

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
CASE NO. 08-CVS-24643

IN THE NORTH CAROLINA
BUSINESS COURT

WINDSOR JEWELERS, INC.,)
)
 PLAINTIFF,)
)
 vs.)
)
 WINDSOR FINE JEWELERS, LLC;)
 WINDSOR JEWELERS, LLC; and)
 ALPINE INVESTORS, LP)
)
 DEFENDANTS.)

PLAINTIFF’S REPLY MEMORANDUM
OF LAW IN SUPPORT OF
RULE 65(b) MOTION

INTRODUCTION

Plaintiff Windsor Jewelers, Inc. (hereinafter “Plaintiff”) files this Reply Memorandum of Law in Support of its Rule 65(b) Motion for Preliminary Injunction. This Court should award injunctive relief because Plaintiff has demonstrated a reasonable likelihood that it will prevail on the merits of a service mark infringement case. First, Plaintiff has a service mark that is registered with the North Carolina Secretary of State pursuant to North Carolina’s Trademark Registration Act.

Second, Plaintiff has demonstrated that the use of both Plaintiff and Defendants’ marks is likely to cause confusion in the market. Third, a presumption of irreparable harm arises because Plaintiff has demonstrated a likelihood of confusion, a potential loss of goodwill and potential permanent loss of customers as a result of Defendants’ actions.

ARGUMENT AND APPLICABLE LAW

I. The issuance of a Preliminary Injunction by this Court is necessary to avoid irreparable harm to Plaintiff and to protect Plaintiff's rights during the course of this litigation as Plaintiff has demonstrated a reasonable likelihood of success on the merits of this case.

North Carolina courts may issue a preliminary injunction where the plaintiff is able to show (1) a likelihood of success on the merits, and (2) that he is likely to sustain irreparable loss unless the injunction is issued, or if, in the opinion of the Court, issuance is necessary for the protection of a plaintiff's rights during the course of litigation. *A.E.P. Indus., Inc. v. McClure*, 308 N.C. 393, 401, 302 S.E.2d 754, 760 (1983). Plaintiff has met its burden and injunctive relief is therefore appropriate in this case.

A. There is a reasonable likelihood that Plaintiff will prevail on the merits.

In order to prevail on an action for trademark infringement, a plaintiff must first show that it has a valid and protectable mark. *See, e.g., Lone Star Steakhouse & Saloon v. Alpha of Va., Inc.*, 43 F.3d 922, 930 (4th Cir. 1995). Here, Plaintiff has a North Carolina registered service mark bearing registration No. T-18151 pursuant to N.C. Gen. Stat. § 80, *et. seq.*, the North Carolina Trademark Registration Act (the "Trademark Registration Act") (Plaintiff's "Service Mark").¹ See Plaintiff's Verified Complaint, paragraph 11 ("Complaint").

The Act "governs the registration and infringement of trademarks in North Carolina" and "creates a cause of action for infringement of registered marks." *Slideshow, Inc. v. Mammoth Records, Inc.*, 751 F. Supp. 78, 81. Here, Plaintiff has demonstrated that it has a valid and protectable trademark pursuant to the Trademark Registration Act because it possesses a

¹ Defendants have argued that Plaintiff has "abandoned" its Service Mark. Defendants argument is without merit. Plaintiff continues to use its older logo along with its newer, more modern logo. See Exhibit 1; Exhibit 2, Affidavit of Philip Nulman ¶ 8 ("Nulman Affidavit").

registered Service Mark. *See Asia Apparel Co., LLC v. Cunneen*, 2008 WL 2949244, at * 3 (W.D.N.C. July 30, 2008).

Given its registration of the “Windsor” mark, Defendants have the burden of proof, and must introduce sufficient evidence to rebut the presumption of plaintiff’s right to exclusive use. *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1529 (1984); *see also, Four Seasons Hotels Ltd. v. Koury Corp.*, 776 F. Supp. 240, 246 (1991) (“Registration shifts the burden of proof to a would-be-user of the same or similar mark to rebut the presumption of the registrant’s exclusive rights in the mark”). Defendants have not met their burden.

Defendants’ primary argument regarding Plaintiff’s ownership of its Mark is that Plaintiff’s rights extend only to the geographic area in which it actually uses the mark. Defendants proffer the “zone of natural expansion” theory and the “market penetration” theory and argue that Plaintiff has not satisfied either test because it does not use its mark in Charlotte and has not penetrated the Charlotte area. In support of these theories, Defendants rely on *Spartan Food Systems, Inc. v. HFS Corp.*, 813 F.2d 1279, 1283 (4th Cir. 1987). However, the court in *Spartan Food* does not expressly adopt either test. *Id.* Rather, *Spartan* identifies which courts (outside of the Fourth Circuit) apply which test and then it applies the facts in that case to both tests, finding that the defendant has not satisfied either test. *Id.* Here, Defendants have not put forward one case indicating which test, if either, has been adopted by the Fourth Circuit.

What matters is whether Plaintiff and Defendants operate in the same market. *See The Hub, Inc. v. Manhattan-Ward, Inc.*, 673 F. Supp. 770 (W.D. Va. 1987). By Donald Thompson’s own standards, Defendants (the Charlotte Lions stores) and Plaintiff operate in the same market. In a 2008 article in InDesign magazine, Donnie Thompson (referring to the Windsor Georgia store for which he testified as a 30(b)(6) witness in this litigation) states: “I consider us a

regional store. *We find that for about a 100-mile radius, people will look at other jewelry stores, but they usually want to look at us too.*” See Exhibit 3 (emphasis added). Using Donald Thompson’s own standard as to the relevant competitive market, Plaintiff operates within a 100-mile radius of the Defendants’ Lions stores in Charlotte. According to Google Maps, Plaintiff’s store is 89.4 miles from Defendants’ Phillips Place store and 95.8 miles from Defendants’ Ballantyne Village store (Defendants have recently closed their Cornelius store). See Exhibit 4. When considering Plaintiff’s chart of customers (attached as **Exhibit 5**), and sales data (attached as **Exhibit 6**), Thompson’s 100-mile radius standard appears fairly accurate. Plaintiff’s customer chart indicates that within a 100-mile radius of its store in Winston-Salem, Plaintiff boasts numerous customers and sales.

Plaintiff has shown that it uses its mark in Charlotte and has penetrated the Charlotte market. Plaintiff has sold approximately \$4.825 million dollars of merchandise in the Charlotte area since 1993. See Exhibit 7, Affidavit of Sarah Simon, paragraph 11; **Exhibit 8**. Plaintiff engages in substantial advertising in the Charlotte area through national publications that reach the Charlotte market, including *The New York Times*, *The Wall Street Journal*, *Golf Digest*, *Business Week*, *GQ*, *Town & Country*, and the *USA Today*. See Exhibit 9. Plaintiff also advertises and markets itself through other medium that ultimately reaches customers in the Charlotte market, including radio, television, highway billboards, involvement in charitable organizations, and the Internet. See Exhibit 10, Simon Deposition, December 12, 2008, at 40-44; 80-84; 186-187; 335-337 (“Simon Depo.”); Exhibit 2, ¶¶ 9, 10.

Plaintiff has considered opening a store in the Charlotte area. See Exhibit 11, Simon Depo. at 19-25; 28-32; 76-80. Approximately two years ago, Plaintiff engaged a firm to cite expansion potential for additional stores, which included the Charlotte market. See Exhibit 2, ¶

6; **Exhibit 12**, Simon Depo. at 332-335; **Exhibit 13**. Plaintiff's present plans include to "broaden [Windsor's] reach regionally in the short term with the notion of touching the borders of North Carolina as his ultimate goal in the longer term development of [Windsor's] retail brand." See Exhibit 2, ¶ 5.

A court may grant injunctive relief to the owner of a registered trademark whose rights have been infringed on by another's use of a copy or colorable imitation that is "likely to cause confusion, or to cause mistake, or to deceive." *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 463 (1996) (citing 15 U.S.C. § 1114(1)); *Pizzaria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984)). Evidence of actual confusion is unnecessary: the test is whether there is a likelihood of confusion. *Id.* (citing *Pizzaria Uno*, 747 F.2d at 1527).

The courts may consider seven factors in ascertaining the likelihood of confusion between two trademarks: (1) the strength or distinctiveness of the senior mark; (2) the similarity of the two marks; (3) the similarity of the goods and services that the marks identify; (4) the similarity of the facilities employed by the parties to transact their businesses; (5) the similarity of the advertising used by the two parties; (6) the defendant's intent in adopting the same or similar mark; and (7) actual confusion. *Sara Lee*, 81 F.3d at 463 (citing *Pizzaria Uno*, 747 F.2d at 1527). *See also*, *Garden & Gun, LLC v. Twodalgals, LLC*, slip op. 2008 WL 3925276 (W.D.N.C. August 21, 2008) (citing *Synergistic Intern., LLC v. Korman*, 470 F.3d 162, 171 (4th Cir. 2006)).²

² In *Sara Lee*, the Fourth Circuit adopted two additional factors that courts may consider in analyzing the likelihood of confusion including the quality of the defendant's product and the sophistication of the consuming public. *Id.* at 463-64.

The court's consideration and application of these factors is not meant to be rigid or formulaic because "[n]ot all these [factors] are always relevant or equally emphasized in each case." *Pizzaria Uno*, 747 F.2d at 1527 (citing *Modular Cinemas of America, Inc. v. Mini Cinemas Corp.*, 348 F. Supp. 578, 582 (S.D.N.Y. 1872)).

Plaintiff need not show that its mark is strong *and* distinctive for the Court to hold that this factor weighs in favor of the Plaintiff. See *National League of Junior Cotillions, Inc. v. Porter*, 2007 WL 2316823, at *8 (W.D.N.C. Aug. 9, 2007) (emphasis added) (holding that, although the mark did not possess great inherent distinctiveness, it had acquired recognition due to its prominent use and the plaintiff's advertising and publicity efforts.) The strength of Plaintiff's Service Mark can be determined by considering the degree to which consumers associate Plaintiff as the place to buy high-end jewelry. See *Garden & Gun, LLC v. Twodalgalis, LLC*, 2008 WL 3925276, at *5 (W.D.N.C. Aug. 21, 2008). To assess the degree of association, courts will consider advertising and marketing by the mark holder as evidence of the extent to which it seeks to place its mark into the industry and "into the minds of the consumers". *Id.* Plaintiff currently spends approximately three quarter of a million dollars a year on marketing and advertising in order to place "Windsor" into the industry and into the minds of consumers as the place to go for high end merchandise.

Defendants argue that Plaintiff's "association" argument is disproven by the fact that there are two other jewelry stores in North Carolina that use the "Windsor" name. However, one such store mentioned by the Defendants – Windsor Jewelry, Ltd. – in Matthews, NC is no longer in business. The other store cited by Defendant is Windsor Gallery Fine Jewelers in Salisbury, NC. Regarding Windsor Gallery, the mark used by this jewelry store is not similar to Plaintiff's mark. See **Exhibit 14**. The look and style of Windsor Gallery's mark is different

from Plaintiff's and the dominant part of the mark is "Windsor Gallery", not simply "Windsor" as is Defendants' mark. Windsor Gallery does not sell high-end merchandise and does not attempt to affiliate itself with the same high-end jewelry that Plaintiff sells or to advertise itself in such a manner. See Exhibit 15, Simon Depo. at 176; 187-189.

In evaluating the similarity of the marks, the Fourth Circuit has stated that marks need only be "sufficiently similar in appearance, with greater weight given to the dominant or salient portions of the mark." *Lone Star Steakhouse & Saloon v. Alpha of Va.*, 43 F.3d 922, 936 (1995). Here, the dominant portion of both marks is the word "Windsor". The advertising used by both parties places the word "Windsor" in larger letters than those of any other words and place the word "Windsor" above all other words, thus reinforcing the dominance of the mark "Windsor." *Id.* Absolute identity is not required, "all that is necessary is enough similarity between the marks to confuse consumers." *National League of Junior Cotillions v. Porter*, 2007 WL 2316823, at * 8 (W.D.N.C. Aug. 9, 2007) (there were differences between the marks but that the "overall impression conveyed by the marks is likely to result in customer confusion"). This factor supports a likelihood of confusion and weighs in favor of injunctive relief.

Given the history between the parties, it can not be disputed that Defendants had knowledge of Plaintiff's Service Mark prior to its infringement. See Complaint, ¶¶ 21-28; **Exhibit 16**, Thompson Deposition, December 11, 2008, at 68 ("Thompson Depo."). Under circumstances such as those here – where Defendants knew about Plaintiff and its registered mark – courts will consider evidence of bad faith by an infringer when analyzing an infringer's intent. *See Lone Star Steakhouse & Saloon v. Alpha of Va., Inc.*, 43 F.3d 922 (1995). Here, not only did Defendants know about Plaintiff's Service mark, it purposely disseminated ahead with its "Lions Jewelers Soon To Be Windsor Fine Jewelers" advertising campaign after receiving a

cease and desist letter from Plaintiff. See Complaint, ¶ 34; **Exhibit 17**. Similar actions by the Defendant in *Lone Star* were deemed significant by that court in analyzing intent. *Id.* at 937. Further, Defendant Windsor Georgia has used an almost identical mark to Plaintiff's in the past. See Curry Affidavit filed on December 17, 2008.

During Thompson's 30(b)(6) deposition Thompson denied that either he or Windsor Georgia had ever used or misappropriated Plaintiff's Service Mark. See **Exhibit 18**, Thompson Depo. at 31-32, 67, 69, 100-101. In spite of Thompson's unequivocal denials, the exhibits attached to Claire Curry's affidavit make clear that Windsor Georgia used an almost identical mark from 1996 to 2001. Windsor Georgia, ran numerous ads utilizing Plaintiff's name in connection with a diamond mark.

Of greater concern, was Thompson's inability to recall the "pirating" of Plaintiff's Service mark during the course and scope of his deposition. These failings of Thompson give serious cause for concern with respect to any portion of his testimony surrounding this case. According to Thompson, he was a hands-on owner maintaining an active role in the financial well being of the company in addition to crafting its marketing advertising and business strategies. Thompson has now reassumed the same or similar position with Lions Jewelers acting as manager and liaison between Windsor Georgia, Lions, and Defendant Alpine Investments. In exchange for his expertise in management, Thompson continues to be a salaried employee for Windsor Georgia and receives additional incentives of 20% (presumably of the net profit margins for all the jewelry stores, if those stores). See **Exhibit 19**, Thompson Depo. at 44.

Accordingly, Thompson has the authority and has a significant financial interest in these stores. Given this arrangement, coupled with Thompson's historic disregard for the Plaintiff's rights relative to its Service Mark, it is not surprising that Defendants, by and through the acts or

omissions of Thompson, have undertaken this new campaign to intentionally misuse the Windsor Jeweler's name. As Defendants point out in their brief, "if there is an intent to confuse the buying public this is strong evidence establishing likelihood of confusion, since one intending to profit from another's reputation generally intends to make his signs, advertisements, etc., to resemble the others' so to deliberately induce confusion" *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1535. **Plaintiff Windsor agrees.**

As stated above, evidence of actual confusion is unnecessary: the test is whether there is a likelihood of confusion. *See Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 463 (1996). However, Plaintiff has in fact demonstrated actual confusion. See Exhibit 20, Simon Depo. at 250-267; **Exhibit 21**; **Exhibit 22**. This evidence alone is sufficient to support a showing of actual confusion among consumers. *See Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va, Inc.*, 43 F.3d 922, 937 (1995) (noting that affidavits, declarations, and deposition testimony introduced before the court provided evidence that consumers had been confused).

The parties trade in similar goods, use similar facilities to trade their goods, and use similar advertising. Plaintiff and Defendants carry at least twelve of the same exclusive brands. See Complaint, ¶ 35. The goods and services that both marks represent – that of high-end merchandise – are similar, if not substantially the same, making them "particularly vulnerable to confusion". *See U.S. Hosiery Corp. v. The Gap, Inc.*, 707 F. Supp. 800, 813 (W.D.N.C. 1989) (citing *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F.2d 407 (2d. Cir. 1917)). The facilities used by the parties are substantially similar, particularly in terms of how they present their merchandise. The parties also target the same consumers and use similar forms of media for advertising, including, newspapers, magazines, and websites. *See Carefirst of Maryland, Inc. v. First Care, P.C.*, 434 F.3d 263, 273 (4th Cir. 2006) (with regard to advertising, consider

appearance and content of advertising and media used). These three factors weigh heavily for Plaintiff in demonstrating a likelihood of confusion. *See Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 465-66 (1996).

In applying the relevant factors to this case, Plaintiff has shown a likelihood of confusion between the two marks, and has therefore met its burden of demonstrating a reasonable likelihood that it will prevail on the merits of this case.

B. Plaintiff will suffer irreparable harm unless a Preliminary Injunction is granted by this Court and a Preliminary Injunction is necessary to protect Plaintiff's Service Mark rights during the course of this litigation.

A presumption of irreparable harm arises because Plaintiff has demonstrated a likelihood of confusion. *See, e.g., Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 273 (4th Cir. 2002) (a presumption of irreparable injury is generally applied once the plaintiff has demonstrated a likelihood of confusion); *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Virginia*, 43 F.3d 922, 939 (1995) (same); *Garden & Gun, LLC v. Twodalgals, LLC*, 2008 WL 3925276, at *6 (W.D.N.C. August 21, 2008) (same).

Should the Court decide not to make this presumption, Plaintiff has nonetheless demonstrated irreparable harm. Where a trademark registrant's damages involve not merely simply quantifiable monetary damages but rather include the loss of goodwill and potential permanent loss of customers to a competitor, the irreparable injury prong is satisfied and injunctive relief should be granted. *See Arkansas Best Corp. v. Carolina Freight Corp.*, 60 F. Supp. 2d 517, 520 (W.D.N.C. 1999) (noting that unauthorized use of plaintiffs' federally registered mark "presents an undeniable threat to Plaintiffs' reputation and goodwill and, therefore creates imminent irreparable harm."). *See also, IHOP Corp. v. Langley, slip op.*, 2008

WL 1859340, at *1 (E.D.N.C. Apr. 11, 2008) (noting that likelihood of confusion may negatively impact IHOP's goodwill and reputation).

Here, Plaintiff seeks to prevent Defendants from operating “under the appearance of an association” with Plaintiff. *IHOP Corp.*, 2008 WL 1859340, at *1. That is, because once an association between Plaintiff and Defendants is made in the minds of consumers, Plaintiff has lost all control over its reputation, its goodwill, and its customer base – all of which Plaintiff has developed and nurtured for over twenty years and all of which Plaintiff is concerned about in bringing this litigation. See Exhibit 2, ¶¶ 12, 13; **Exhibit 23**, Simon Depo. at 310-312. Harm that has already occurred or may occur to Plaintiff due to a false association in the minds of consumers should Defendants’ not be enjoined, can not be simply quantified. In keeping with *Arkansas Best* and *IHOP*, injunctive relief is appropriate and necessary in this case to protect Plaintiff’s rights during the course of this litigation.

CONCLUSION

Based on the foregoing, this Court should grant Plaintiff’s Rule 65(b) Motion for Preliminary Injunction because Plaintiff has demonstrated a likelihood of confusion between the two marks, has demonstrated that it will suffer irreparable injury if the Defendants are not enjoined, and has shown that a Preliminary Injunction is necessary to protect its rights during the course of this litigation.

This the 17th day of December, 2008.

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CERTIFICATION

I hereby certify that this Memorandum of Law complies with Rule 15.8 of the General Rules of Practice and Procedure for the North Carolina Business Court.

This the 17th day of December, 2008.

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing **REPLY MEMORANDUM** was served electronically through the North Carolina Business Court's electronic filing system as follows:

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This the 17th day of December, 2008.

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