

purchased additional Cleveland brand golf clubs from copycatchclubs.com, took photographs of the clubs purchased and provided the clubs to Cleveland’s legal counsel. (Ex. A at ¶ 5). Stephen Gingrich, head of Cleveland Global Fraud Task Force (GFTF) supported such and indicated upon inspecting the purchased club it was determined to be not authentic. It was stipulated in trial that 11 registered trademarks of Cleveland existed on Prince’s website and were subject to “trademark infringement without authorization.” (Ex. B).

Mr. Fessenden turned over the clubs he purchased to Cleveland Golf care of its law firm, Nelson Mullins. (Ex. A at ¶ 7). Cleveland Golf then filed suit against Christopher Prince and his company Prince Distribution, LLC, for trademark infringement and counterfeiting. Subsequent to suing Prince, Cleveland learned that Prince had used “Bright Builders” to host his website and provide website building services. Nobody at Cleveland nor its legal team contacted Bright Builders regarding the suit against Prince nor sent a “cease and desist” letter to Bright Builders indicating that Prince’s site was being used to sell counterfeit goods Bright Builders did not suspect Prince was selling counterfeit clubs until it received the Amended Summons and Complaint in this action. (Ex. C at 112:6-10).

Generally, Bright Builders sells a variety of coaching, training, development, web hosting and support services for use in the e-commerce market. (Exs. F, K-O). In regard to the Prince Defendants specifically, Bright Builders’ services were sold to Prince by a third party wholesaler, Auction Success Group, LLC. (Ex. D; Ex. C at 30:20 – 31:9). On or about February 21, 2008, the Prince Defendants purchased a package of Bright Builders’ services from Auction Success Group wherein Bright Builders agreed to provide the following services: “The

trial transcript are currently referred to by the docket number of the completed excerpts on file with the court followed by the page and line. As referenced in the email of Elisabeth C. Frost, Judicial Law Clerk to The Honorable Margaret B. Seymour, sent to all parties on April 11, 2010, citations to the record will be supplemented once the completed trial transcript is received.

Bright Builder Package” including a research tool and “lister” tool; “Mentoring” for 7 months; “SEO Marketing Foundation”; “Graphic Design”; and “Innovative Tax Services.” (Ex. D). In connection with his purchase of Bright Builders’ services, Prince signed a “Hosting Agreement” which provided the following:

Sections 4.0, 4.1 and 4.3: Bright Builders’ “obligations under this Agreement are conditioned upon the following representations and warranties:

4.1 Compliance with Law. You [the Prince Defendants] represent and warrant that you will comply with all applicable state and federal laws in your performance of this Agreement and in the use and operation of the Hosting Service, including laws governing technology, software, and trade secrets.

...

4.3 Non-Infringement. You [the Prince Defendants] represent and warrant that your performance of this Agreement and providing the Web Service, including the software or data files, shall not infringe the intellectual property or other proprietary rights of any third party.

Section 6.4: “violation of Sections 4.1, 4.2 or 4.3” of the Agreement “constitute a breach or default of this Agreement.”

Section 8.0:

We [i.e., Defendant Bright Builders] may immediately deactivate any Hosting Service that is used for Illegal, Abusive, or Unethical Activity without warning to you Although we will make reasonable efforts to alert you to such activities and allow you an opportunity to cure them within a 12-hour period after discovery, we are not required to give notice before deactivating your use of our services if, in our discretion, your use is or results in Illegal, Abusive or Unethical activities.

(Ex. E)

In addition to the signed Hosting Agreement, Bright Builders then sent a “welcome packet” to Prince. (Ex. F). Nothing in Bright Builders’ training materials or welcome packet states that customers should “copy and paste” information from other websites without the

website owner's permission and/or that infringes on a third-party's copyright or trademark ownership in violation of Bright Builders' own hosting agreement. (Exs. F, K-O).

Despite the documentary evidence confirming that he bought the services through Auction Success Group, Prince testified at trial that he "found" Bright Builders' services by conducting a Google search and finding Bright Builders' website from which he purchased the services. (Doc. 128 at 3:11-12; 36:24-37:5). Despite being able to conduct this search prior to his introduction to Bright Builders' services, Prince testified that he did not even know how "to turn on a computer" before Bright Builders assisted him. (Doc. 128 at 36:21-23). Prince testified that Bright Builders' coaching and mentoring taught him how to cut and paste content from other websites onto his own and how to build his websites. (Doc. 128 at 10:11-13). Prince testified that Bright Builders representatives told him to use the drop-shippers that Prince used to obtain the golf clubs he was selling through his website. (Doc. 128 at 4:4-6, 16:23 – 17:4). Prince further testified that Bright Builders told him that he should "copy and paste" images and information that he wanted to use on his site directly from other websites, which he then did. (Doc. 128 at 5:22-6:4, 10:11-13). Prince also testified at trial that, during the coaching sessions with Bright Builders, Prince told Bright Builders representatives that he was going to sell copied golf clubs. (Doc. 128 at 67:7-8)

Cross examination of Prince revealed that first, he tried to sell hospital scrubs with his wife, and then video games, but neither of these ideas worked out. (Doc. 128 at 47:15-48:11, 73:23-74:15). Prince also admitted that he may have sold golf clubs on eBay prior to his ever finding or utilizing Bright Builders in 2008. (Doc. 128 at 49:15-50:12). Prince said he would go on eBay during the use of his eBay account and look at where he could find the cheapest clubs to sell in order to reap the largest profit margin, and he found them at the Chinese drop shipper

websites (Doc. 128 at 50:17-25). Moreover, Prince's prior testimony confirmed that he would have both bought and sold golf clubs on eBay during this earlier time (prior to his involvement with Bright Builders). (Doc. 128 at 49:15-50:12).

Prince further had testified that he alone had selected his domain names because "I had seen other companies out there with names similar, and cool names I thought at that particular time, so I registered it." (Doc. 128 at 63:15-25). Prince also had testified that he alone designed the layout of his golf site, on his own using the general layouts and sales interface provided in Bright Builders' web builder software and that nobody else had involvement in the design. (Doc. 128 at 8:9 – 9:3). Prince testified that all of the content and images for his golf clubs website came by him copying and pasting from wholesalers' websites and other third-party websites. (Doc. 128 at 70:6-16). Moreover, he stated that during the only discussion about golf with Bright Builders, Prince simply discussed "golf clubs in general," nothing about selling counterfeit or illegal clubs. (Doc 128 at 52:1-9). Prince also explained that, while Bright Builders recommended certain drop-shippers he did not use those shippers because he would not be able to make the amount of money he wanted. (Doc. 128 at 4:4-6, 38:3-9) Instead, Prince used various drop shipping "companies in China" to obtain the products he sold. (Doc. 128 at pg. 16:8-17). Prince also admitted that he could not recall telling Bright Builders about the Chinese Web sites he was using to supply his sale of golf clubs or the fact that the clubs he was selling were counterfeit. (Doc. 128 at 52:1-6) Prince further admitted that he knew the golf clubs he was ordering from the Chinese Web sites were not authentic because he received multiple complaints from his customers that they could not register the clubs they purchased with Cleveland. (Doc. 128 at 52:10-25; 53:9-13). Prince had further confirmed that Bright Builders directed him to other sites suggesting that Prince pattern his site after them, and copy and paste

images and content from those sites. (Doc. 128 at 5:22-6:4, 10:11-13) Prince had testified that Bright Builders walked him through a demonstration of how to set up a Web site and denied that Bright Builders ever helped him incorporate specific information into a his site. (Doc. 128 at 5:19 – 6:4, 70:6-19, 81:9 – 82:1)

Michael A. Johnson, a coach with Bright Builders and Prince's *specific advisor* during the pendency of Prince's account testified via deposition. (Ex. C). Using contemporaneous notes of telephone and instant message communications with Prince, Johnson confirmed that Prince failed to attend most of the webinars on general website building provided with the general site building training, and consistently failed to complete most assignments or check in with his coach. (Ex. C at 81:17-22, 83:7-8). During the handful of conversations conducted with Prince via telephone, Bright Builders told Prince to generally find a "niche" that interested him around which he would be motivated to build an e-commerce business. (Ex. C at 70:18-71:7, 89: 6-7). Johnson further testified that the Bright Builders software and web building tools provided general stock page layouts and themes with automatically inserted "form" text such as "menu" or "Insert Title Here" (which the user was supposed to overwrite with their own content) and provided an automatic sample "privacy" disclaimer that users, such as Prince, were supposed to review and adjust to their own specific business. (Ex. C at 44:22-47:25).

Prince testified that the first domain name he registered and website he intended to build was "myscrubs4u.com" in attempt to sell hospital apparel items that his wife wanted to sell and he discussed this concept with Bright Builders. (Doc. 128 at 21:19-22; 47:15-48:6). On March 13, 2008, a Bright Builders coach called Prince to assign him a project of doing research using 5 drop-shippers (dropshipdirect.com, megagoods.com, globalsource.com, ezdropshipper.com and ckproducts.com). (Ex. G at 20). To this, Prince replied that he had already done the assignment

and “somebody” he could not name had assisted with this. (Ex. G at 20). When Johnson was assigned as Prince’s coach at the end of March 2008, Prince had not proceeded very far with a business concept. (Ex. G at 19). On April 3, 2008, Prince called Johnson and complained that he could not find drop-shippers willing to sell him “anything” for prices lower than items were selling for on eBay. (Ex. G at 19). During April and May of 2008, Prince also stated that he was frustrated because he had ordered items from a shipper only for those “products” to be unavailable. (Ex. G at 17; Ex. C at 90:4-24, 91:8-12). However, after repeated inquiries regarding not hearing from Prince, Johnson spoke with Prince confirming that Prince said “life took hold and he got distracted on building his website.” (Ex. G at 15; Ex. C at 90:4-9). Ultimately, Prince testified, he failed to create the “myscrubs4u.com” website and abandoned the idea altogether. (Doc. 128 at 47:23).

At the beginning of June of 2008, Johnson tried to talk about what “niche” Prince was interested in so that he could create a successful business (as the scrubs idea had failed). (Ex. G at 13; Ex. C at 89:5-10). During the June 10, 2008 call, Prince told Johnson that he was interested in golf and selling “golf clubs” and that he, Prince, had found “suppliers” for such and was “excited.” (Ex. G at 13; Ex. C at 89: 5-10). Subsequently, Prince dropped out of substantive communication again until he spoke with Johnson on July 14, 2008 after “computer issues” prevented him from working on his site. (Ex. G at 11; Ex. C at 82:17-83:8). At that point, Johnson assigned Prince more tasks, but did not have any coaching sessions with Prince until August 4, 2008. (Ex. G at 11.) During that conversation, Prince stated that he had gotten a new computer and was “just starting to work on his site again as of last night.” (Ex. G at 9). Johnson sent him some assignments and signed Prince up for webinars, but Prince did not attend the sessions. (Ex. G at pg. 9). On September 4, 2008, Johnson sent Prince an email to warn him

that his coaching period was coming to a close and noting that Prince had missed the appointments. (Ex. G at pg. 8). Johnson called again on September 10, 2008 and talked with Prince about being “MIA for a while.” (Ex. G at 7). Prince replied that he was doing fine and not to worry – he had been working on his site and made progress. (Ex. G at 7). Prince had technical questions that Johnson said he should discuss with technical support. (Ex. G at 7). After this conversation, Prince attended one webinar. (Ex. G at pg. 7). However, Johnson sent two emails explaining that his coaching was now officially over as of September 22, 2008. (Ex. G at 6). After that point, Johnson did not personally have contact with Prince. (Ex. G at 1-6).

Johnson testified that he did not know Prince was selling any name-brand golf clubs. (Ex. C at 111:18-23). Johnson further testified that he was familiar with seeing generic golf clubs at flea markets and “the like” all of the time. (Ex. C at 111:18-23). Johnson was aware at some time that Prince had registered the domain name “copycatclubs.com,” and assumed that Prince was selling golf clubs generally, but was not asked to review nor did he review the content placed by Prince on Prince’s website. (Ex. C at 112:2-5). Customers like Prince using the builder could “sign up and register any domains” much like one can through Go Daddy, Google, or Yahoo. (Ex. C at 105:14-20). In fact, Prince did not register his “copycatclubs.com” domain until August 31, 2008, after all conversations with Johnson had ended and only weeks before the end of his coaching time period, and this would have been a process that Prince did on his own through the builder. (Ex. H).

Emily Davies, who served as Office Manager for Bright Builders during the relevant time period, testified via deposition regarding the free “Bright Lister” service provided by Bright Builders. (Ex. I at 19:7-16). She explained that users, such as Prince, could have their registered domains sent to a list of search engines by filling in an online form. (Ex. I at 19:7-16). Over the

course of his utilization of Bright Builders' site hosting services, Prince sent in and registered three different domain names for his golf site: "legacygolfclubs.com" "worldtimegolf.com," and "copycatclubs.com" starting in August of 2008. (Doc. 128 at 11:11-24). Customers, such as Prince, would fill in a brief "request" form online with the domain name they desired to have submitted to search engines. (Ex. I at 19:7-16). The domain name from the form was then copied and pasted by various employees into Bright Builders' "Submit Wolf" program that then forwards the domain name to a "queue" for the search engines' review. (Ex. I at 14:11-16; Ex. C at 62:19-63:13).

Johnson explained that, while Bright Builders offered and Prince apparently paid for many services (such as the SEO and Marketing, and Custom layout) that would have required Bright Builders team members to view and work with the *actual* content of Prince's website, Prince did not, in fact, utilize any of these services – a fact that was noted to him when Prince inquired about cancelling the account. (Ex. G at 1-3). In that latter conversation, Prince actually admitted to having spent additional money going through a *third-party* marketing company to develop his site, though he was apparently told by this company that they "worked with some people from" Bright Builders. (Ex. G at 1-3). The Bright Builders representative told Prince that Bright Builders only used an in-house marketing department and that Prince was misinformed by the third-party if the marketing company told Prince that they were Bright Builders. (Ex. G at 1-3). The representative further reminded Prince at that time that he had not utilized the SEO or Marketing services that he paid for and that he could still do so if he desired. (Ex. G at 1-3). Prince said he would think on it. (Ex. G at 1-3).

It was only upon receiving Cleveland's complaint after March 23, 2010, that anyone at Bright Builders was informed that Prince was infringing Cleveland's trademarks (or anyone's

trademarks) through his website at the domain “copycatclubs.com.” (Ex. C at 112:6-10). Greg Cole, CEO of Bright Builders testified that Bright Builders did not police customer websites, it relied on third-parties to contact Bright Builders if there were complaints and Bright Builders would investigate. Cole testified that nobody, prior to the lawsuit filed in the instant action, ever complained about Prince’s site. Cole and Stephen Gingrich confirmed that Cleveland never contacted Bright Builders about copycatclubs.com prior to the initiation of the lawsuit. After being served, Bright Builders tried to go to the copycatclubs.com website to investigate, but Prince had already deleted all content on the site.

Greg Cole testified that Bright Builders had previously received approximately seven complaints from third parties concerning content contained on its clients’ websites. The complaints concerned the alleged sale and/or inclusion of material protected by copyright and/or trademark on the complained-of websites. One complaint in particular involved the inclusion of alleged counterfeit GUCCI brand products on a Bright Builder customer website. Mr. Cole testified that in all instances, the complaints were investigated and all necessary steps were taken by Bright Builders to address the complaints, including removing allegedly infringing content from its customers’ websites. Mr. Cole also testified that none of the prior complaints received by Bright Builders resulted in legal action being initiated against the company. Mr. Cole testified that the first legal action initiated against Bright Builders with regard to violation of trademark and/or copyright law was the present action. Furthermore, as previously noted, Mr. Cole and Mr. Gingrich both testified that at no time did Cleveland Golf or its counsel contact Bright Builders prior to filing suit in an effort to notify it that allegedly infringing material was included on Prince’s website.

II. PROCEDURAL HISTORY AND JURY INSTRUCTIONS

Following the close of the plaintiff's case, Bright Builders moved for judgment as a matter of law on the ground of insufficiency of the evidence to sustain the plaintiff's burden on the knowledge element of its claims against Bright Builders and renewed the motion at the close of the evidence. The motion was denied.

The Court heard arguments from all parties regarding the content of the jury instructions and verdict form. In particular, Bright Builders objected to the Court's definition of the requisite "knowledge" element for contributory trademark infringement. The Court's instruction included the following:

The knowledge element is satisfied by proof a preponderance of the evidence that Bright Builders had either actual or constructive knowledge of the infringing activity. Actual knowledge exists where it can be shown by a defendant's conduct or statements that it actually knew of specific instances of direct infringement. Constructive knowledge exists where it can be shown a defendant should have known of the direct infringement.

The knowledge element is similarly satisfied if Cleveland Golf can show by a preponderance of the evidence that Bright Builders was willfully blind to the infringing activity. In other words, if Bright Builders had reason to suspect that users of its service were engaging in infringing activities, it may not shield itself from learning of the particular infringing transactions by looking the other way. Ignorance is no defense to violations of the Lanham Act.

(Ex. J at 5-6, No. 9.3).

Bright Builders specifically objected to the instruction regarding "willful blindness." Bright Builders requested that, if a "willful blindness" instruction was to be included as part of the definition of knowledge, then, in accord with the case law establishing "willful blindness" as a proper method of proving the requisite knowledge, the jury should be instructed that "willful blindness" is equivalent to "actual knowledge" in the context of contributory trademark

infringement liability. Bright Builders objected to the instruction further by saying that the jury must be instructed that plaintiffs needed to prove “something other than should have known. Should have known leaves it up to [the jury] to decide, without any basis of what should have known means” in the contributory trademark infringement context. (Doc. 129 at 21:21-24).

III. ARGUMENTS

A. Knowledge Element of Contributory Trademark Infringement

1. The Supreme Court’s Standard in *Inwood* and its Application

In *Inwood Labs., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 854 (1982), the U.S. Supreme Court stated that a “manufacturer or distributor” of a product could be found liable for contributory trademark infringement by proof that “it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement.”² Based in the Supreme Court’s language, the knowledge element has and continues to be the primary focus of the case law as the *critical* element of contributory liability. *David Berg and Co. v. Gatto Int’l Trading Co., Inc.*, 884 F.2d 306, 311 (7th Cir. 1989) quoting *Sealy, Inc. v. Easy Living, Inc.*, 743 F.2d 1378, 1382 (9th Cir. 1984) (“[t]he determination of contributory infringement depends upon a defendant’s intent and its knowledge of the wrongful activities of its distributors”). *See also Sony Computer Entertainment America, Inc. v. Gamemasters*, 87 F.Supp. 2d 976, 986 (N.D.Cal. 1999) (“gravamen of a contributory infringement action is the defendant’s knowledge”).

While acknowledging that contributory trademark infringement liability derives from the common law, rather than directly from the Lanham Act, see *Georgia Pacific Consumer Products, LP v Von Drehle Corp.*, 618 F.3d 441, 449 (4th Cir. 2010) (“judicially created doctrine

² While the Court in *Inwood* also stated that contributory trademark infringement can be proved by showing the defendant “intentionally induced” a third-party to infringe, the plaintiff in this case did not pursue this theory of recovery at trial. (Doc. 129 at 7:7-24; 8:20-9:10). Moreover, while the verdict form includes at various points the term “vicarious liability,” the plaintiff also agreed that it was not pursuing this theory of recovery at trial. (Doc. 129 at 81:4-10).

of contributory trademark infringement, derived from the common law of torts”); *Tiffany v. eBay*, 600 F.3d 93, 103-104 (2d Cir. 2010) (“[c]ontributory trademark infringement is a judicially created doctrine that derives from the common law of torts”), courts have been equally quick to point out that the Supreme Court in *Inwood* did not articulate a mere “negligence” standard for liability. *See Tiffany v. eBay*, 576 F.Supp.2d 463, 502-503, *aff’d in part and remanded on other grounds*, 600 F.3d 93 (2nd Cir. 2010) (rejecting plaintiff’s argument that it apply a “reasonable anticipation” standard for contributory infringement as an alternative to the standard set forth in *Inwood*); *accord* 600 F.3d 93, 110, n.15 (2d Cir. 2010).

The Lanham Act places the duty to police trademark violations squarely on the shoulders of the trademark owner. *See, e.g.*, 2 McCarthy on Trademarks and Unfair Competition § 11:91 (4th ed.) (*Author’s Comment*) (“The law imposes on trademark owners the duty to be pro-active and to police the relevant market for infringers.... Similarly, the trademark owner must anticipate constant “maintenance” of its trademark property by policing and enforcing the exclusivity of its trademark symbol in its marketplace.”). *See also, MDT Corp. v. New York Stock Exchange*, 858 F.Supp. 1028, 1034 (C.D. Cal. 1994) (*Inwood* did not “extend so far as to require non-infringing users to police the mark for a trade name owner. The owner of a trade name must do its own police work.”). For this reason, courts addressing the “hav[ing] reason to know” standard articulated in *Inwood* have repeatedly warned that there must be proof that a service provider, distributor, or landlord was actually on notice of a specific instance of infringement by the particular customer or tenant and fail to investigate while continuing to supply services or product to that customer or tenant. *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 439, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984) (continued supply of

service or product with a merchant who the provider "knew was mislabeling the product with the trademark owner's mark").

Nevertheless, litigants have, citing the Restatement, repeatedly urged that a party ought to be found liable where it "fails to take reasonable precautions against the occurrence of the third person's infringing conduct in circumstances in which the infringing conduct can be reasonably anticipated." *See Tiffany v. eBay*, 576 F.Supp.2d at 502, *citing* Restatement (Third) of Unfair Competition Sec. 27 (1995). This reading of *Inwood* has consistently been rejected.

The Fourth Circuit has not addressed the question of what evidence is necessary as a matter of law to prove a claim under *Inwood*'s articulated "knows or has reason to know is engaging in trademark infringement" prong in the context of internet service providers. However, the U.S. District Court for the Eastern District of Virginia did address the question in *Rosetta Stone Ltd. v. Google Inc.*, 730 F.Supp.2d 531, (E.D. Va 2010), and relied directly on the Second Circuit's reasoning in *Tiffany Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010). "For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary." *Tiffany v. eBay*, 600 F.3d 93, 107 (2d Cir. 2010). "The Supreme Court has specifically disavowed the reasonable anticipation standard as a 'watered down' and incorrect standard." *Tiffany*, 576 F.Supp.2d at 469, *citing Inwood*, 456 U.S. at 854 n. 13. In *Tiffany v. eBay*, generalized knowledge that counterfeit goods might be sold on eBay's website was insufficient to support a claim of contributory trademark infringement against the online marketplace eBay. Contributory trademark law requires "more specific knowledge as to which

items [were] infringing and which seller [was] listing those items before requiring eBay to take action.” 576 F.Supp.2d at 470.

In the suit, Tiffany alleged that thousands of pieces of counterfeit jewelry had been offered on eBay’s website, and that eBay “facilitated and allowed these items to be sold” there. *Tiffany*, 576 F.Supp.2d at 469. Tiffany argued that “eBay was on notice that a problem existed” and was thereby obligated to “investigate and control the illegal activities” of its sellers. Tiffany took the position that eBay should “preemptively refus[e] to post any listing offering five or more Tiffany items and ... immediately suspend[] sellers” upon learning of Tiffany’s belief that the seller had engaged in “potentially infringing activity.” *Id.* In response, eBay asserted that the responsibility lay with Tiffany “to monitor the eBay website for counterfeits and to bring counterfeits to eBay’s attention.” *Id.* at 469. eBay argued that its generalized knowledge was insufficient to impose contributory liability; the law demanded “more specific knowledge of individual instances of infringement and infringing sellers before imposing the burden on eBay to remedy the problem.” *Id.* at 508.

Both the trial court and the Second Circuit agreed with eBay. In a bench trial, the trial court found that Tiffany had taken several actions to protect its trademark: (1) sending demand letters to eBay explaining its belief that counterfeit Tiffany jewelry items were being sold, and that listings wherein five or more pieces of alleged Tiffany jewelry were offered were “almost certainly” counterfeit; (2) notifying eBay that Tiffany’s own “Buying Program” study found that 73.1% of Tiffany items purchased during a given time were counterfeit; and (3) filing thousands of “NOICs” (notices of claimed infringement) under eBay’s “notice-and-takedown” system stating Tiffany’s belief that certain listings were counterfeit or otherwise infringing on Tiffany’s marks. 576 F.Supp.2d at 507. The trial court also found that eBay received “numerous

complaints” from buyers that they had purchased counterfeit Tiffany jewelry on its site. *Id.* Nevertheless, the district court found these actions had only put eBay on “generalized notice that some portion of the Tiffany goods sold on its website might be counterfeit.”

Citing *Inwood*, the district court pointed to the Supreme Court’s language which was focused on individual infringers, and the language in *Gucci America, Inc. v. Hall*, 135 F.Supp.2d 409, 420 (S.D.N.Y. 2001) describing the plaintiff’s “high” burden to demonstrate knowledge, supporting a requirement of specific rather than generalized knowledge. *Tiffany*, 576 F.Supp.2d at 509-510. Citing Justice White’s concurring opinion in *Inwood*, the court stated that “the doctrine of contributory infringement should not be used to require defendants to refuse to provide a product or service to those who merely *might* infringe the trademark.” *Id.* at 510 (emphasis added), *citing Inwood*.

On appeal, Tiffany argued that the trial court’s distinction between general and specific knowledge was not justified, and that the only relevant inquiry was “whether all of the knowledge, when taken together, puts [eBay] on notice that there is a substantial problem of trademark infringement.” *Tiffany*, 600 F.3d at 107. The Second Circuit found Tiffany’s reading of *Inwood* too broad. *Id.* The Second Circuit looked to the Supreme Court’s only elucidation of the *Inwood* standard in *Sony Corp.*, 464 U.S. 417 (1984). In the *Sony* “Betamax” case, plaintiffs Universal Studios and Walt Disney Productions brought claims of contributory *copyright* infringement against Sony as the manufacturer of home video recorders. *Sony Corp.*, 464 U.S. at 419-420. The plaintiffs claimed that Sony’s customers were using the recorders to tape television shows to which the plaintiffs held the copyrights, that such use was copyright infringement, and that Sony should be held contributorily liable for its role. *Id.* In rejecting the plaintiffs’ claim against Sony, the Supreme Court noted that if the more “narrow” trademark

standard of *Inwood* applied, the plaintiff's claim of contributory infringement "would merit little discussion," as the trademark standard would have required knowledge by Sony of "identified individuals known by it to be engaging in continuing infringement...." *Id.* at 439, n.19. *See also Hard Rock Café Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143, 1150 (1992), *citing Sony Corp.*, 464 U.S. at 439, n.19 ("the Supreme Court tells us that secondary liability for trademark infringement should, in any event, be more narrowly drawn than secondary liability for copyright infringement").

Applying *Sony*, the Second Circuit agreed that Tiffany "failed to demonstrate that eBay was supplying its service to *individuals* who it knew or had reason to know *were selling counterfeit goods.*" *Tiffany*, 600 F.3d at 109 (emphasis added). "For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary." *Id.* at 107.

Both the district court and the Second Circuit in *Tiffany* expressly rejected the reasonable anticipation standard as "foreclosed by *Inwood* itself." *See* 576 F.Supp.2d at 502, (citing Justice White's concurring opinion and the majority response); 600 F.3d at 111, n.14 ("To be clear, a service provider is not contributorily liable under *Inwood* merely for failing to anticipate that others would use its service to infringe a protected mark. *Inwood*, 456 U.S. at 854 n.13 (stating that for contributory liability to lie, a defendant must do more than 'reasonably anticipate' a third party's infringing conduct (internal quotation marks omitted))."). *See also Medic Alert Foundation U.S., Inc. v. Corel Corp.*, 43 F. Supp.2d 933, 940 (N.D. Ill, 1999) ("[t]he standard is not whether a manufacturer 'could reasonably anticipate' possible infringement, but rather

whether it knew or had reason to know that a third party is engaging in trademark infringement and continued to sell its products to that third-party.”). The trial court noted that, with the sole exception of cases in the Third Circuit dating back three decades, the courts considering the question have rejected it as well. *See Tiffany*, 576 F.Supp.2d at 503 and cases cited.

Likewise, in *Rosetta Stone Ltd. v. Google Inc.*, 730 F.Supp.2d at 548-549, comparing Google with eBay, the Eastern District of Virginia found Google lacked the requisite specific knowledge to impose contributory liability. Specifically on the issue of whether evidence existed as to whether “Google is supplying a service to those it knows or has reason to know is engaging in trademark infringement,” the court found “no evidence” and granted summary judgment in favor of Google on the count of contributory trademark infringement. *Id.* at 548 & 552. *Compare Government Employees Insurance Co. v. Google, Inc.*, 330 F.Supp.2d 700, (E.D. Va 2004) (allegations that Overture Services, Inc. “encouraged advertisers to bid on trademarked words” and monitored and controlled infringing third-party advertisements merely *sufficient to state a claim* of contributory infringement on the basis of “actual or constructive” knowledge).

The court, citing *Tiffany*, stated that “[a]bsent evidence showing that [the defendant] had specific contemporary knowledge of which particular listings were infringing or would infringe in the future, [the defendant] could not be contributorily liable.” *Rosetta Stone*, 730 F.Supp.2d at 548. The court reasoned that Google’s policy of expressly prohibiting advertisements for counterfeit goods, having a team that responded to notices of counterfeit advertisements, and removing “any advertisements confirmed to violate” its program, was all that was required of Google. *Id.* at 538 & 548. Moreover, it did not matter that neither Google nor eBay had a “mechanism for detecting which advertisers sold counterfeit” versus “legitimate” goods. *Id.* at 548. The court noted that even with “knowledge of the high rate of Tiffany counterfeits, the

Second Circuit did not impute the degree of specific knowledge necessary for liability.” *Id.* at 548-549, *citing Tiffany* at 109.

In summary, the *Inwood* standard has been developed in the context of internet service providers to require knowledge, either “actual or constructive” of: (1) “identified individuals” *Sony Corp.*, 464 U.S. at 439, n.19; (2) who [the defendant] knew or had reason to know were selling *counterfeit goods*.” *Tiffany*, 600 F.3d at 109 (emphasis added).

2. Limited Concept of “Willful Blindness” as applied to Contributory Trademark Infringement

In *Tiffany*, The Second Circuit reiterated that in “the words of the Seventh Circuit, ‘willful blindness is equivalent to actual knowledge for purposes of the Lanham Act.’” *Tiffany*, 600 F.3d at 111, citing *Hard Rock*, 955 F.2d at 1149. The court explained: “if eBay had a reason to suspect that counterfeit Tiffany goods were being sold through its website, and *intentionally shielded itself from discovering the offending listings or the identity of the sellers* behind them, eBay might very well have been charged with knowledge of those sales sufficient to satisfy Inwood’s ‘knows or has reason to know’ prong.” *Tiffany*, 600 F.3d at 110 (emphasis added). The “willful blindness” test focuses on *intentional actions* of the defendant to avoid knowledge, rather than on mere passivity or “negligence.”³

“Willful blindness” was first applied to claims of contributory trademark infringement by the Seventh Circuit in *Hard Rock Café Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143 (7th Cir. 1992). *See also, Monsanto Co. v. Campuzano*, 206 F.Supp.2d 1271, 1275 (S.D. Fla. 2002); *Medic Alert*, 43 F.Supp.2d at 940. In *Hard Rock Cafe*, Hard Rock brought suit

³ “A willful act may be described as one done intentionally, knowingly, and purposely, without justifiable excuse, as distinguished from an act done carelessly, thoughtlessly, heedlessly, or inadvertently. A willful act differs essentially from a negligent act. The one is positive and the other negative. [Black's Law Dictionary, Sixth Edition, 1991, p. 1599].”

against the defendant, Concession Services (CSI) who owned and operated a “swap meet” or “flea market” because Hard Rock’s investigators discovered that various vendors renting stands at CSI’s flea markets were selling counterfeit Hard Rock t-shirts. *Id.* at 1145. After a bench trial, the district court found that CSI had been “willfully blind” to the infringements of Hard Rock’s trademarks. *Id.* at 1148. Analyzing the district court’s finding of “willfully blind,” the Seventh Circuit observed:

The district court, however, made little mention of CSI’s state of mind and focused almost entirely on CSI’s failure to take precautions against counterfeiting. In its conclusions of law, the court emphasized that CSI had a duty to take reasonable precautions. In short, it looks as if the district court found CSI to be negligent, not willfully blind.

Id. at 1149 (citations omitted). In reversing the district court, the Second Circuit stated:

This ambiguity in the court’s findings would not matter if CSI could be liable for failing to take reasonable precautions. But CSI has no affirmative duty to take precautions against the sale of counterfeits. Although the “reason to know” part of the standard for contributory liability requires CSI (or its agents) to understand what a reasonably prudent person would understand, it does not impose any duty to seek out and prevent violations.

Id., citing *Restatement Second of Torts* § 12(1) & cmt. A (1965). Accordingly, the Second Circuit reversed the findings of the district court as having applied a mere “negligence” standard in finding contributory trademark infringement.

Likewise, in *Tiffany*, the Second Circuit acknowledged that, once given the requisite information that counterfeit Tiffany items were being sold on its website, eBay could not “intentionally shield[] itself from discovering the offending listings or the identity of the sellers behind them” or “shield itself from learning of the particular infringing transactions by looking the other way” under the doctrine of “willful blindness.” *Tiffany*, 600 F.3d at 109. Nevertheless,

the Tiffany court found that eBay had not “ignore[d] the information it was given about counterfeit sales on its website” 600 F.3d at 110 (footnote omitted). Rather, the Second Circuit agreed with the district court in finding that the “generalized notice that some portion of the Tiffany goods sold on its website might be counterfeit” was insufficient where the “law demands more specific knowledge of individual instances of infringement and infringing sellers before imposing a burden upon eBay to remedy the problem.” 600 F.3d at 106-107, *quoting* 576 F.Supp.2d at 508. Moreover, where eBay received notice that an identified seller might be engaging in counterfeit sales, eBay actively responded by removing the infringing offers, warning those sellers and, in cases of repeat offenders, suspended their accounts, 600 F.3d at 110, *citing* 576 F.Supp.2d at 513.

The Second Circuit also found unavailing Tiffany’s reliance on *Hard Rock, supra*, and *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996) in support of its theory that eBay was “willfully blind.” *Tiffany*, 600 F.3d at 110, n.16. In *Hard Rock*, though the defendant said it had a “policy of cooperating with any trademark owner that notifies CSI of possible infringing activity,” there was “no evidence that this policy has ever been carried into effect” as defendant admitted that it “did not investigate any of the seizures [of counterfeit products], though it knew they had occurred.” *Hard Rock*, 955 F.2d at 1146. Nevertheless, the court remanded for a determination of whether these facts rose to the level of “willful blindness” rather than mere “negligence” as noted *supra*. *Id.* at 1149. In *Fonovisa*, there was “no dispute for the purposes of [the] appeal” that Cherry Auction’s operators “were aware that vendors in their swap meet were selling counterfeit recordings in violation of Fonovisa’s trademarks and copyrights” even after a sheriff’s raid and seizure, a letter notifying Cherry Auction of the on-going sales, and a reminder that Cherry Auction “had agreed to provide the Sheriff with identifying

information from each vendor.” *Fonovisa*, 76 F.3d at 261. Hence, the court found that plaintiff’s claims were sufficient to state a claim where “a swap meet can not disregard its vendors’ blatant trademark infringements with impunity.” *Id.* at 265.⁴ Noting these facts, the Second Circuit rejected Tiffany’s argument that these cases compelled a finding of “willful blindness” because eBay’s active efforts to combat known counterfeiting exceeded the efforts of the defendants in *Fonovisa* and *Hard Rock. Tiffany*, 600 F.3d at 110, n.16.

To conclude, the “willful blindness” doctrine has never been used to replace the “high burden” on trademark owners to prove that a defendant against whom contributory trademark infringement is claimed “knew or had reason to know” of specific infringing conduct from an identified seller and then failed to investigate. “Willful blindness” is not a mere negligence test, where a defendant can be found contributorily liable for trademark infringement by merely failing to take precautions against infringement in general. Rather, it is available in those circumstances where defendants are faced with notice of a particular infringement and intentionally shield themselves from any verification of the information given. *See Louis Vuitton Malletier, S.A. v. Akanoc Solutions*, 591 F.Supp.2d 1098, 1108 (N.D.Cal. 2008) (genuine issue of material fact regarding “actual or constructive knowledge” where defendant internet service provider’s internal emails showed it received complaints documenting specific infringing websites using its services selling counterfeits under specific marks, yet alleged that it “did not log on to the [i]nternet to investigate or verify whether [a] complaint is well founded”); *Fare Deals, Ltd. v. World Choice Travel.com, Inc.*, 180 F.Supp.2d 678, 690-691 (D.Md. 2001) (receipt of plaintiff’s allegation in demand letter could not alone be deemed willful blindness; such suspicion must be coupled with deliberate failure to investigate and remediate if necessary);

⁴ The court further noted that neither the *Fonovisa* nor the *Hard Rock* courts concluded the defendants were, in fact, willfully blind. *Tiffany*, 600 F.3d at 110, n.16.

Medic Alert, 43 F.Supp.2d at 940 (evidence insufficient of “willful blindness” where “[i]n light of Corel’s end-user agreement, it had no reason to expect that one of its software users would violate the contract and use one of its images for commercial use, until it was provided with actual information that someone had done so[.]” and plaintiff presented no evidence that it notified Corel of direct infringement until the instant lawsuit).

B. Renewed Motion for Judgment as a Matter of Law and Motion for New Trial

1. Standards of Review

On a renewed motion for judgment as a matter of law, Fed. R. Civ. P. Rule 50(a) and (b) provides: “If a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue,” the court may order a new trial or direct the entry of judgment as a matter of law.

“Judgment as a matter of law is proper ‘when, without weighing the credibility of the evidence, there can be but one reasonable conclusion as to the proper judgment.’” *Singer v. Dungan*, 45 F.3d 823, 826 (4th Cir. 1995), *quoting*, 5A James W. Moore, Moore's Federal Practice § 50.07[2], at 50-76 (2d ed. 1994). “The movant is entitled to judgment as a matter of law ‘if the nonmoving party failed to make a showing on an essential element of his case with respect to which he had the burden of proof.’” *Singer*, 45 F.3d at 827, *quoting Bryan v. James E. Holmes Regional Medical Ctr.*, 33 F.3d 1318, 1333 (11th Cir. 1994) (internal quotation marks omitted).

“[A] motion for a new trial on the merits . . . requires a review of the evidence under a different standard [than that applied to a motion for judgment as a matter of law]. Under Rule 59, F.R. Civ. P., a trial court may weigh the evidence and consider the credibility of the witnesses. Indeed, a trial judge has a duty to set aside a verdict and grant a new trial even though it is supported by substantial evidence, ‘if [s]he is of the opinion that the verdict is against the clear

weight of the evidence, or is based upon evidence which is false or will result in a miscarriage of justice. . . .” *Wyatt v. Interstate & Ocean Transp. Co.*, 623 F.2d 888, 891 (4th Cir. 1980). *See also, Conner v. Schrader-Bridgeport Int'l, Inc.*, 227 F.3d 179, 200 (4th Cir. 2000). The resolution of a motion for a new trial is reversed only for an abuse of discretion. *Klein v. Sears Roebuck & Co.*, 773 F.2d 1421, 1428 (4th Cir. 1985).

Where a specific objection was made under Fed.R.Civ.P. 51 to a jury instruction, a court may also grant a new trial where the language of the instruction could “have misled and confused the jury” as to an essential element of proof required at trial. *See Altvater v. Battocletti*, 300 F.2d 156, 161 (4th Cir. 1962). The question is “whether the instructions construed as a whole, and in light of the whole record, adequately informed the jury of the controlling legal principles without misleading or confusing the jury to the prejudice of the objecting party.” *Spell v. McDaniel*, 824 F.2d 1380, 1395 (4th Cir. 1987), citing 9 Wright & Miller, *Federal Practice and Procedure: Civil*, Sec. 2558 (1971). Even when Fed. R. Civ. P. 51 (to make a contemporaneous objection) is not followed, an appellate court can nevertheless reverse when the error is “plain” or “fundamental” in that the instructions “must necessarily have caused the jury to act in complete ignorance of, or to have misapplied, fundamentally controlling legal principles to the inevitable prejudice of an aggrieved party.” *Id.* at 1398-99.

2. Evidence Insufficient As A Matter of Law That Bright Builders “Knew or Had Reason to Know” That Prince Had or Would Infringe Cleveland’s Mark Or Intentionally Shielded Itself from Verifying Specific Infringing Activities

Cleveland did not meet its burden to show that Bright Builders had more than a “general knowledge or reason to know that its service is being used to sell counterfeit goods.” *Tiffany v. eBay*, 600 F.3d at 107. Cleveland presented no evidence that Bright Builders had knowledge of

the “identified individual” Prince, *Sony Corp*, 464 U.S. at 439, n.19, had “particular listings [that] are infringing or will infringe in the future [as] is necessary,” *Tiffany*, 600 F.3d at 107.

Cleveland’s sole evidence at trial of Bright Builders’ “knowledge” consisted of the fact that Bright Builders, at some point, became aware that Prince registered the domain “copycatclubs” and Prince’s self-serving testimony that he had discussed selling “copied clubs” rather than “golf clubs” generally with “someone” at Bright Builders whom he could not name. This evidence is insufficient as a matter of law to establish that Bright Builders had a “reason to know” that particular listings from Prince were infringing or would infringe Cleveland’s mark in the future. There was further no evidence presented showing that Prince requested that Bright Builders, or that Bright Builders did, review infringing content of Prince’s golf-related website. There was no evidence presented that Prince even had any specific content generated for Bright Builders to review during the coaching sessions, let alone content that included specific infringing listings. There was no evidence that Bright Builders contributed any infringing content to Prince’s website. And, there was no evidence that Prince availed himself of services that would have naturally required that Bright Builders view and work with actual product listings on Prince’s site (such as the Marketing and SEO services described by Johnson, but for which Prince actually spent extra money to use a third-party company).

Moreover, there was no evidence showing that Bright Builders would have or even should have understood the term “copied” or “copycat” in relation to golf clubs was being used to sell counterfeit or illegal clubs of any brand, let alone specific instances of infringement, such that it should alert Bright Builders that Prince was engaging in specific instances of infringement. *Contrast* use of specific term in *Gucci America Inc. v. Frontline Processing Corp*, 721 F.Supp.2d 228, (S.D.N.Y. 2010) (evidence sufficient of “knowingly” providing

instrumentality to conduct business where defendant credit card processing companies' emails showed it provided services to counterfeit merchants using the term "replica" items to indicate "high risk" and had users sign a "replica acknowledgment" after reviewing their websites, goods, and inability to receive other credit card services, and customer complaints). *Compare Rosetta Stone*, 730 F.Supp.2d at 547-549 (knowledge of use of keyword "Rosetta Stone" as search term insufficient to induce duty to investigate where no specific instance of infringement alleged). Rather, Johnson testified to the contrary, stating that he was aware that "generic" golf clubs were sold at flea markets, and presumed that this must be what "copied" meant.

Cleveland's only evidence on the issue came from Gingrich, testifying that, to his knowledge, there are no legitimate "copies" of Cleveland brand golf clubs. Even limiting the industry to "golf" for the sake of argument, this evidence falls far short of establishing that people knowledgeable about golf clubs generally would or should assume that the terms "copied" or "copycat" always refers to "counterfeit" items. *Compare Rosetta Stone*, 730 F.Supp.2d at 548 (whether internet service provider had a "mechanism for detecting which advertisers sold counterfeit" versus "legitimate" goods not determinative). Nor does this evidence come close providing knowledge of specific infringing conduct by Prince sufficient to induce a duty on Bright Builders to investigate. There was simply no evidence coming even close to a sufficient showing that Bright Builders had any reason to know that Prince or any of his listings infringed or would infringe in the future.

With regard to evidence that Bright Builders' was "willfully blind," the evidence produced at trial showed that there was no information regarding infringements by Prince or even infringements generally from which Bright Builders shielded itself. In addition to having its members sign a Hosting Agreement contracting not to violate intellectual property rights of

others, the evidence showed that Bright Builders regularly enforced the agreement against its customers when notified about the violations. It was undisputed that neither Cleveland nor anybody else sent Bright Builders' notification of even their suspicion that that Prince's site was selling counterfeit goods of any kind that would have triggered a duty on Bright Builders' part to investigate his website until the summons in the instant suit. Once notified of the lawsuit, Bright Builders investigated by specifically reviewing Prince's site, which it is undisputed, by that time, contained no content. *Contrast Louis Vuitton Malletier*, 591 F.Supp.2d at 1108 (genuine issue of material fact regarding "actual or constructive knowledge" where defendant internet service provider's internal emails showed it received complaints documenting specific infringing websites using its services selling counterfeits under specific marks, yet alleged that it "did not log on to the [i]nternet to investigate or verify whether [a] complaint is well founded").

At that point, with no content to even review let alone suspend or remove, Bright Builders had no basis on which to notify Prince of any wrongdoing, let alone cancel his account. Rather, Bright Builders could not simply presume that Prince had violated the Hosting Agreement that Prince signed, let alone make a legal determination that Prince had violated the Agreement, while having no content and plaintiff's unproven allegations in a lawsuit. *Compare, Fare Deals, Ltd.*, 180 F.Supp.2d at 690-691 (receipt of plaintiff's allegation in demand letter could not alone be deemed willful blindness; such suspicion must be coupled with deliberate failure to investigate and remediate if necessary); *Medic Alert*, 43 F.Supp.2d at 940 (evidence insufficient of "willful blindness" where "[i]n light of Corel's end-user agreement, it had no reason to expect that one of its software users would violate the contract and use one of its images for commercial use, until it was provided with actual information that someone had done so[,]") and plaintiff presented no evidence that it notified Corel of direct infringement until the

instant lawsuit). There was simply no evidence of any willful action that Bright Builders' took to shield itself from learning of Prince's violations or indicating that it looked the other way once it was given a reason to know that Prince may be infringing another's mark.

Cleveland would have the "willful blindness" standard used to require Bright Builders to police all websites it hosts in perpetuity searching out and investigating for possible infringements based on the fact that it provides services to users for a limited period of time wherein it teaches users generally how to build a website and advises users to "model" their own businesses after other successful businesses and "copy and paste" information they find useful while "adapting it" to their own specific needs. However, courts have consistently refused to rewrite the "narrow" standard for contributory liability developed in *Inwood* and *Sony* so broadly that it shifts the trademark owners' burden of policing individual trademarks to service providers. To do so would turn "willful blindness" into a mere negligence standard applied to anyone who could reasonably anticipate that infringements generally may occur. There is nothing in the evidence Cleveland presented at trial that would justify extending the duty to investigate to a duty requiring Bright Builders' to police all of its hosted websites in perpetuity based on the generalized training it provides.

There is nothing in the evidence presented at trial that would differentiate Bright Builders' position from any company offering services on the internet that allow users to post, alter, and transact their own online pages or advertisements. The policy considerations that pervaded the *Tiffany* decision are compounded in the case of small service providers, such as Bright Builders. The district court in *Tiffany*, as the Supreme Court in *Inwood*, was heavily concerned with the possibility that a mere negligence "reasonably anticipate" standard could have the result of suppressing legitimate business conduct in the pursuit of "rooting out" all

wrongdoers. *See Tiffany*, 576 F.Supp.2d at 510, *citing Inwood* (White, J., concurring) “the doctrine of contributory infringement should not be used to require defendants to refuse to provide a product or service to those who merely might infringe the trademark”) & 515 (internet service providers under “no affirmative duty to ferret out potential infringement”). Though, arguably, mega-service providers such as eBay and Google could employ armies of specialized employees to police the “thousands of transaction happening within moments” from user-generated content, the mechanisms in place would not only quell legitimate business, but also the high cost of employing such an expert policing operation would inevitably foreclose many smaller internet service providers from allowing any user-generated content hosting service at a competitive yet profitable rate to maintain their business. The law of contributory trademark infringement was simply not meant to sacrifice such legitimate business to the benefit of trademark owners as a response to the risk that some infringing conduct will not be caught. Hence, as of yet, the vast majority of jurisdictions that have considered such questions have refused to condone an expansion of contributory trademark liability that would reach so far. A verdict against Bright Builders in the face of the evidence, or lack thereof, provided would do just that.

3. Verdict Against the Clear Weight of the Evidence

Even if, *arguendo*, the scintilla of evidence that Cleveland produced was sufficient as a matter of law to require the determination of the fact-finder, the verdict in this case is against the clear weight of the evidence. The evidence regarding Prince having told Bright Builders that he was selling “copied clubs” rather than simply “golf clubs” should not be credited. Prince testified that he could not recall discussing the domain name he chose for his site with Bright Builders. He also testified that Bright Builders merely gave him advice about “golf clubs in

general” and nothing about how to sell “illegal golf clubs.” The contemporaneous notes of conversations with Bright Builders and Prince’s own testimony established that, during most of his coaching services with Bright Builders, selling “golf clubs” of any variety was not even contemplated by Prince, let alone Bright Builders, until June of 2008. Whether he was actually selling clubs to anyone prior to June of 2008 through any mechanism is not established from the testimony. Rather, any sales by Prince of golf clubs prior to August of 2008 would have been made on his own through eBay *as Prince testified*. Nor is it established that Prince developed any infringing content for his Bright Builders’ hosted golf site prior to the termination of coaching services or that he even registered his “copycatclubs” domain until August 31, 2008, only weeks before his seven month coaching period ended.

The sole evidence on which Cleveland relies to prove the essential element of its claim – namely, Bright Builders’ knowledge – is, again, Bright Builders’ necessarily non-specific knowledge that Prince registered the domain “copycatclubs” in relation to selling golf clubs generally. A verdict against Bright Builders’ based on this mere scintilla of evidence of Bright Builders’ knowledge is simply against the great weight of the evidence.

4. Legally Misleading Jury Instructions Allowed Jury to Find Bright Builders Liable for Negligently Failing to Anticipate and Therefore Police All Hosted Websites

Unfortunately, there is no case law in any jurisdiction that this counsel could find outlining the appropriate jury instructions in regard to contributory trademark infringement, notably because all of the cases reviewed are decided at the motion to dismiss or summary judgment stages or after a bench trial. Nevertheless, inaccurate and misleading instructions that could “have misled and confused the jury” as to an essential element of proof required at trial “to the prejudice of the objecting party” justify reversing the verdict. *See Spell*, 824 F.2d at 1395,

citing 9 Wright & Miller, Federal Practice and Procedure: Civil, Sec. 2558 (1971); *Altwater*, 300 F.2d at 161. The question is “whether the instructions construed as a whole, and in light of the whole record, adequately informed the jury of the controlling legal principles without misleading or confusing the jury to the prejudice of the objecting party.” *Spell v. McDaniel*, 824 F.2d 1380, 1395 (4th Cir. 1987), *citing* 9 Wright & Miller, Federal Practice and Procedure: Civil, Sec. 2558 (1971). Moreover, if the error is “plain” or “fundamental” in that the instructions “must necessarily have caused the jury to act in complete ignorance of, or to have misapplied, fundamentally controlling legal principles to the inevitable prejudice of an aggrieved party[,]” an appellate court will reverse despite any lack of objection. *Spell*, 824 F.2d at 1398-99. Here, the instructions must necessarily have caused the jury to act in ignorance of or to have misapplied fundamentally controlling legal principles to the inevitable prejudice of Bright Builders. A motion for new trial should therefore be granted.

The instructions regarding the requisite level of knowledge that the jury was to find were as follows:

Actual knowledge exists where it can be shown by a defendant’s conduct or statements that it actually knew of specific instances of direct infringement. Constructive knowledge exists where it can be shown a defendant should have known of the direct infringement.

The knowledge element is similarly satisfied if Cleveland Golf can show by a preponderance of the evidence that Bright Builders was willfully blind to the infringing activity. In other words, if Bright Builders had reason to suspect that users of its service were engaging in infringing activities, it may not shield itself from learning of the particular infringing transactions by looking the other way. Ignorance is no defense to violations of the Lanham Act.

(Ex. J at 5-6, No. 9.3). Whereas the jury was instructed that it could find “actual knowledge” only where the defendant had knowledge of “*specific instances* of direct infringement,”

(emphasis added) the jury was nevertheless instructed that they were allowed to find “constructive knowledge” where the defendant merely “should have known of the direct infringement,” apparently irrespective of any knowledge, actual or constructive of “*specific instances*.” Neither actual nor constructive knowledge were additionally qualified by instructing that the knowledge must pertain to the particular direct infringer at issue (as distinct from being allowed to find that knowledge of any person’s infringement is sufficient). As noted in section III.A.1 *supra*, contributory trademark infringement requires proof of actual or constructive knowledge of “specific instances of infringement” by an identified individual.

In particular, Bright Builders objected to the instruction by saying that the jury must be instructed that plaintiffs needed to prove “something other than should have known. Should have known leaves it up to [the jury] to decide, without any basis of what should have known means” in the contributory trademark infringement context. (Doc. 129 at 21:21-24).

The error in the instruction is compounded by the willful blindness instruction further given without explanation that it must apply to knowledge regarding Prince in particular, rather than “users of [Bright Builders’] service” and without qualification “fails to investigate.” As in *Hard Rock*, this instruction allows the jury to find Bright Builders liable for being “negligent” rather than “willfully blind” because Bright Builders “has no affirmative duty to take precautions against the sale of counterfeits. Although the ‘reason to know’ part of the standard for contributory liability requires [Bright Builders] (or its agents) to understand what a reasonably prudent person would understand, it does not impose any duty to seek out and prevent violations.” *Hard Rock*, 955 F.2d at 1149, citing *Restatement Second of Torts* § 12(1) & cmt. A (1965).

Finally, the instruction regarding “Ignorance is no defense to violations of the Lanham Act” is both incorrect and misleading. The instruction that the record indicates was meant to be given is that ignorance of trademark law is no defense. (Doc. 129 at 9:19-25). However, here the instruction as written suggests that the jury can find Bright Builders liable even if it finds Bright Builders in complete ignorance or one or both of the critical facts for which Bright Builders must have knowledge to sustain liability (particular instances of infringement by a particular alleged infringer). This instruction is therefore highly prejudicial to Bright Builders as it would allow the jury to find liability even in the absence of the necessary facts.

5. Cleveland’s SC UPTA Claim Rises And Falls With Its Lanham Act Claims, And Therefore Also Must Be Vacated

Bright Builder’s counsel specifically objected to allowing a verdict against Bright Builders under the South Carolina Unfair Trade Practices Act Claim unless there was a finding of liability under the Lanham Act. (Doc. 129 at 54:10 – 55:15). Plaintiff’s counsel at this point argued that Bright Builders could in fact be liable under the Unfair Trade Practices Act Claim because of different actions. (Doc. 129 at 55:21 – 56:8) When pressed by the Court as to what actions, there was never any specific response provided. The only response provided was by Mr. Patterson wherein he stated the jury could find Bright Builders liable under the Unfair Trade Practices Act Claim for failing to monitor its twenty thousand websites for illegal activity. (Doc. 129 at 58:10-15) This simply cannot be the case.

The Plaintiff did not plead any cause of action alleging violation of the Unfair Trade Practices Act for failing to monitor other websites other than Prince. Particularly, this case was about Prince. Testimony about other websites did come in but cannot be found as the basis for liability for the Plaintiff’s claim. Specifically, Cleveland Golf would need to show that failing to monitor sites other than Prince’s caused some damage to Cleveland in order to prevail under this

theory. A fact they simply did not prove, nor did they even bother to offer any evidence of such facts at trial.

Therefore, the only way that Bright Builders can be found liable under the South Carolina Trade Practices Act Claim is if both Prince and Bright Builders were found liable under the Lanham Act. As referenced earlier, Bright Builders could not and should not be held liable under the contributory standard for violation of the Lanham Act. As such, they cannot be held liable for violation of the Unfair Trade Practices Act.

At a minimum, a remand of the South Carolina Unfair Trade Practices Act Claim would be justified and necessary. We have no way of ascertaining whether or not the jury found separate independent actions of Bright Builders in violation of the South Carolina Unfair Trade Practices Act as believed by Cleveland. Therefore, remand on this issue alone would be necessary in order to make sure the jury effectuated a proper decision.

IV. CONCLUSION

For the foregoing reasons, the evidence produced at trial was insufficient to sustain the verdict on either cause of action and the renewed motion for judgment as a matter of law and motion for relief from judgment should be granted. Likewise, because the jury instructions allowed the jury to find the defendant liable under an incorrect standard, they were plain error and highly prejudicial justifying a new trial be granted.

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