stores or the sale of jewelry. Even if Plaintiff did have such exclusive rights in Charlotte, it cannot establish that it is likely to succeed in this trademark infringement action without also proving a likelihood of confusion. The factors relevant to a likelihood of confusion analysis demonstrate that Plaintiff’s case would fail.

In the parties’ briefing on Plaintiff’s Rule 65(b) Motion for a Temporary Restraining Order, Fourth Circuit case law was used as a guide for analyzing likelihood of confusion. Thus, Defendants will again state the following factors considered by courts in the Fourth Circuit when determining whether a likelihood of confusion exists: “(1) the strength or distinctiveness of the

plaintiff's mark as actually used in the marketplace; (2) the similarity of the two marks to consumers; (3) the similarity of the goods or services that the marks identify; (4) the similarity of the facilities used by the markholders; (5) the similarity of advertising used by the markholders; (6) the defendant's intent; and (7) actual confusion." *CareFirst of Maryland, Inc. v. First Care, P.C.*, 434 F.3d 263, 267-68 (4th Cir. 2006) (citing *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984)).

Plaintiff cannot meet its burden of proving that it would succeed on the merits since the following factors overwhelmingly weigh against a finding of likelihood of confusion.

A. Strength or Distinctiveness of Plaintiff's Mark as Actually Used

Plaintiff is seeking to enjoin Defendants' use of the name "WINDSOR FINE JEWELERS" in a stylized font. However, as discussed in Defendants' Opposition to Plaintiff's Rule 65(b) motion and at the hearing on that motion, the diamond design Plaintiff is currently using in the marketplace, as shown in Exhibit H, is not the same diamond design that is the subject of its state registration, as shown in Exhibit I. At the November 14 oral argument on Plaintiff's Rule 65(b) motion, Plaintiff's counsel stated that Plaintiff's state registration covered this new design, asserting that Plaintiff had "tacked on" its new design by submitting documentation of the same to the North Carolina Secretary of State. A review of the file for Plaintiff's registration demonstrates otherwise; a December 3, 2008 certified copy of Plaintiff's trademark file from the North Carolina Secretary of State shows that nothing has been added to the file regarding the new design. *See* Exhibit J. Mr. Simon later clarified his counsel's representation and stated that the application for "a new design mark" was filed in mid-November, after the instant dispute arose. *Simon Depo.*, 161:24-25, 62:1-11. However, no documents regarding this alleged modification of Plaintiff's registration have been produced.

Further, Plaintiff fails to note that its state registration claims a *design mark* while arguing that the same registration provides the basis for its alleged rights in the terms “WINDSOR” and “JEWELERS.” The claimed design in Plaintiff’s state registration is for:

“Windsor Jewelers” in a stylized font and printed inside a diamond. The word “Windsor” is printed on top of the word “Jewelers” with bold lines directly above and below the word “Windsor.” With the exception of those areas of the diamond where the literal elements intersect the shape, the diamond is filled with horizontal lines.

State Registration No. T-18151. Plaintiff does not address the fact that Defendants do not use a diamond design, let alone any design outside of the words in question, when it claims in conclusory fashion that its state registration gives it exclusive rights to use, and prevent others from using, the terms “WINDSOR” and “JEWELERS.” Such allegations violate the anti-dissection rule of trademark law. *See* 4 McCarthy on Trademarks § 23:41 (2008) (“[C]onflicting marks must be compared in their entirety. A mark should not be dissected or split up into its component parts and each part then compared with the corresponding parts of the conflicting mark to determine the likelihood of confusion.”). Further, evidence of any alleged strength of Plaintiff’s state registration based upon the design mark it currently uses is insufficient to show that the terms “WINDSOR” and/or “JEWELERS,” standing alone, have conceptual or commercial strength attributable exclusively to Plaintiff. *CareFirst*, 434 F.3d at 269.

Finally, Plaintiff claims that its use of the Windsor Jewelers & Design mark since 1985⁶ “has created an association” of the Windsor Jewelers name to the Plaintiff in the minds of North Carolina consumers. This claim is disproven by the fact that several other “Windsor” jewelry stores coexist in various markets in this country, including the areas surrounding Charlotte and

⁶ Though Plaintiff’s state registration claims a first use date of 1985 and Plaintiff’s brief in support of its Rule 65(b) motion asserts that Plaintiff began using its mark in 1985, Plaintiff has recently submitted the Affidavit of Sarah Simon, in which Ms. Simon claims that Plaintiff began using its mark in September 1986. Plaintiff later acknowledged the mistake, but has not yet corrected it with the Secretary of State. Simon Depo., 128:7-10.

Winston-Salem. In fact, when asked about his awareness of other “Windsor” jewelry stores around the country, Plaintiff’s President testified:

Again, I’m not sure. I’ve seen so many Windsors in so many cities, I couldn’t – without having interaction with them or actually meeting someone from there, it would be hard to keep up with what cities they were with the number of cities we have in the United States.

Simon Depo., 168:6-11. See *CareFirst*, 434 F.3d at 270 (“[T]he frequency of prior use of [a mark’s text] in other marks, particularly in the same field of merchandise or service, illustrates the mark’s lack of conceptual strength.”) (quoting *Pizzeria Uno*, 747 F.2d at 1530-31); see also *Universal Money Ctrs., Inc. v. Am. Tel. & Tel. Co.*, 22 F.3d 1527, 1533 (10th Cir. 1994) (“A strong trademark is one that is rarely used by parties other than the owner of the trademark, while a weak trademark is one that is often used by other parties.”) (internal citations omitted). Indeed, Plaintiff has acknowledged that “Windsor is a very common name.” Simon Depo., 273:14-15. As previously discussed, Windsor Salisbury has been in operation since as early as 1984 and Plaintiff was aware of its existence since the 1980s or 1990s. Simon Depo., 173:6-9. Moreover, as Plaintiff has acknowledged, there are numerous other “Windsor” jewelry stores around the country, either currently or recently in existence, as demonstrated in the following table:

Name	Location
Windsor Jewelry, Ltd.	Matthews, North Carolina
Windsor Jewelers, Inc.	New York, New York
Windsor Jewelry Co., d/b/a Windsor Jewelers	Indianapolis, Indiana
Windsor Jewelers	McKinney, Texas
Windsor Jewelers	Houston, Texas
Windsor Jewelers	Tulsa, Oklahoma

East Windsor Jewelers	East Windsor, New Jersey
Windsor Diamond Jewelers	Rocklin, California

Furthermore, the U.S. Patent and Trademark Office has issued several federal trademark registrations for WINDSOR marks in related fields including WINDSOR JEWELERS, WINDSOR, and WINDSOR COLLECTION. *See* Exhibit K.

B. The Similarity of the Two Marks to Consumers

Plaintiff is asserting its WINDSOR JEWELERS & Design mark against Defendants’ proposed use of the word mark WINDSOR FINE JEWELERS, in either stylized font or otherwise. The two marks have different appearances in the marketplace; thus, Plaintiff is incorrect to simply compare the text of the two marks under the similarity of the marks factor. *CareFirst*, 434 F.3d at 271 (internal citations omitted). Plaintiff allegedly uses the diamond design claimed in its state registration, but also uses the diamond design shown as Exhibit H, whereas Defendants simply use the words “Windsor Fine Jewelers.” As a result, the parties use marks with very different appearances since Plaintiff’s mark is paired with graphics and Defendants present their mark “plainly and without any graphics.” *CareFirst*, 434 F.3d at 271 (“If one of two similar marks is commonly paired with other material, that pairing will serve to lessen any confusion that might otherwise be caused by the textual similarity between the two marks.”).

C. Defendant’s Intent

Finally, Defendants’ prior use of its WINDSOR JEWELERS mark negates any implication that Defendants adopted their WINDSOR FINE JEWELERS mark in bad faith. *See generally Weiner King*, 516 (finding Defendant’s adoption of the mark was innocent since it had no notice of the existence of Plaintiff *when it adopted the mark*) (emphasis added). Indeed,

Defendants conceived and began using the mark in 1975, more than 10 year prior to Plaintiff's own adoption and use. Affidavit of Donald Thompson, Nov. 13, 2008, ¶ 6 (Exhibit L).

Therefore, Defendants did not adopt their mark in bad faith. Defendants are simply using their already-established name in connection with the newly acquired Charlotte stores as they expand their business from one store in one state to two stores in two states.

Courts have also found that expansion into a state even after becoming aware of a local operation does not constitute bad faith. *See Weiner King*, 615 F.2d at 522 (noting that “mere knowledge of the existence of the prior user should not, by itself, constitute bad faith” and finding no bad faith where later adopter’s “expansion was not an attempt to ‘palm off’ or trade on the reputation of [the first adopter].”) (internal quotations omitted). Defendants “are not seeking to trade upon or profit from the name or reputation of another.” *Weiner King*, 615 F.2d at 518 (internal quotations omitted). Rather, Defendants are attempting to fully integrate the Lions stores in Charlotte into the successful business model used for Defendants’ jewelry store in Augusta, with use of the “Windsor” name, product packaging, advertising, marketing, promotion, and otherwise. Thompson Aff., ¶¶ 24, 26. *See Weiner King*, 615 F.2d at 422 n. 6 (“[I]t does not follow that a later user who has adopted in good faith must forego any further expansion after learning of the prior user.”). Plaintiff acknowledged that it was aware of Defendants’ intent on creating cost-saving synergies at the time the Lions stores were purchased. Simon Depo., 279:24 – 281:7. The intent, as recognized by Plaintiff, is to create savings and opportunities as one company under one name, not to take business away from Plaintiff.

Further, Plaintiff’s claim that Defendants allegedly admitted that it would be a conflict to expand into the North Carolina market without Plaintiff’s permission or acquisition of Plaintiff’s business is not supported by any evidence and, in any event, is irrelevant. The “intent” that is

relevant for purposes of analyzing likelihood of confusion is intent to profit from the alleged confusion. As explained in *Pizzeria Uno*, 747 F.2d at 1535, “[i]f there is intent to confuse the buying public, this is strong evidence establishing likelihood of confusion, since one intending to profit from another's reputation generally attempts to make his signs, advertisements, etc., to resemble the other's so as deliberately to induce confusion.” As discussed above, there is no such intent on Defendants’ part, nor has Plaintiff presented any evidence of such intent. Thus, this factor does not weigh in Plaintiff’s favor or support a finding of likelihood of confusion.

D. Actual Confusion

While seeking extraordinary injunctive relief from this Court based on allegations of trademark infringement and likelihood of confusion, Plaintiff has failed to come forward with sufficient evidence of actual consumer confusion. The Affidavit of Mr. Simon states that he has “personal knowledge of actual confusion as to origin of services occurring among various individuals within our customer base.” Simon Aff., ¶ 9 (Exhibit M). As an initial matter, this vague assertion of “personal knowledge of actual confusion...occurring among various individuals” cannot be deemed sufficient evidence upon which this Court can issue an injunction. Plaintiff produced a list of several hand-written names that Mr. Simon acknowledged is the only list of people that may or may not have been confused. Simon Depo., 261:19-22. Mr. Simon later admitted that a majority of these names are people that he believed *would be* confused or are people he contacted himself to inquire about potential confusion. *Id.* at 262:5-24. Further, Plaintiff produced evidence of its own employee calling Defendants’ store in Charlotte to express confusion. Even if these were instances of legitimate, actual consumer confusion, courts in the Fourth Circuit have held that a *de minimus* level of confusion is not sufficient for a finding of actual confusion. *CareFirst*, 433 F.3d at 268 (“[A] a confusion rate of 2 percent...[is] hardly

a sufficient showing of actual confusion.”). Nor are Defendants aware of any instances of consumer confusion. Thompson Aff., ¶ 23. Thus, this factor negates a likelihood of confusion, and further weighs against the issuance of injunctive relief.

E. Sophistication of the Market

In certain instances, the Court may also consider the sophistication of the consuming public and consequently, the relative care of consumers in differentiating between two allegedly similar marks. *See Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 463-64 (4th Cir. 1996) (internal citations omitted). Plaintiff and Defendants offer high-end jewelry from some of the world’s finest jewelry designers. Thompson Aff., ¶ 21. As the Fourth Circuit has noted, “[t]he relative sophistication of the market may trump the presence or absence of any other factor.” *Sara Lee*, 81 F.3d at 467 (“[W]e hold that in a market with extremely sophisticated buyers, the likelihood of consumer confusion cannot be presumed on the basis of the similarity in trade name alone”) (quoting *Perini Corp. v. Perini Constr., Inc.*, 915 F.2d 121, 128 (4th Cir. 1990)). As explained in the Affidavit of Donald Thompson, customers at Defendants’ Augusta store, which carries the same high-end designer jewelry, rarely make a purchase without giving careful consideration to both the particular piece of jewelry to be purchased and the reputation and service offered by the store. Thompson Aff., ¶ 22. Given the time, expense, and care associated with the purchase of products from the parties’ retail stores, there is little risk of consumer confusion.

IV. Plaintiff is not likely to succeed on the merits, as its state registration is subject to cancellation.

Finally, Plaintiff is not likely to succeed on the merits of its claims against Defendants because Plaintiff’s state registration, which Plaintiff calls the “heart of this matter,” is subject to cancellation for at least the following reason.

Plaintiff has argued that it is barred from registering its design mark with the U.S. Patent and Trademark Office because of the presence of a federal registration for the word mark WINDSOR JEWELERS by a New York-based company, which, based on the evidence currently presented, began using this word mark after Plaintiff alleges to have begun using its design mark. Plaintiff cites to section 2(d) of the Lanham Act, which provides that a trademark shall not be refused registration unless it "[c]onsists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive" 15 U.S.C. § 1052(d). Plaintiff argues that this provision acts as a complete bar to it receiving trademark rights recognized by the U.S. Patent and Trademark Office. The North Carolina Trademark Registration Act has a corresponding provision that tracks the Lanham Act language almost verbatim. Section 80-2(6), N.C. Gen. Stat., provides that a mark shall not be registered if it "[c]onsists of or comprises a mark which so resembles a mark registered in this State or a mark or trade name previously used in this State by another and not abandoned, as to be likely, when applied to the goods or services of the applicant, to cause confusion or mistake or to deceive." Thus, under the same reasoning espoused by Plaintiff in arguing against its ability to obtain a federal registration for its design mark, if another entity previously used a mark in this State and has not abandoned it, Plaintiff is not entitled to a state registration for its mark, either, and the state registration upon which it relies in this action would have been granted improperly by the North Carolina Secretary of State.

As discussed above, Windsor Salisbury has been in existence in Salisbury, North Carolina since approximately 1984, and continues to be in operation today. Exhibit N. Windsor

Salisbury offers for sale and sells jewelry to retail customers in the same fashion as Plaintiff. Attached as Exhibit E is a report documenting an investigation performed by Travis Gordon of Barefoot Investigations, showing details of the present operations of Windsor Salisbury. For the same reasons Plaintiff believes that Defendants use of the name WINDSOR FINE JEWELERS infringes upon its state registration for its design mark, Plaintiff's state registration so resembles a mark or trade name previously used in this State by Windsor Salisbury as to be likely to cause confusion or mistake or to deceive. As a result, Plaintiff's state registration for its design mark was granted improperly and is subject to cancellation pursuant to N.C. Gen. Stat. § 80-8.

CONCLUSION

Defendants respectfully request that this Court deny Plaintiff's Motion.

Defendants hereby certify that this *Opposition to Plaintiff's Motion for Preliminary Injunction* complies with BCR 15.8.

December 16, 2008.

Respectfully submitted,

/s/ J. Mark Wilson
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CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing *Opposition to Plaintiff's Motion for Preliminary Injunction* has been served this day upon the parties listed below by e-mail and via the Court's electronic service system:

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This the 16th day of December, 2008.

/s/ J. Mark Wilson _____