

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

Roger Cleveland Golf Company, Inc.,)	Civil Action No. 2:09-2119-MBS
)	
Plaintiff,)	
)	
vs.)	<u>JOINT RULE 26(f) REPORT AND</u>
)	<u>LOCAL RULE 26.03 RESPONSES</u>
Christopher Prince, Sheldon Shelley, Prince)	
Distribution, LLC, and Bright Builders,)	
Inc.)	
)	
Defendants.)	

Pursuant to Federal Rule of Civil Procedure 26(f) and the Conference and Third Amended Scheduling Order of this Court, a 26(f) conference was held between Roger Cleveland Golf Company and Bright Builders, Inc. via telephone. Attending on behalf of the Plaintiff, Roger Cleveland Golf Company, Inc. (“Plaintiff”), was Attorney John C. McElwaine of Nelson Mullins Riley & Scarborough, L.L.P., Liberty Building, Suite 500, 151 Meeting Street, Charleston, South Carolina 29401. Appearing on behalf of Defendants, Bright Builders, Inc. (“Bright Builders”), was Attorney Paul Doolittle. Defendant Sheldon Shelley has yet to make an appearance in this case. Counsel for Christopher Prince and Prince Distribution, LLC had participated in the early Rule 26(f) conference but was not available for this conference.

I. Joint 26(f) Report

1. *Proposed Changes to Conference and Scheduling Order.* Without waiving its ability to request further amendments to the scheduling of this matter, Bright Builders is willing to conduct this litigation under the Third Amended Scheduling Order, which was previously agreed to by the Prince Defendants and Plaintiff and approved by this Court.

2. *Subjects of Discovery.* The parties agreed to conduct discovery on the claims and

defenses raised in this case in the pleadings, as they may be amended, including but not limited to: (1) the nature of Plaintiff's rights in its trademarks and Defendants' alleged infringement thereupon; (2) Defendants' alleged sale of counterfeit copies of Plaintiff's branded golf clubs; (3) Bright Builder's responsibility for such alleged counterfeit sales and its relationship with Prince and Prince Distribution, LLC and (3) Plaintiff's damages.

3. *Electronically Stored Information (“ESI”).* With respect to the production of documents or electronically stored information as defined in Fed. R. Civ. P. 34, the parties propose the following procedures: The primary form of production will likely include searches of the computer networks under the control of Defendants and the computer hard drives of owners and employees of Defendants that are likely to contain responsive documents. The parties propose that the documents identified by such searches be produced in .tiff, .pdf, or similar image format. Metadata concerning the date of creation or alteration of the document, the author of the document, and the identity of the individual in whose file the document was located shall be produced, if reasonably available. The parties will come to an agreement regarding the production of the associated OCR text of the documents to provide for searchability in future discussions. To the extent that additional information is required in response to formal Rule 34 requests, the parties will identify the additional information to be produced and the form of production in response to such requests.

4. *Claims of Privilege / Protection.* Pursuant to Rule 26(f)(3)(D), the parties state that they currently do not have any, and are not aware of any, issues relating to a claim of privilege or protection as it would pertain to trial preparation materials. However, the parties propose that disclosure of information protected by the attorney-client, work product or other applicable privilege or protection (a “privilege”) in this litigation shall not constitute a waiver of

any otherwise valid claim of privilege, and failure to assert a privilege in this litigation as to one document or communication shall not be deemed to constitute a waiver of the privilege as to any other document or communication allegedly so protected, even involving the same subject matter. Upon notification of an inadvertent disclosure a document subject to a privilege, the other party shall immediately return that document and will return or destroy any copies of that document made prior to the notification of inadvertent disclosure.

5. *Scope of Discovery.* Concerning Rule 26(f)(3)(E), the parties do not currently request that discovery be limited or expanded beyond the provisions of the Federal Rules of Civil Procedure and Local Civil Rules. Each party reserves the right to make such request should the need arise as discovery proceeds.

6. *Confidentiality.* The parties recognize the case may involve production of documents, testimony and other disclosures that contain information of a confidential nature, and the parties anticipate filing a motion with the Court for entry of an agreed protective order. The parties request that if the parties cannot agree to the content of a protective order, if and when the need arises, a party may request entry of a protective order from this Court. Such orders may affect the procedures for the taking of depositions, producing documents and disclosing of other information.

II. Local Rule 26.03 Responses

1. *Statement of Facts.*

FOR THE PLAINTIFF: Plaintiff manufactures and sells worldwide its high-quality golf clubs, golf equipment and apparel. In connection with such goods, Plaintiff has continually used various federally registered trademarks, including its CLEVELAND and CLEVELAND GOLF marks (collectively, "Plaintiff's Marks"). As a result of, *inter alia*,

Plaintiff's intense marketing efforts and tremendous sales success, the public has come to recognize Plaintiff's Marks as an indicator of source for, and a symbol of the high quality of, Plaintiff's goods.

Defendants Prince Distribution, LLC and Prince (collectively, the "Prince Defendants") operate and are the registrants of the domain names copycatclubs.com, worldtimegolf.com, legacygolfclubs.com and myscrubs4u.com (collectively, the "Websites"), through which counterfeit and unauthorized copies of golf equipment bearing Plaintiff's Marks can be purchased. These counterfeits are not the same or of the same quality as those manufactured and sold by Plaintiff under Plaintiff's Marks. As such, consumers who purchase from the Prince Defendants counterfeit goods bearing Plaintiff's Marks are likely to be confused and/or disappointed by obtaining counterfeit goods when they intended to purchase genuine goods from Plaintiff. In addition, the sale of counterfeit goods by Prince Defendants is likely to cause confusion among consumers regarding Plaintiff's sponsorship or approval of the Prince Defendants and/or the counterfeit equipment the Prince Defendants offer.

Defendant Bright Builders provides services and products that assist individuals in designing, constructing, marketing, and growing online businesses. The Prince Defendants hired Bright Builders to design, build, market, and grow the Websites, including the copycatclubs.com webpage. Bright Builders charged Prince \$10,000.00 to assist the Prince Defendants in designing, constructing, marketing, and growing this online business, including providing educational materials on search engine optimization and how to embed certain keywords into metadata within websites. Also, as part of the package purchased, Bright Builders provided the Prince Defendants with the "Bright Builder Help Team", which provided a coach that taught Prince how to create copycatclubs.com and embed metadata within the website.

Through the Bright Builders program and utilizing Bright Builders' Coach, Builder Trainer resources, and account representative, Prince created the Websites. The Websites each were clearly used, even to an untrained observer, to sell copied golf equipment: The "newest clubs from brands such as: Callaway golf, Ping golf, Nike golf, Taylor Made golf, Titleist golf, Cobra golf, Mizuno golf, Cleveland golf, Yes and Odyssey putters...Along with our exceptional customer service, we are your one stop shop for the best COPIED and ORIGINAL golf equipment on the internet."

Moreover, Bright Builders, Prince and Prince Distribution were all involved in marketing the Websites with multiple different directories and search engines. Similarly, they embedded Plaintiff's federally registered CLEVELAND trademark in the metadata of the Websites in an apparent effort to divert consumers looking for Plaintiff's goods to the counterfeit goods offered by Defendants. As a result of Defendants' actions, Plaintiff is suffering a loss of the enormous goodwill Plaintiff has created in Plaintiff's Marks and is losing profits from lost sales of its genuine products.

FOR THE DEFENDANTS:

2. *The names of fact witnesses likely to be called by the parties and a brief summary of their expected testimony.*

FOR THE PLAINTIFF: Plaintiff believes that the following individuals, other than the named parties in this case, are likely to be called to testify as to the allegations in this case:

NAME	AREA OF KNOWLEDGE	ADDRESS
Mr. and Mrs. Sheldon Gene Shelley, II	Use of PayPal account for purchases of Defendants' counterfeit goods; involvement of Defendant Shelley with Defendant Prince	Carolina Comfort Systems, Inc.; PO Box 4592; Florence, SC, 29502
Mystery Shopper referenced in Plaintiff's Complaint	Sale of counterfeit goods by Defendants	Will be provided upon entry of a Protective Order

Plaintiff reserves its right to amend or supplement the list of potential witnesses and to depose other witnesses based on information obtained from ongoing investigations and future discovery.

FOR THE PRINCE DEFENDANTS: The Prince Defendants believe that the following individuals are likely to be called to testify as to the allegations in this case: Christopher Prince.

Defendants reserve their right to amend or supplement the list of potential witnesses and to depose other witnesses based on information obtained from ongoing investigations and future discovery.

FOR BRIGHT BUILDERS: The Bright Builders Defendants believe that the following individuals are likely to be called to testify as to the allegations in this case: One or more representatives of Bright Builders.

Defendants reserve their right to amend or supplement the list of potential witnesses and to depose other witnesses based on information obtained from ongoing investigations and future discovery.

3. *The names and subject matter of expert witnesses (if no witnesses have been identified, the subject matter and field of expertise should be given as to experts likely to be offered).*

FOR THE PLAINTIFF: Plaintiff has identified Stephen P. Gingrich, 5601 Skylab Road, Huntington Beach, California 92647, as an expert witness that will testify about the counterfeit nature of the golf products sold by Defendants. Mr. Gingrich is employed by Plaintiff and his duties as an employee do not regularly involve giving expert witness testimony. Thus, a written expert report signed by the witness is not required. Plaintiff may also call experts to testify as to the following: the calculation of Plaintiff's damages and Defendants' illegally-obtained profits. Plaintiff shall provide additional information concerning their expert witnesses in their disclosures pursuant to Fed. R. Civ. P. 26(a)(2).

FOR THE DEFENDANTS: None at this time. Defendant Bright Builders reserves the right to identify potential experts as investigation into the claim continues further.

4. *A summary of the claims or defenses with statutory and/or case citations supporting the same.*

FOR THE PLAINTIFF: Plaintiff's claims are for trademark counterfeiting and infringement, unfair competition and false designation of origin, and unfair trade practices and competition under federal and state law. As to the federal claims, to state a claim for trademark infringement under 15 U.S.C. § 1114, a plaintiff must prove that it owns a valid and protectable mark, and that the defendant's use of a "reproduction, counterfeit, copy, or colorable imitation" of that mark creates a likelihood of confusion. 15 U.S.C. § 1114(1)(a); *CareFirst of Md., Inc. v. First Care, P.C.*, 434 F.3d 263, 267 (4th Cir. 2006). Trademark counterfeiting under the Lanham Act occurs in cases of trademark infringement that "consist[] of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark . . . , in connection with the sale, offering for sale, or distribution of goods or services." 15 U.S.C. § 1117(b). A counterfeit mark is defined as either (1) "a counterfeit of a mark registered on the principal

register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, ... whether or not the person against whom relief is sought knew such mark was so registered; or" or (2) "a spurious mark which is identical with, or substantially indistinguishable from ..." a registered mark. 15 U.S.C. §§ 1116(d)(1)(B)(i) & (ii).

Contributory liability for trademark infringement exists if a defendant (1) intentionally induces another to infringe on a trademark or (2) continues to supply a product with actual or constructive knowledge that the recipient is using the product to engage in trademark infringement. *Size, Inc. v. Network Solutions, Inc.*, 255 F.Supp.2d 568, 572 (E.D.Va. 2003) (citing *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982)).

Similarly, to state a claim for unfair competition and false designation of origin under 15 U.S.C. § 1125, a plaintiff must show (1) that it possesses a mark; (2) that the defendant used the mark; (3) that the defendant's use of the mark occurred "in commerce"; (4) that the defendant used the mark "in connection with the sale, offering for sale, distribution, or advertising" of goods or services; and (5) that the defendant used the mark in a manner likely to confuse consumers. *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359 (4th Cir. 2001).

In determining whether a likelihood of confusion exists, courts in the Fourth Circuit consider the following factors: (1) the strength or distinctiveness of the mark; (2) the similarity of the two marks; (3) the similarity of the goods and services that the marks identify; (4) the similarity of the facilities that the two parties use in their businesses; (5) the similarity of the advertising the two parties use; (6) the defendant's intent; and (7) actual confusion. *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984).

Plaintiff also alleges that Defendants have violated South Carolina state law.

Defendants are liable to Plaintiff for trademark infringement under South Carolina common law for their use of marks, virtually identical marks to Plaintiff's Marks, both on counterfeit golf equipment and embedded in the metadata on Defendants' Websites. *See Global Protection Corp. v. Halbersberg*, 332 S.C. 149, 503 S.E.2d 483 (Ct. App. 1998). Defendants are also liable to Plaintiff for violations of the South Carolina Unfair Trade Practices Act for introducing counterfeit goods into interstate commerce which bear virtually identical marks to those used by Plaintiff and for using Plaintiff's federally registered CLEVELAND trademark in the metadata of the Websites, all with the intent of deceiving the public. *See* S.C. Code Ann. § 39-5-10, et seq.

As a result thereof, Defendants should be permanently enjoined from continuing their unlawful conduct and should be ordered to destroy all infringing articles pursuant to 15 U.S.C. §§ 1116, 1118. Additionally, Plaintiff is entitled all Defendants' profits gained from their infringing conduct, compensatory damages, exemplary and punitive damages, pre- and post-judgment interest and reasonable attorneys' fees. *See, e.g.*, 15 U.S.C. § 1117 (profits and compensatory damages, treble damages, costs and reasonable attorneys fees); S.C. Code Ann. § 39-5-140 (treble damages, attorneys fees, costs). Where a counterfeit mark is used, an award of reasonable attorneys' fees is mandated, unless the court finds extenuating circumstances. 15 U.S.C. § 1117(b). Plaintiff may also choose to elect statutory damages of \$2,000,000.00 per counterfeit mark per type of goods or services sold, ordered for sale, or distributed by Defendants. 15 U.S.C. § 1117(c)(2).

FOR THE DEFENDANTS: None at this time. As to Defendant Bright Builders, Defendant reserves the right to identify and state additional defenses and supporting citations as litigation continues.

Respectfully submitted this 6th day of May, 2010.

LIZZI LAW FIRM, PC

By: s/Christopher D. Lizzi

Christopher D. Lizzi
Federal Bar No. 8040
E-Mail: lizzilaw@aol.com
2170 Ashley Phosphate Rd., Ste. 402
North Charleston, SC 29406
(843) 797-0222

Attorneys for Defendants Christopher Prince
and Prince Distribution, LLC

By: s/Paul Doolittle

Paul Doolittle
Jekel-Doolittle LLC
Attorneys at Law
210 Wingo Way; Suite 201
P.O. Box 2579
Mount Pleasant, SC 29464
(843) 654-7700

Attorneys for Defendant Bright Builders, Inc.

NELSON MULLINS RILEY
& SCARBOROUGH LLP

By: s/John C. McElwaine

John C. McElwaine
Federal Bar No. 6710
E-Mail: john.mcelwaine@nelsonmullins.com
Janene B. Smith
Federal Bar No. 9960
E-Mail: janene.smith@nelsonmullins.com
151 Meeting Street / Sixth Floor
Post Office Box 1806 (29402-1806)
Charleston, SC 29401-2239
(843) 853-5200

Admitted Pro Hac Vice
Christopher S. Finnerty
Massachusetts Bar No. 65732
E-mail: chris.finnerty@nelsonmullins.com
Morgan T. Nickerson
Massachusetts Bar No. 667290
E-mail: morgan.nickerson@nelsonmullins.com
One Boston Place, 40th Floor
Boston, MA 02108
(617) 573-4723

Attorneys for Plaintiff Roger Cleveland
Golf Company, Inc.