FILED IN CHAMBERS
U.S.D.C ATLANTA
Date: Jan 13 2022
KEVIN P. WEIMER , Clerk
By: s/ Samuel Johnston
Deputy Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

RCI HOSPITALITY HOLDINGS, INC., a Texas corporation formerly known as Rick's Cabaret International, Inc.,

Plaintiff,

v.

BA HOLDINGS LLC, a Georgia limited liability company, and PONYTAIL INC., a Georgia corporation doing business as Onyx,

Defendants.

CIVIL ACTION FILE

NO. 1:21-CV-1639-MHC

ORDER

This case comes before the Court on Plaintiff RCI Hospitality Holdings, Inc. ("RCI")'s Motion for Preliminary Injunction ("Pl.'s Mot.") [Doc. 15], against Defendants BA Holdings LLC ("BA Holdings"), and Ponytail, Inc. ("Ponytail") (collectively "Defendants").

I. BACKGROUND

RCI, through its subsidiaries, owns and operates adult entertainment establishments that feature topless dancers and restaurant services under the

Trademark **CLUB ONYX®** ("RCI's Mark"), which is registered as U.S. Reg. No 3,515,375. Suppl. Decl. of Scott Sherman (July 14, 2021) ("Sherman Decl. I") [Doc. 15-1 at 2-8] ¶¶ 3-5. In 2004, RCI commenced operation and began displaying RCI's Mark on all signage, menus, advertising, and promotion services. Id. ¶¶ 9-10, 15. RCI currently operates adult entertainment establishments in Houston, Texas; Charlotte, North Carolina; St. Louis, Missouri; and Indianapolis, Indiana. Suppl. Decl. of Scott Sherman (Aug. 20, 2021) ("Sherman Decl. II") [Doc. 20-2] ¶ 8.

For decades, Ponytail has operated an exotic dance club located at 1888 Cheshire Bridge Road NE, Atlanta, Georgia 30324. Decl. of Dennis Williams in Supp. of Defs.' Resp. to Pl.'s Mot. for Prelim. Inj. ("Williams Decl.") [Doc. 19-2] ¶ 4. In September 2006, Ponytail began doing business under the name Onyx. Id. ¶ 5. Specifically, on September 13, 2006, Ponytail filed an application to register to do business under the trade name Club Onyx, which was approved. Id. ¶ 6. BA Holdings is the record owner of the property at that address. Verified Compl. for Trademark Infringement, Unfair Competition, and Related Claims ("Compl.") [Doc. 1] ¶ 7. Defendants currently offer entertainment services under the name "Onyx Gentlemen's Club." Sherman Decl. I ¶ 14.

On January 31, 2008, RCI's General Counsel sent Galardi South Enterprises ("Galardi")[1] a cease-and-desist letter requesting that Galardi discontinue using the name "Club Onyx" in connection with an establishment in Atlanta, Georgia. Letter from Brenda K. Stanfield to Galardi South Enterprises (Jan. 31, 2008) [Doc. 19-6]. At the time of the letter, RCI had a pending trademark application for "Club Onyx" in Houston, Texas, but RCI was not operating in Georgia. Williams Decl. ¶ 10.[2] Between 2008 and 2020, it appears that there were no further written communications between RCI and Galardi and no efforts by RCI to enjoin Ponytail's operations in Atlanta. Id. ¶ 14.

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[1] The pleadings do not introduce Galardi, nor do they provide explanation of the connection of Galardi to Defendants. However, as will be explained below, this Court can take judicial notice of its own records, which reveal that the relationship between Galardi and Ponytail began in 2006 and continued until at least 2011. Clincy v. Galardi S. Enters., Inc., No. 1:09-CV-2082-RWS, N.D. Ga. (July 31, 2009).

[2] The parties dispute the actions taken in response to this letter. Defendants assert that Eric Langan, the CEO of RCI, and Jack Galardi, the owner of Galardi, came to an amicable agreement to allow Ponytail to continue operations in Georgia under the name Ponytail. Id. ¶¶ 10-12. Defendants assert that, at the time of the agreement, RCI had no intention of operating in Georgia, and has not operated any exotic dance clubs under the name Onyx in Georgia. Id. ¶ 13. RCI instead claims there was no such agreement with Defendants or their predecessors; instead, RCI contends that Galardi agreed to stop using the name Onyx and its was its "understanding" that Galardi was "administratively dissolved shortly thereafter." Decl. of Ed Anakar (Aug. 16, 2021) ("Anakar Decl.") [Doc. 20-1] ¶¶ 6-7.

On or around October 30, 2020, RCI sent Defendants a cease-and-desist letter. Id. Then, on February 12, 2021, RCI brought the present lawsuit claiming infringement on RCI's Mark. See Compl. On July 16, 2021, RCI moved for a preliminary injunction, seeking to enjoin BA Holdings and Ponytail from infringing upon and violating RCI's trademark.[3] Pl.'s Mot. at 1.

II. LEGAL STANDARD

In order to obtain a preliminary injunction, a plaintiff must demonstrate: (1) a substantial likelihood of success on the merits; (2) that irreparable injury will be suffered if the relief is not granted; (3) that the threatened injury outweighs the harm the relief would inflict on the non-movant; and (4) that granting the relief would not be adverse to the public interest. Scott v. Roberts, 612 F.3d 1279, 1290 (11th Cir. 2010); Schiavo ex rel. Schindler v. Schiavo, 403 F.3d 1223, 1225-26 (11th Cir. 2005). A preliminary injunction is an extraordinary remedy which a court should grant only when the movant clearly carries the burden of persuasion as to each of the four prerequisites. Four Seasons Hotels & Resorts, B.V. v. Consorcio Barr, S.A., 320 F.3d 1205, 1210 (11th Cir. 2003).

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[3] Although occurring after the filing of the Complaint, the motion notes that, on or around June 29, 2021, Atlanta police were called to Defendants' establishment because of a violent incident where several men were shot. Sherman Decl. I ¶ 22.

"The likelihood of success on the merits is generally considered the most important of the four factors." Furman v. Cenlar FSB, No. 1:14-CV-3253-AT, 2015 WL 11622463, at *1 (N.D. Ga. Aug. 26, 2015) (citation and quotation omitted); see also Garcia-Mir v. Meese, 781 F.2d 1450, 1453 (11th Cir. 1986) ("Ordinarily the first factor is the most important."). The purpose of a preliminary injunction is to maintain the status quo until the court can enter a final decision on the merits of the case. Bloedorn v. Grube, 631 F.3d 1218, 1229 (11th Cir. 2011).

III. DISCUSSION

To receive a preliminary injunction on its trademark infringement claim, RCI must first show that it is substantially likely to succeed on the merits of its claim. To prevail on its claim for trademark infringement under 15 U.S.C. § 1114, RCI must show that (1) it has protectable rights in RCI's Mark; and (2) Defendants' use of RCI's Mark is likely to cause confusion, mistake, or deception. Dieter v. B&H Indus. of Sw. Fla., Inc., 880 F.2d 322, 326 (11th Cir. 1989). "Even if both elements are met, a plaintiff's claim may be defeated by the affirmative defenses of acquiescence, estoppel or laches." Pandora Jewelers 1995, Inc. v. Pandora Jewelry, LLC, 703 F. Supp. 2d 1307, 1311 (S.D. Fla. 2010); see also 15 U.S.C. § 1115(b) ("[C]onclusive evidence of the right to use the registered mark

. . . shall be subject to the following defenses or defects . . . (9) That equitable principles, including laches, estoppel, and acquiescence, are applicable.").

A. Laches

"The equitable defense of estoppel by laches may be applied to bar claims . . . brought under the Lanham Act." Kason Indus., Inc. v. Component Hardware Grp., Inc., 120 F.3d 1199, 1203 (11th Cir. 1997). "Laches is invoked when the delay in commencing a lawsuit exceeds the statute of limitation for an analogous state law claim, which for this trademark action is the four-year limitation period applied to an action under the Georgia Deceptive Trade Practices Act." Groucho's Franchise Sys., LLC v. Grouchy's Deli, Inc., 683 F. App'x 826, 829 (11th Cir. 2017). "Though the doctrine is an equitable doctrine that should be applied flexibly, a defendant must demonstrate the presence of three elements in order to successfully assert laches as a defense: (1) a delay in asserting a right or a claim; (2) that the delay was not excusable; and (3) that there was undue prejudice to the party against whom the claim is asserted." Kason Indus., 120 F.3d at 1203 (citation omitted). "[D]elay is to be measured from the time at which the plaintiff knows or should know she has a provable claim for infringement." Id. at 1206. Courts weigh the amount of prejudice defendants suffer against the public interest in avoiding confusion. Hi-Tech Pharms. Inc., v. Dynamic Sports Nutrition, LLC,

No. 1:16-CV-00949, 2020 WL 10728951, at *12 (N.D. Ga. Jan. 10, 2020) (citations omitted). Based on the evidence currently before the Court, Defendants are likely to demonstrate the presence of all three elements to mount a successful laches defense.

1. There Was Between an Eight and Thirteen Year Delay in Asserting RCI's Claim.

Defendants assert that there was a delay of thirteen years between the time RCI became aware of Defendants' alleged use of RCI's Mark and the filing of the present lawsuit. Defs.' Resp. in Opp'n to Pl.'s Mot. ("Defs.' Resp.") [Doc. 19] at 7. Defendants argue RCI's transmittal of the first cease-and deist letter in 2008, which alleged trademark infringement based upon RCI's Mark, demonstrates actual knowledge. Id. at 2, 7. It is unclear to the Court whether RCI disputes the element of delay, or merely contends any delay is excusable. It is possible that RCI is attempting to argue that there was no delay because they contend Ponytail was not engaged in continuous operations; RCI states that "Defendants' statement to this Court that 'Ponytail has continued to operate the club from 2006 through present day,' is plainly and simply false." Pl.'s Reply Mem. of Law in Supp. of Pl.'s Mot. ("Pl.'s Reply") [Doc. 20] at 2. Yet the only evidence RCI provides in support of the lack of continuous operation is the self-serving declaration of RCI's general counsel contending (1) Ponytail stopped using Club Onyx "for a period of

approximately three (3) years – starting prior to the pandemic – and during this significant period of non-use, clearly did not intend to resume use of the mark in connection with its competitive entertainment services," Sherman Decl. II ¶ 3; (2) since at least 2019, local media has referred to the business as "coming soon," and, in December of 2020, the business was advertised as "coming soon," id. ¶¶ 4-5; and (3) in February 2021, Defendants' social media accounts were still dormant, id. ¶ 6. In other words, RCI contends that beginning sometime in 2016, Defendants no longer used the term, "Club Onyx."

The record[4] in a case cited in Pl.'s Reply Brief, Clincy v. Galardi S. Enters., Inc., 808 F. Supp. 2d 1326 (N.D. Ga. 2011), reveals that Galardi was in fact operating Ponytail and using the moniker "Club Onyx" from at least 2006 through 2011. See Pl.'s Reply at 7. In Clincy, a lawsuit filed in 2009 under the Fair Labor Standards Act seeking overtime and minimum wages for Ponytail's adult entertainers, it was undisputed that Jack Galardi was the CEO and controlling shareholder of Ponytail and Galardi South Enterprises and that Club Onyx was operating at 1888 Cheshire Bridge Road NE, Atlanta, Georgia 30324, since at least

[4] The Court may take judicial notice of its own records. See FED. R. EVID. 201; United States v. Rey, 811 F.2d 1453, 1457 n.5 (11th Cir. 1987) ("A court may take judicial notice of its own records and records of inferior courts.").

2006. See Clincy, 808 F. Supp. 2d at 1329 (stating that Jack Galardi was the CEO and controlling shareholder of Galardi, that Club Onyx was a club that featured "nude, female exotic dancers," and that Rick Hayes had been general manager of Onyx since 2006); see also Pl.'s Resp. to Defs.' Statement of Facts in Clincy [Doc. 249-1] ¶ 1 ("Since July, 2006, Club Onyx has operated as a nightclub at 1888 Cheshire Bridge Road, Atlanta, Georgia."). It is undisputed that RCI sent Galardi a cease-and-desist letter in 2008. The Court finds that RCI knew or should have known of its claim against the use of "Club Onyx" by Ponytail regardless of who RCI directed its cease-and-desist letter to. RCI's contention that the letter was not sent to either Defendant belies the fact that it was aware that Galardi was operating an adult entertainment club using the moniker, "Club Onyx," in 2008, and was aware or should have known that Club Onyx continued to operate at its present location for a substantial period of time after the date the letter was transmitted. Thus, even assuming that Defendants closed their allegedly infringing operation in 2016, there was still a period of eight years between when RCI became aware of the alleged infringing use of RCI's Mark and when Ponytail purportedly ceased doing business, twice the four-year statute of limitation under the Georgia

Deceptive Trade Practices Act.[5] The "coming soon" and dormant social media arguments are equally unpersuasive, as they occur in 2020 and 2021, which is twelve and thirteen years, respectively, since the initial cease-and-desist letter was sent by RCI to Galardi.

2. The Delay Is Not Excusable.

Whether the delay was inexcusable requires an examination into the reasons for the delay. RCI contends that Galardi "promptly dissolved" after RCI sent the 2008 cease-and-desist letter, analogizing this case to a Florida case where the court would not apply laches when, after a cease-and-desist letter was issued, there was no evidence that there were continued sales of items using an offending mark. Pl.'s Reply at 13 (citing Edge Sys. LLC v. Aguila, No. 14-24517-CIV-, 2015 WL 12868177, at *10 (S.D. Fla. Jan. 29, 2015)). But here there is no evidence before the Court that Ponytail ceased using the trade mark, "Club Onyx" after the 2008 cease-and-desist letter; in fact, the mark was apparently used for years. RCI's

[5] The Court recognizes that a 2018 bankruptcy sale of Ponytail is mentioned briefly by Defendants, although not mentioned at all by RCI. Defs.' Resp. at 4; Decl. of Shonia Pittman Roach in Supp. of Defs.' Resp. ("Roach Decl.") [Doc. 19-1] ¶ 13. Beyond this brief indication, there is little to no explanation of this bankruptcy. Based on the foregoing, even if Ponytail ceased operations of Onyx in 2018 due to its bankruptcy, it would have been in continuous operation from 2006-2018, well beyond the four-year period required for laches to be invoked.

"understanding" that Galardi "was administratively dissolved" shortly after the issuance of the 2008 cease-and-desist letter, Anakar Decl. ¶ 7, has no bearing on the continued operation of Ponytail; moreover, as indicated in Clincy, the relationship between Ponytail and Galardi extended well beyond the date of the 2008 cease-and-desist letter.

Consequently, it appears that there is no excuse for the delay in taking action against Ponytail between 2008 and at least 2016, when RCI contends Ponytail stopped use of the infringing mark. Sherman Decl. II ¶ 3.

3. The Delay Caused Undue Prejudice to Defendants.

"Mere delay, without resulting injury to defendant, is not sufficient to represent relief for infringement." Pinnacle Advertising & Marketing Grp., Inc. v. Pinnacle Advert. & Mktg. Grp., LLC, 7 F.4th 989, 1010 (11th Cir. 2021) (citation omitted and alteration accepted). Defendants argue they have spent the past fifteen years and large sums of money on advertisements, hosting events at the club, and establishing the facility as a premier gentlemen's entertainment club in Atlanta; additionally, Defendants argue evidentiary prejudice has occurred in the form of key witnesses (such as the former owner of RCI and the former owner of Ponytail) passing away. Defs.' Resp. at 9-10; Roach Decl. ¶¶ 8, 13. The Court finds that Defendants have "expended significant time and effort promoting its brand in the

area." Pandora Jewelers 1995, Inc., 703 F. Supp. 2d at 1315. In Groucho's Franchise Sys., 683 F. App'x at 829, the Eleventh Circuit found the plaintiff's ten-year delay resulted in the equitable doctrine of laches estopping the plaintiff from complaining about infringement. The court explained that during the decade of silence from the plaintiff, the defendant built up valuable business around its mark. Id. Similarly, Defendants' investments lead this Court to find that Defendants relied to their detriment on RCI's silence. See id.; see also Pinnacle Advertising, 7 F.4th at 1011 ("If Pinnable Florida had known of Pinnacle Illinois's infringement . . . claims sooner, it could have redirected its resourced into promoting its business and brand under a different name during the four years it continued to promote the Pinnacle mark after Pinnacle Illinois should have known of its infringement . . . claims.").

Although it appears from the evidence currently before the Court that Defendants would likely have a successful laches defense, laches would not necessarily defeat the right to injunctive relief if it can be shown that the use of an allegedly infringing mark would confuse the consumer. Angel Flight of Georgia, Inc. v. Angel Flight Am., Inc., 522 F.3d 1200, 1208 (11th Cir. 2008). Consequently, the Court will consider whether RCI is substantially likely to establish the likelihood of confusion if Defendants continue to operate using the

trade name, "Club Onyx." See also Kason, 120 F.3d at 1207 (holding that an undue delay in the presentation of a Lanham Act claim may remain excusable so as to permit injunctive relief if "the likelihood of confusion is inevitable, or so strong as to outweigh the effect of the plaintiff's delay in bringing a suit[.]").

B. Likelihood of Confusion

Assuming *arguendo* that RCI does in fact have the superior right to use RCI's Mark, the Court finds RCI has failed to demonstrate a likelihood of success on its trademark claim because it is not likely to demonstrate that there is a likelihood of confusing RCI's Mark with the use of "Club Onyx" by Defendants.

The Lanham Act, 15 U.S.C. § 1114(1), protects the public from confusion in the marketplace by prohibiting the unauthorized use of registered trademarks or service marks. "In order to prevail on a trademark infringement claim based on a federally registered mark, 'the registrant must show that (1) its mark was used in commerce by the defendant without the registrant's consent, and (2) the unauthorized use was likely to cause confusion, or to cause mistake or to deceive.'" Optimum Techs., Inc. v. Henkel Consumer Adhesives, Inc., 496 F.3d 1231, 1241 (11th Cir. 2007) (quoting Burger King Corp. v. Mason, 710 F.2d 1480, 1491 (11th Cir. 1983)); see also Davidoff & CIE, S.A. v. PLD Int'l Corp., 263 F.3d 1297, 1301 (11th Cir. 2001). When evaluating whether a likelihood of confusion

exists in a trademark infringement action, the Eleventh Circuit has outlined seven factors for consideration:

> (1) the strength of the plaintiff's mark; (2) the similarity between the plaintiff's mark and the allegedly infringing mark; (3) the similarity between the products and services offered by the plaintiff and defendant; (4) the similarity of the sales methods; (5) the similarity of advertising methods; (6) the defendant's intent, e.g., does the defendant hope to gain competitive advantage by associating his product with the plaintiff's established mark; and (7) actual confusion.

N. Am. Med. Corp. v. Axiom Worldwide, Inc., 522 F.3d 1211, 1220 (11th Cir. 2008) (quoting Alliance Metals, Inc., of Atlanta v. Hinely Indus., Inc., 222 F.3d 895, 907 (11th Cir. 2000)). Of these factors, the strength of the mark and evidence of actual confusion are the most important. Frehling Enters., Inc. v. Int'l Select Grp., Inc., 192 F.3d 1330, 1335 (11th Cir. 1999).

1. Strength of RCI's Mark

"The strength and distinctiveness of plaintiff's mark is a vital consideration in determining the scope of protection it should be accorded. Strong marks are widely protected, as contrasted to weak marks." John H. Harland Co. v. Clarke Checks, Inc., 711 F.2d 966, 973 (11th Cir. 1983) (internal punctuation and citation omitted). The strength of the mark depends upon the mark's (1) conceptual strength—inherent distinctiveness as a mark; and (2) commercial strength—recognition in the marketplace. J. THOMAS MCCARTHY, MCCARTHY ON

TRADEMARKS AND UNFAIR COMPETITION § 11:83 (4th ed. 2017). As for conceptual strength, there are four categories of distinctiveness, listed in descending order of strength: (1) fanciful or arbitrary; (2) suggestive; (3) descriptive; and (4) generic. Knights Armament Co. v. Optical Sys. Tech., Inc., 654 F.3d 1179, 1188 (11th Cir. 2011).

> An arbitrary or fanciful mark has no inherent relationship to the product or service with which it is associated. A suggestive mark suggests some characteristic of the product or service to which it is applied, but requires the consumer to use his imagination to determine the nature of the product or service. A descriptive mark describes a characteristic or quality of the product or service, such as its intended use, its ingredients, its dimensions, its desirable features, or its end effect on the consumer. A purely fanciful or arbitrary mark is generally considered strong and is given protection over a wide range of related products and variations in appearance of the mark. A descriptive mark, on the other hand, is considered weak and is given a narrow range of protection. A suggestive mark falls somewhere between the two preceding types of marks and, although a suggestive mark can be protected without evidence that it has acquired secondary meaning, is comparatively weak.

John H. Harland Co., 711 F.2d at 974.

RCI argues that RCI's Mark is arbitrary because it bears no relationship to the entertainment services it represents. Pl.'s Mot. at 11. Additionally, RCI has provided a declaration attesting that RCI's Mark is commercially strong because of its considerable investment of resources, time, and effort at marketing and due to the recognizability of RCI's Mark. Id. at 11-12 (citing Sherman Decl. I ¶¶ 7-12).

Defendants do not contest that RCI's Mark is arbitrary but, instead, focuses on the second prong of commercial strength, arguing that RCI fails to demonstrate that RCI's Mark has distinctiveness in the Atlanta market. Defs.' Resp. at 15-16 (quoting Tana v. Dantanna's, 611 F.3d at 767, 776 (11th Cir. 2010)). Defendants contend that "Ponytail's use predates RCI's registration, particularly in Georgia where RCI has no presence." Id. at 15. RCI currently operates in Houston, Texas; Charlotte, North Carolina; St. Louis, Missouri; and Indianapolis, Indiana. Pl.'s Reply at 9; Sherman II ¶ 8. RCI asserts that Tana is not applicable because it involved an unregistered mark, and a registered mark allows unlimited right to use RCI's Mark nationwide. Pl.'s Reply at 9.

Even if RCI's Mark is deemed to be arbitrary, and presumptively strong, that does not mean the mark's designation cannot be attacked, as such status is "simply one piece of the overall determination of a mark's strength." Trilink Saw Chain, LLC v. Blount, Inc., 583 F. Supp. 2d 1293, 1312 (N.D. Ga. 2008) (citation omitted). RCI has failed to present any evidence or argument that RCI's Mark is distinctive in Georgia and its attempt to distinguish Tana is unavailing. The Second Circuit case relied upon by the Eleventh Circuit in Tana did in fact involve a registered mark. Brennan's, Inc. v. Brennan's Rest., L.L.C., 360 F.3d 125, 128 (2d Cir. 2004). The Second Circuit explained that the distinctiveness the mark has

in the marketplace is an important consideration when determining the mark's strength. Id. at 131. The court held that "to achieve the status of a strong mark, plaintiff must demonstrate distinctiveness in the relevant market, for if the mark is not recognized by the relevant consumer group, a similar mark will not deceive those consumers and thereby increase search costs." Id. at 132. The court stated that there was no consideration by the district court as to the demonstration of acquired distinctiveness in the relevant market of New York given that the plaintiff's restaurant was located in New Orleans. Id. at 132-33. Accordingly, the court found the district court's legal analysis insufficient to support the conclusion that the plaintiff had a strong mark. Id.

On the whole, as to the strength of the mark factor, RCI's Mark is entitled to some protection because it is a registered mark, but RCI has failed to provide evidence or argument relevant to the distinctiveness of RCI's Mark in Georgia. For this reason, the Court finds that this factor is neutral.

2. Similarity of the Two Marks

The similarity between marks factor is determined by considering "the overall impression created by the marks, including a comparison of the appearance, sound, and meaning of the marks, as well as the manner in which they are displayed. E. Remy Martin & Co., S.A. v. Shaw-Ross Int'l Imps., 756 F.2d 1525,

1531 (11th Cir. 1985); see also Frehling, 192 F.3d at 1337 ("[T]he closer the marks are, the more likely reasonable consumers will mistake the source of the product that each mark represents."). Similarity between two marks is really nothing more than a subjective "eyeball" test. Exxon Corp. v. Tex. Motor Exch., Inc., 628 F.2d 500, 504 (5th Cir. 1980). Moreover, even if the other six factors point towards likelihood of confusion, there is no likelihood of confusion if the "lack of visual similarity between the two designs is overwhelming." Dippin' Dots, Inc. v. Frosty Bites Distrib., LLC, 396 F.3d 1197, 1208 (11th Cir. 2004). RCI argues that Defendants have appropriated the most distinct and substantial portion of RCI's Mark, but fail to specify what portion that is. Pl.'s Mot. at 13; Sherman Decl. I ¶ 17. Defendants respond by noting that RCI fails to identify any shared elements, symbols, or colors, beyond "Onyx." Defs.' Resp. at 17.

The marks certainly have some similarities. They both include the word "Onyx." Defendants market themselves as "Onyx Gentlemen's Club," while RCI's Mark is titled **CLUB ONYX®**. Compl. ¶¶ 10, 18-19; Sherman Decl. I ¶ 5. However, the record is devoid of any further evidence of similarities. In fact, RCI has failed to provide description of RCI's Mark anywhere in the record.[6] RCI

[6] Defendants have provided a photograph of their sign in black and white [Doc. 19-3], yet the Court has nothing to compare this to because it does not have a visual of RCI's Mark. RCI includes a few photographs within Sherman's Supplemental

replies to Defendants' arguments by merely acknowledging that Defendants "make visual distinctions between the identical marks." Pl.'s Reply at 7. RCI attached its registration with the United States Patent and Trademark Office [Doc. 1-2], showing RCI's Mark to simply be the name "CLUB ONYX." Yet, the name appears to have no specific characters, fonts, or colors. While urging the Court to consider the overall impression of the marks, RCI fails to identify the appearance or manner of use that it is asking the Court to apply in its analysis. Pl.'s Mot. at 12. Therefore, based on the record currently before the Court, RCI has not shown that it is substantially likely to prevail on its argument that the marks are sufficiently similar, especially considering the lack of evidence of similar elements, symbols, fonts, or colors. Accordingly, this factor does not weigh in favor of finding a substantial likelihood of confusion.

3. Similarity of the Products and Services

This factor considers whether the products or, in this case, services, are "the kind that the public attributes to a single source, not whether or not the purchasing public can readily distinguish between the products of the respective parties." Frehling, 192 F.3d at 1338. The test "is whether the goods are so related in the

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Declaration, but makes no mention of whether these photographs are visuals of RCI's Mark. Sherman Decl. II ¶¶ 7, 9.

minds of consumers that they get the sense that a single producer is likely to put out both goods." Id. RCI argues that both parties offer entertainment services. Pl.'s Mot. at 14; Sherman Decl. I ¶ 18. Defendants urge the Court to disregard such a broad construction of similarity, criticizing RCI for not presenting arguments in the detailed form present in Frehling. Defs.' Resp. at 17-18.

The Court recognizes that both RCI and Defendants offer adult entertainment. Defendants contend that Ponytail operates an exotic dance club. Williams Decl. ¶ 4. RCI contends that it operates "[e]legant gentlemen's clubs featuring beautiful topless dancers and high-quality restaurant service." Sherman Decl. I ¶ 3. RCI asserts "[t]here is no dispute that both RCI and Defendants offer entertainment services under the marks." Sherman Decl. I ¶ 18.

Based on the record before it, the Court finds that there are some similar services provided by both RCI and Defendants but others that may not be similar. Indeed, the Eleventh Circuit has found two "fine-dining establishments [both] serving meat and fish" to offer different services. Tana, 611 F.3d at 778. The court noted that there were "stark differences between the parties' restaurants," id., demonstrative of the principle that merely offering the same services is not enough by itself to establish the likelihood of confusion and the court should instead take a

more granular analysis which is not possible based on the current evidence in the record. The Court finds this factor to be neutral.

4. Similarity of the Sales Methods

This factor "takes into consideration where, how, and to whom the parties' products are sold." D. H. Pace Co., Inc. v. Aaron Overhead Door Atlanta LLC, 522 F. Supp. 3d 1315, 1335 (N.D. Ga. 2020) (citation and quotation omitted). "The greater the similarity in advertising campaigns the greater the likelihood of confusion." Id. (citation omitted). "The parties' outlets and customer bases need not be identical, but some degree of overlap should be present." Frehling, 192 F.3d at 1339.

The Court does not have any evidence before it that shows a similarity of advertising and sales methods for RCI and Ponytail. RCI has presented examples of Defendants promoting on social media that "Atlanta's #1 gentlemen club is back" and identifying the club as "[t]he world famous Onyx Atlanta." Pl.'s Mot. at 4. However, those solicitations are limited to the metro Atlanta area and are far from the markets where RCI is present: Houston, Texas; Charlotte, North Carolina; St. Louis, Missouri; and Indianapolis, Indiana. No examples of RCI's sales methods have been provided. This Court cannot find, based on the evidence currently before it, that "there is overlap in the parties trade channels" to the extent

required by Frehling. See Hi-Tech Pharms., Inc., 2017 WL 11358731, at *3 (acknowledging the requirement that some degree of customer overlap be present in a case where the plaintiff had a registered mark). Given the lack of evidence before the Court, it finds that this factor weighs slightly in Defendants' favor, because there is no evidence that (1) Defendants operate in any states where RCI operates, or (2) RCI operates in Georgia.

5. Advertising Similarity

As for the similarity in advertising media factor, RCI argues that there is significant overlap in the parties' methods of advertising; for example, both advertise online and via social media. Pl.'s Mot. at 15-16; Sherman Decl. I ¶ 18. Defendants respond that they do advertise on the internet, but go on to argue that this factor is less probative today now that internet and social media have become the dominant form of advertising. Defs.' Resp. at 18-19. RCI replies that both parties advertise in XCITEMENT magazine, and both put scantily-clad women on billboards. Pl.'s Reply at 8; Sherman Decl. II ¶ 7.

With respect to the similarity in the parties "maintenance of websites on the World Wide Web," as well as maintenance of social media accounts, this Court concludes, like the Eleventh Circuit, that "[t]his similarity would dispel rather than cause confusion . . . because the websites [and social media accounts] are separate

and distinct, suggesting two completely unrelated business entities. Tana, 611 F.3d at 778. See also Savannah Coll. of Art & Design, Inc. v. Sportswear, Inc., 983 F.3d 1273, 1284 (11th Cir. 2020), cert. denied, 142 S. Ct. 74 (2021) ("[A]lthough both parties advertise over the internet, '[t]hat the goods or services of the parties are both found on the Internet proves little, if anything, about the likelihood that consumers will confuse similar marks used on such goods or services.'" (quoting J. THOMAS MCCARTNEY, 4 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:53.50 (5th ed. 2021)).

Based on the evidence currently before the Court, it is unable to conclude that there is a similarity in the parties' advertising which would create the possibility of confusion between the businesses operated by RCI and Defendants. Therefore, this factor is neutral.

6. Defendants' Intent

RCI contends that Defendants intended "to obtain a free ride on" RCI's Mark because Defendants "adopted the mark Club Onyx without conducting any form of trademark research" before the grand opening of Defendants' club. Pl.'s Mot. at 17. Defendants respond by pointing to their use of its mark in 2006, which predates the registration of RCI's Mark and contend they had no awareness of RCI's operation hundreds of miles away. Defs.' Resp. at 19-20. RCI asserts in

conclusory fashion that Defendants have conscious intent and have improperly benefitted from the reputation and goodwill of RCI. Pl.'s Reply at 10.

RCI has not submitted any evidence showing that Defendants had any intent to obtain a benefit from RCI's reputation in the industry. Indeed, because Ponytail operated as Club Onyx before RCI registered its mark, the evidence indicates otherwise. Therefore, the Court finds that, based on the evidence currently before it, this factor weighs in favor of Defendants.

7. Actual Confusion

The Court's inquiry of the final factor, concerning the existence and extent of actual confusion, "turns on both the number of instances of confusion and the type of person confused." PlayNation Play Sys., Inc. v. Velex Corp., 924 F.3d 1159, 1167 (11th Cir. 2019). There is no "absolute scale" for assessing whether there is actual confusion among consumers; rather, the district court must "examin[e] the evidence in light of the circumstances of the particular case." Jellibeans, Inc. v. Skating Clubs of Georgia, Inc., 716 F.2d 833, 844 (11th Cir. 1983)

RCI merely states that it has begun documenting confusion, particularly following the shooting that occurred in Defendants' club, but RCI does not provide evidence of any instances of confusion. Pl.'s Mot. 18. RCI points only to

misdirected phone calls, claiming it has been deluged with misdirected inquiries related to the shooting that occurred at Defendants' establishment on June 29, 2021. Sherman Decl. I ¶ 23. Therefore, the quantum of evidence that shows actual confusion presently before the Court is limited. In fact, since the time of the initial cease and desist letter sent in 2008, the only actual instance of confusion presented by RCI relates to the shooting incident that occurred in July 2021, after the filing of the Complaint in this case. At this stage of the litigation, this factor weighs in favor of Defendants.

8. Balancing the Factors

After weighing all of the factors—particularly the lack of strength of RCI's Mark in Georgia and the lack of evidence that shows actual confusion—the record currently before the Court fails to show a likelihood of confusion between RCI's Mark and Defendants' use of Club Onyx.

Because RCI fails to establish the first factor in obtaining a preliminary injunction – substantial likelihood of success on the merits – it is not necessary for the Court to analyze the other factors for a preliminary injunction. Noorani Trading Inc. v. Bijani, No. 1:17-CV-1344-LMM, 2017 WL 8292437, at *3 (N.D. Ga. May 4, 2017). Based on its analysis and the current record, the Court finds

that RCI fails to demonstrate by a preponderance of the evidence that there is a substantial likelihood it will prevail on its trademark infringement claim.

III. CONCLUSION

For the foregoing reasons, it is hereby **ORDERED** that RCI's Motion for Preliminary Injunction [Doc. 15] is **DENIED**.

IT IS SO ORDERED this 13th day of January, 2022.

Mark H. Cohen

MARK H. COHEN
United States District Judge