IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
CHARLESTON DIVISION

Roger Cleveland Golf Company, Inc., Plaintiff, vs. Christopher Prince, Sheldon Shelley, Prince Distribution, LLC, and Bright Builders, Inc. Defendants.	Civil Action No. 2:09-2119-MBS **REPLY IN SUPPORT OF PLAINTIFF'S PETITION FOR ATTORNEYS' FEES AND COSTS**

COMES NOW the Plaintiff, Roger Cleveland Golf Company, Inc. ("Cleveland"), by and through their undersigned attorneys, and hereby submits this reply to Defendant Bright Builders, Inc.'s Opposition to Plaintiff's Petition for Attorneys' Fees and Costs. In support of its Petition for Attorneys' Fees and Costs, Cleveland states as follow:

I. THE REASONABLENESS OF CLEVELAND'S PETITION FOR ATTORNEYS' FEES AND COSTS

On March 10, 2011, a jury returned a substantial verdict in favor of Cleveland. The jury found for Cleveland on all counts and found that Bright Builders, Inc. ("Bright Builders") had willfully violated the trademark rights of Cleveland and had willfully violated the South Carolina Unfair Trade Practices Act ("SCUTPA"). Thereafter, based upon the jury's findings, the Court entered judgment of $770,750.00 against Bright Builders and $28,250.00 against Christopher Prince ("Prince").

As the jury found that the defendants' willful actions of selling counterfeit Cleveland golf clubs violated both the Lanham Act and SCUTPA, Cleveland, pursuant to 15 U.S.C. §1117 and S.C. Code Ann. § 39-5-140, filed a petition with this Court for an award of its reasonable attorneys' fees and costs. Cleveland's petition requested that the Court award $133,030 in fees for the 511.5

hours spent litigating this case and $7,965.17 in costs in bringing this action. This petition is well within the boundaries of reasonableness because:

- Cleveland sought only the customary rates of $300/hour for partners and $200/hour for associates, even though the rate billed to Cleveland was much higher;
- Cleveland seeks reimbursement of only $133,030.00 in fees even though Cleveland actually incurred more than $182,829.56 in fees;
- Cleveland does not seek reimbursement for time spent by attorneys Christopher Finnerty and Janene Smith, two attorneys who worked extensively on the case and are registered as attorneys of record on the Court's ECF system for this case;
- Cleveland was forced to unnecessarily spend resources and time responding to Bright Builders' filing of a one-and-a-half page summary judgment motion lacking any citation to any controlling authority;
- Cleveland was forced to unnecessarily spend resources and time due to Bright Builders' inability to follow the Court's instructions regarding the filing of jury instructions and exhibit lists;
- Cleveland obtained a judgment on all counts presented to the jury and was awarded a total judgment of $799,000.00 in a novel area of law;
- Cleveland's fee request is less than 17% of its total judgment amount.

II. STATUTORY BASIS FOR AN AWARD OF ATTORNEYS' FEES AND COSTS UNDER THE LANHAM ACT

Bright Builders argues that Cleveland is precluded from recovering its attorneys' fees pursuant to the Lanham Act because it elected to recover statutory damages pursuant to 15 U.S.C. §1117(c). It cites the 9th Circuit case of *K&N Eng., Inc. v. Bulat*, 510 F.3d 1079, 1082 (9th Cir. 2007) in support of its argument. In *Bulat*, the Court reasoned that because 15 U.S.C. §1117(c)

contained no language regarding the awarding of attorneys' fees, plaintiffs electing statutory damages under this statutory provision cannot, as a matter of statutory interpretation, be awarded attorneys' fees. While recognizing that the statute does contain some ambiguity, the *Bulat* case is inapposite to the matter presently before this Court as (1) the vast majority of courts in this circuit and other circuits have resolved the ambiguity by allowing a party to recover both attorneys' fees and statutory damages in counterfeiting cases, and (2) because, unlike the Plaintiff in *Bulat,* Cleveland obtained a jury verdict on a second cause of action under the Lanham Act providing a separate, independent basis for an award of attorneys' fees.

A. A Vast Majority Of Courts Have Allowed Recovery Of Both Attorneys' Fees And Statutory Damages In Counterfeiting Cases

The Court in *Rolex Watch USA v. Brown*, 2002 U.S. Dist. LEXIS 10054 (S.D.N.Y. June 5, 2002) summarizes the two schools of thought on whether 15 U.S.C. 1117(c) allows for the recovery of attorneys' fees when statutory damages are elected by a plaintiff. First, Congress could have intended 15 U.S.C. 1117(c) to replace only the damages available under 15 U.S.C. 1117(a) while leaving the attorneys' fee and costs provisions of 15 U.S.C. 1117(a) intact. Id. at *10. Alternatively, Congress could have intended that the enhanced amount of statutory damages available under 15 U.S.C. 1117(c) precludes an award of attorney fees when statutory damages are elected. Id. While Bright Builders has relied on the *Bulat* case in support of its argument that statutory damages are precluded, it has ignored the overwhelming majority of cases in which Courts have awarded both statutory damages and attorneys' fees in counterfeiting cases. See, e.g. *Chanel, Inc. v. French,* 2006 U.S. Dist. LEXIS 93297 (S.D. Fla. Dec. 22, 2006) (awarding attorneys' fees when plaintiff elected statutory damages); *Tiffany, Inc. v. Luban*, 282 F. Supp. 2d 123 (S.D.N.Y. 2003) (same); *Rolex Watch USA, Inc. v. Jones*, 2002 U.S. Dist. LEXIS 6657 (S.D.N.Y. Apr. 17, 2002) (same); *Lorillard Tobacco Co. v. S&M Central Service Corp.*, 2004 U.S. Dist. LEXIS 22563 (N.D. Ill. Nov. 5, 2004)

(same); *Ford Motor Co. v. Cross*, 441 F. Supp. 2d 837 (E.D. Mich. 2006) (awarding attorney fees under 15 U.S.C. §1117(a) when plaintiff elected statutory damages); *Tony Jones Apparel, Inc. v. Indigo USA LLC*, 2005 U.S. Dist. LEXIS 14649 (N.D. Ill. July 11, 2005) (awarding attorney fees under both 15 U.S.C. §1117(a) and (b) when plaintiff elected statutory damages); *Sara Lee Corp. v. Bags of New York, Inc.*, 36 F. Supp. 2d 161 (S.D.N.Y. 1999) (same); see also *Employers Council on Flexible Compensation v. Feltman*, 384 Fed.Appx. 201 (4th Cir. 2010) (awarding statutory damages under 15 U.S.C. §1117(d) and attorneys' fees pursuant to 15 U.S.C. §1117(a)).

Moreover, *Employers Council on Flexible Compensation v. Feltman* provided a glimpse into how the 4th Circuit would resolve the ambiguity when it upheld an award by the district court of both statutory damages and attorneys' fees under the Lanham Act. *Employers Council on Flexible Compensation v. Feltman*, 384 Fed.Appx. 201 (4th Cir. 2010). While not directly addressing the issue of preclusion of attorneys' fees when statutory damages are elected, the 4th Circuit upheld the award of statutory damages and attorneys' fees under 15 U.S.C. §1117(d) of the Lanham Act which, like §1117(c), does not contain any language allowing an award of attorneys' fees. As the language of 15 U.S.C. §1117(d) parallels that of 15 U.S.C. §1117(c), it can reasonably be inferred that the 4th Circuit does not preclude an award of attorneys' fee when statutory damages are elected.

B. This Court Need Not Decide Whether An Election Of Statutory Damages Precludes An Award Of Attorneys' Fees, As Defendants Were Found to Have Violated Two Separate Sections of The Lanham Act

Despite the abundance of case law allowing a plaintiff to recover its attorneys' fees when statutory damages are elected, Cleveland asserts that this Court need not resolve the ambiguity as the jury found in Cleveland's favor on two separate and independent causes of action under the Lanham Act. Cleveland asserted direct counterfeiting claims pursuant to 15 U.S.C. §1114 (see

Count I of Cleveland's Amended Complaint, Docket No. 30) as well as unfair competition / false designation of origin claims pursuant to 15 U.S.C. §1125(a) (see Count II of Cleveland's Amended Complaint). In fact, during jury charge discussions between the parties' counsel and the Court, Cleveland was clear in the fact that it was pursuing two different causes of action under the Lanham Act. See Excerpts of Jury Trial Discussions Re Jury Charges and Motions, page 49, lines 5-25.[1] As the jury found defendants liable for both counterfeiting under 15 U.S.C. §1114 and unfair competition under 15 U.S.C. §1125, Cleveland has two separate and distinct avenues through which it can recover its attorneys' fees pursuant to the Lanham Act.

The *Brown* Court was faced with this same argument with an almost identical set of facts. *Rolex Watch USA v. Brown*, 2002 U.S. Dist. LEXIS 10054 (S.D.N.Y. June 5, 2002). As stated *supra*, the *Brown* Court recognized the possibility of there being two equally plausible interpretations of 15 U.S.C. 1117(c) as it relates to the award of attorneys' fees when statutory damages were elected by a plaintiff. While recognizing that both arguments may have merit, the *Brown* Court decided it did not need to resolve this issue because, in addition to the counterfeiting claim under 15 U.S.C. §1114 for which the plaintiff had elected statutory damages, the plaintiff had asserted a separate unfair competition claim under 15 U.S.C. §1125(a). In so holding, the Court stated:

> "The Court, however, need not resolve this issue in this default judgment case. The default judgment here also found Brown liable to Rolex for unfair competition under 15 U.S.C. § 1125(a). That entitles Rolex to attorneys' fees in "exceptional cases." The Court also already has found Brown's violation to be willful, and a willful violation satisfies the "exceptional case" requirement of §1117(a), thus justifying the award of attorneys' fees and costs. *See, e.g., International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749, 753 (2d Cir. 1996) ("an award of attorney fees may be justified when bad faith infringement has been shown"); *Bambu Sales, Inc. v. Ozak Trading Inc.*, 58 F.3d 849, 854 (2d Cir. 1995) [*12] ("'Exceptional' circumstances include willful infringement."); *Sara Lee Corp. v. Bags of New York, Inc.*, 36 F. Supp. 2d 161, 170 (S.D.N.Y. 1999); 5 J. Thomas

[1] For the convenience of the Court, a true and accurate copy of the relevant portion of the transcript is attached hereto as **Exhibit A**.

> McCarthy, *McCarthy on Trademarks & Unfair Competition* § 30:99 (citing Senate Committee report for proposition that willful infringement constitutes "exceptional case"), § 30:100 (courts routinely awarded attorneys' fees to prevailing plaintiffs in counterfeiting cases even before enactment of 1996 counterfeiting amendments, citing cases)."

Id. at *11 (internal citations partially omitted). Other courts have similarly ruled that the ambiguity of 15 U.S.C. 1117(c) need not be addressed when a plaintiff has a separate cause of action under the unfair competition (rather than counterfeiting) provisions of the Lanham Act. See, e.g. *Rodgers v. Anderson*, 2005 U.S. Dist. LEXIS 7054 (S.D.N.Y. Apr. 26, 2005); *Silhouette Int'l Schmied AG v. Chakhbazian*, 2004 U.S. Dist. LEXIS 19787 (S.D.N.Y. Oct. 4, 2004).

Much like the Court in *Brown*, this Court need not resolve the ambiguity of 15 U.S.C. 1117(c), as the jury has also found that the defendants willfully violated 15 U.S.C. 1125(a) by engaging in unfair competition as prohibited by the Lanham Act. See Verdict Form, question 2 holding Bright Builders liable for "trademark counterfeiting **and** infringement", attached hereto as Exhibit B. Therefore, as an award of attorney fees is specifically allowed as a remedy to a willful violation of the unfair competition provisions of the Lanham Act pursuant to 15 U.S.C. 1117(a), there is an independent statutory basis to award attorneys' fees pursuant to the Lanham Act.

III. AWARD OF ATTORNEYS' FEES AND COSTS UNDER THE SCUTPA

It is undisputed that S.C. Code Ann. § 39-5-140 allows for the recovery of attorneys' fees when a willful violation of the statute has been established. Bright Builders argues that Cleveland's award should be minimal, as Cleveland only received a nominal damage award under SCUTPA. However, Bright Builders fails to draw this Court's attention to the fact that the jury awarded Cleveland nearly $800,000.00 in damages related to Bright Builders' unfair and deceptive acts. While Bright Builders tries to paint the unfair and deceptive acts related to the SCUTPA as separate and distinct from those under the Lanham Act, the tortious and infringing act that forms the basis of both claims is the same – i.e. the promotion and sale of counterfeit golf clubs to the consuming

public. The only difference between the two acts is the remedies available in each. While the Lanham Act contemplates a plaintiff's inability to precisely prove the amorphous damages that flow from trademark infringement and counterfeiting by allowing an award of statutory damages, the SCUTPA has no such provision and requires more rigid standards. However, the South Carolina Court of Appeals has not been silent on what is an appropriate amount of attorneys' fees in cases in which a plaintiff has proven trademark infringement and a violation of the SCUTPA.

In *Global Protection Corp. v. Halbersberg*, the defendant was found liable for $935,457.57 in actual damages related to his infringement of the plaintiff's trademarks. *Global Protection Corp. v. Halbersberg*, 332 S.C. 149, 154 (S.C.App. 1998). After reviewing the appropriate factors, the Court awarded the plaintiff $311,819.19 in attorneys' fees, holding that an award of 1/3 of the actual damages was proper under the SCUTPA. Id. Importantly, the Court did not find any damages directly attributable to the violation of SCUTPA and simply used the damages as they related to the trademark infringement claim. In reviewing the award from the trial Court, the Court of Appeals affirmed the award in all respects, specifically holding that an award of approximately 1/3 of the total judgment was reasonable in a trademark infringement matter. Id. at 161.

In the current matter before the Court, Cleveland seeks an award that is far less than an award found reasonable in the *Halbersberg* case. Cleveland has been awarded $799,000.00 due to the defendants' willful infringement upon its trademarks; acts found to be unfair and deceptive by the jury. Cleveland however seeks an award of only $133,030.00 in fees, which is less than 17% of the judgment amount. This amount, as a matter of law, is reasonable under the SCUTPA.

IV. BRIGHT BUILDERS'S FACTUAL ALLEGATIONS REGARDING FEE AMOUNTS

Bright Builders asks that the Court parse out some of Cleveland's time entries as actions that are wholly contributable to co-defendant Prince. Cleveland submits to the Court that because the

jury found Bright Builders and Prince to be contributorily liable for the damages incurred, that the attorneys' fee award be joint and severable against both co-defendants. Insofar as Bright Builders challenges the amount of time spent on a particular task or goes so far as to infer that Nelson Mullins attorneys may be "overcharging" their time, Cleveland reminds Bright Builders that detailed time entries were submitted under an affidavit purporting them to be true and accurate representations as to what was billed to the client. For instance, in its response, Bright Builders mischaracterizes, a September 29, 2010 time entry of John McElwaine stating that "Bright Builders finds it hard to believe that it would take a partner at Nelson Mullins almost thirty minutes[2] to draft a deposition notice". However, counsel for Bright Builders knows full-well that the time entry was "[w]ork on notice**s** for deposition**s** for Bright Builders witness**es**" and that this work involved coordinating deposition dates and times for 6 deponents and at least 3 counsel, drafting 6 amended notice of deposition, including a 30(b)(6) deposition notice, and finding and reserving a location for such depositions in Provo, Utah. See Cover Letter to Paul Doolittle dated September 29, 2010 attaching six amended deposition notices, attached hereto as Exhibit C. Bright Builders' transparent attempts to score points with the Court by suggesting that Nelson Mullins and its attorneys "overcharge" its clients is unsupported (and in fact untrue), insulting, and should be given no weight by this Court.

Moreover, Bright Builders' argument that the time entries of Cleveland are not detailed enough is without merit and absurd. Cleveland provided to the Court twenty-two exhibits each indicating, to the tenth of an hour, how much time was spent on any particular matter. Cleveland has provided the Court and Bright Builders with more than enough detail as to what tasks it is seeking reimbursement. Lastly, Cleveland withdraws it request for reimbursement of the $63.65

[2] In the previous sentence, Bright Builders states that the entry was .4 hours or 24 minutes rather than the 30 minutes stated here.

associated with the service of a summons upon co-defendant Sheldon Shelley, as he was voluntarily dismissed from this case.

V. CONCLUSION

WHEREFORE, as the jury determined the defendants' conduct to be willful on all counts, both the Lanham Act and the SCUTPA mandate that Plaintiff Roger Cleveland Golf Company, Inc. is to be reimbursed for its reasonable attorneys' fees and costs associated with bringing the action. As such, Cleveland respectfully requests that this Court order defendants Christopher Prince and Bright Builders, Inc. to jointly and severally reimburse Cleveland in an amount of $133,030.00 for the reasonable attorneys' fees incurred and in an amount of $7,901.52 for costs associated with bringing the current action.

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