

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN

RICHARD PHELPS,

Plaintiff,

Case No.

v.

THIRD EDUCATION GROUP, INC.,
a Wisconsin Nonstock Corporation,

and

BRUCE THOMPSON,

Defendants.

COMPLAINT

Plaintiff Richard Phelps, for his Complaint against Defendants Bruce Thompson and Third Education Group, Inc., alleges as follows:

THE PARTIES

1. Plaintiff Richard Phelps ("Phelps") is an individual resident of Iowa, domiciled at 201 North 1st Avenue, Apt. 403, Iowa City, IA 52245.

2. Defendant Bruce Thompson ("Thompson") is a natural person who, upon information and belief, is domiciled at 2837 North Marietta Avenue, Milwaukee, Wisconsin 53211.

3. Upon information and belief, Defendant Third Education Group, Inc. ("TEG, Inc.") is a Wisconsin nonstock corporation, having a principal place of business at 2837 North Marietta Avenue, Milwaukee, Wisconsin 53211.

JURISDICTION AND VENUE

4. This Court has subject matter jurisdiction over this Complaint by virtue of Title 28 U.S.C. §§1331, 1332 and 1338, and under its supplemental jurisdiction of 28 U.S.C. §1367, the Counts of which concern acts of trademark infringement under the Lanham Act, 15 U.S.C. §§1114 and 1125(a); and unfair competition under the common law of Wisconsin. Moreover, the parties are citizens of different states so as to also satisfy the requirements for diversity of citizenship. The amount in controversy in the present case exceeds the sum of \$75,000.00, exclusive of interest and costs.

5. This Court has personal jurisdiction over Defendants Thompson and TEG, Inc. by virtue of, among other bases, their status as residents of this district, their solicitation and transaction of business in this district, their engagement in tortious acts within this district and elsewhere, and their overall contacts within the State of Wisconsin.

6. Venue is proper in this District under 28 U.S.C. § 1391.

NATURE OF THE ACTION

7. This is an action for the infringement of a registered trademark in violation of the Trademark Act of 1946, 15 U.S.C. § 1114; the use of false designations of origin and false and misleading descriptions and representations in violation of the Trademark Act of 1946, 15 U.S.C. § 1125(a); and unfair competition under the Wisconsin common law.

FACTS

8. Plaintiff Phelps has authored a number of scholarly articles and books on a variety of topics. Phelps founded and operates a peer-reviewed, online journal dedicated to the discussion of educational policy, called Third Education Group Review. The journal is published via a web site operated by Phelps at <http://www.thirdeducationgroup.org>, and currently

has over twenty members. Amongst the articles published on the thirdeducationgroup.org web site is an article authored by Plaintiff Phelps in 2005, entitled "The Source of Lake Wobegon," to which Plaintiff is the exclusive holder of all copyright and other right, title and interest. In connection with Plaintiff's online journal at thirdeducationgroup.org, Plaintiff received an International Standard Serial Number ("ISSN") of 1557-2870. Since its inception, Phelps has continuously operated the Third Education Group Review and the www.thirdeducationgroup.org web sites under his THIRD EDUCATION GROUP and THIRD EDUCATION GROUP REVIEW trademarks.

9. The thirdeducationgroup.org domain name was registered by Phelps, and Phelps owns all right, title and interest in and to that domain name.

10. In 2004, Phelps authored a Third Education Group web site that was published on the Internet at www.thirdeducationgroup.org (the "Original Web Site"). As its author, Phelps holds exclusive copyright in and to the Original Web Site. Phelps has not assigned or otherwise transferred any such copyright to another.

11. Subsequently, Phelps hired a third party web developer to modify, expand and otherwise improve the Original Web Site. The third party web developer created a Modified Web Site that is a derivative work of the Original Web site. To the extent that the third party web developer held any copyright in or to the Modified Web Site or any portion thereof, those rights have been assigned to Phelps by written assignment.

12. To protect the reputation of, and Phelps' investment in, the Third Education Group Review journal, Phelps filed for and obtained a federal trademark registration for the THIRD EDUCATION GROUP mark. Specifically, on June 6, 2004, Phelps filed United States Trademark Application No. 78/430,624 on THIRD EDUCATION GROUP for use in connection

with educational research. Based on that application, United States Trademark Registration No. 3,130,754 was issued to Phelps for the THIRD EDUCATION GROUP mark on August 15, 2006, a copy of which is attached hereto as Exhibit A.

13. Phelps holds, and has held since its issuance, all right, title and interest in and to U.S. Trademark Registration No. 3,130,754.

14. Upon information and belief, in 2005 and at various times prior, Plaintiff Phelps and Defendant Thompson discussed the possibility of forming an entity, such as a not-for-profit corporation, to undertake the future publication of the Third Education Group Review. In consideration of such proposals, Defendant Thompson provided Phelps with a proposed set of corporate bylaws, which if adopted, would have, *inter alia*, invested authority for operation of the Third Education Group in Defendant Thompson and his wife. Phelps rejected Thompson's proposed bylaws and did not consent to formation of a corporation under those bylaws.

15. In 2006, Defendant Thompson undertook a plan and conspiracy to form a corporate entity and use that entity to wrongfully convert the Original Web Site, the Modified Web Site, the Phelps Article, and Phelps' goodwill in and to the THIRD EDUCATION GROUP trademark, for Thompson's own benefit and unjust enrichment. Without Phelps' authorization or consent, upon information and belief, Defendant Thompson and his wife, Kathleen Miller, filed papers with the State of Wisconsin, purporting to form Defendant TEG, Inc., under the corporate bylaws that Phelps had explicitly rejected.

16. In so doing, without authority and without Phelps' consent, Defendant Thompson unilaterally identified Thompson, Thompson's wife Miller, and Phelps as purported members of the TEG, Inc. Board of Directors under bylaws rejected by Phelps.

17. Also without authority or Phelps' consent, Defendant Thompson and his wife promptly purported to expel Phelps from the TEG, Inc. Board of Directors and embarked on a course of action with the intent of wrongfully claiming ownership on behalf of Defendant TEG, Inc. over Phelps' THIRD EDUCATION GROUP trademark, Phelps' Original Web Site, Phelps' Modified Web Site and the Phelps Article – all despite Phelps' refusal to affiliate with TEG, Inc. from the time of its alleged formation.

18. Upon information and belief, Defendant Thompson and/or Defendant TEG, Inc. registered the domain name TEGR.org, without the authorization or consent of Phelps. Upon information and belief, the domain name TEGR.org was intentionally and knowingly selected by Defendants because it is an abbreviation for, and is confusingly similar to, the title of Plaintiff's Third Education Group Review journal. Defendants began operation of an Internet web site at the address <http://www.tegr.org> ("the TEGR.org Web Site"), without Phelps' authorization or consent, which incorporated directly, and/or was a derivative work based upon, Phelps' Original Web Site and/or Phelps' Modified Web Site.

19. Like Plaintiff's www.thirdeducationgroup.org web site, Defendants' TEGR.org Web Site comprises an online journal concerning educational policy. Prior to September, 2007, the TEGR.org Web Site utilized the identical "Third Education Group Review" designation as its title. Moreover, at all relevant times, Defendants' TEGR.org Web Site has extensively utilized the identical term "Third Education Group" throughout the site. Defendants' infringing publication, hosted at the TEGR.org Web Site, also purports to ISSN No. 1557-2870 – the same ISSN number assigned to Plaintiff's Third Education Group Review at www.thirdeducationgroup.org – thereby causing further confusion and mistake as to the source and affiliation of Defendants' infringing services.

20. Defendants published the Phelps Article on the TEGR.org Web Site, without the consent or authorization of Plaintiff Phelps. In so doing, Defendants placed Plaintiff's given name at a prominent position on the TEGR.org Web Site, constituting a false representation as to Plaintiff's affiliation with, sponsorship of or approval of Defendants and/or the TEGR.org Web Site.

21. Upon information and belief, Defendant Thompson publishes or otherwise controls a web page hosted by the Milwaukee School of Engineering, with which he is affiliated, at the address <http://people.msOE.edu/~thompson/Papers/papers.htm> ("the MSOE Web Page"). On the MSOE Web Page, Defendant Thompson utilizes the term "Third Education Group Review" to advertise Defendants' TEGR.org Web Site.

22. Upon information and belief, Defendant Thompson operates another web site, accessible at the Internet address <http://wibikeroutes.net> ("the Biking Web Site"). On a web page within that site, located at <http://wibikeroutes.net/aboutus.htm>, Defendant Thompson utilizes the term Third Education Group in connection with a hyperlink to Plaintiff's <http://www.thirdeeducationgroup.org> web site, thereby falsely suggesting an affiliation between Defendant Thompson and Plaintiff.

23. Upon information and belief, Defendants have used the term "Third Education Group" with the intent to exploit the reputation and goodwill that Phelps has developed in his THIRD EDUCATION GROUP mark. Defendants also act to confuse and mislead the public into believing that the TEGR.org Web Site has been sponsored or approved by Phelps.

24. Plaintiff Phelps has been damaged and is likely to be further damaged by Defendants' wrongful use of the THIRD EDUCATION GROUP mark, or any reproduction, copy or colorable imitation thereof, in that the public is likely to be induced into utilization of or

affiliation with Defendants' services in the erroneous belief that they are Plaintiff's authentic services, or that Defendants' services are endorsed, sponsored or approved by Plaintiff, which they are not.

25. Plaintiff Phelps has also been damaged and is likely to be further damaged by Defendants' wrongful use of the THIRD EDUCATION GROUP mark, or any reproduction, copy or colorable imitation thereof, in that the public is likely to be confused into believing that the infringing TEGR.org Web Site is endorsed, sponsored or approved by Plaintiff, when in fact Plaintiff has no control over the quality or content of the TEGR.org Web Site or services provided by Defendants.

26. Defendants have benefited from their wrongful conduct by trading on the recognition and goodwill that Plaintiff has developed in its THIRD EDUCATION GROUP trademark.

27. Plaintiff repeatedly advised Defendants of Plaintiff's rights in and to the THIRD EDUCATION GROUP trademark, and Defendants further had prior actual knowledge of same. Plaintiff also repeatedly demanded that Defendants cease and desist from further use of the term THIRD EDUCATION GROUP in connection with the TEGR.org Web Site, from use of Plaintiff's given name and copyrighted article, and from other false representations and infringement of Plaintiff's trademarks. While Defendants ceased using Plaintiff's THIRD EDUCATION GROUP mark as the title of the infringing TEGR.org Web Site in September, 2007, Defendants have openly refused to stop their use of the identical "Third Education Group" designation as the name under which Defendant TEG, Inc. does business. Defendants have further refused to cease from using the given name of Plaintiff Phelps prominently on the home page of the infringing TEGR.org Web Site, along with Plaintiff's copyrighted article.

Defendants have also continued to use the identical "Third Education Group" designation, and other confusingly similar designations, throughout the TEGR.org Web Site, the MSOE Web Page and the Biking Web Site, to refer to services of Defendants, rather than services of Plaintiff, and to wrongly claim or suggest sponsorship by, approval of and/or affiliation with Plaintiff.

28. In response to Defendants' open repudiation of Plaintiff's valuable trademark rights, their steadfast and repeated refusal to refrain from infringement of Plaintiff's proprietary trademark rights, their continued unauthorized publication of Plaintiff's copyrighted "The Source of Lake Wobegon" article, their infringement of Plaintiff's copyright in and to the Original Web Site and/or the Modified Web Site, and other tortious and unfairly competitive conduct, Plaintiff submitted a takedown notice to Defendants' Internet Service Provider, PAIR Networks ("PAIR"), alerting PAIR to Defendants' copyright and trademark infringement, and requesting removal of the infringing TEGR.org Web Site pursuant to the Digital Millennium Copyright Act, 17 U.S.C. § 512 ("the DMCA"). On September 26, 2007, PAIR removed the Phelps Article from the TEGR.org Web Site. On October 8, 2007, PAIR removed the infringing TEGR.org Web Site entirely.

29. However, upon information and belief, in November, 2007, Defendant Thompson and/or Defendant TEG, Inc. undertook measures in an attempt to cause PAIR to restore the infringing TEGR.org Web Site. Sacrificing any safe harbor that would otherwise have been available to it under the DMCA, upon information and belief, on or about December 4, 2007, PAIR prematurely restored Defendants' web site at the www.tegr.org domain name, which continues to infringe Plaintiff's trademarks and other proprietary rights, and otherwise constitutes tortious and unfairly competitive conduct, and Defendants are likely to continue their improper conduct, unless and until enjoined by this Court.

COUNT I
FEDERAL TRADEMARK INFRINGEMENT

30. Each and every allegation of paragraphs 1 through 29 are incorporated herein as if fully set forth.

31. Plaintiff Phelps holds all right, title and interest in and to enforceable federal trademark registration no. 3,130,754 on THIRD EDUCATION GROUP, for Educational research, which was applied for on June 6, 2004 and registered on August 15, 2006 (Ex. A).

32. U.S. Trademark Registration No. 3,130,754 is in full force and effect and comprises *prima facie* evidence of the validity of the THIRD EDUCATION GROUP trademark, of Plaintiff Phelps' exclusive right to use the THIRD EDUCATION GROUP trademark in commerce and interstate commerce, and as constructive notice of Plaintiff Phelps' claim of exclusive right thereto under 15 U.S.C. §§ 1057, 1072 and 1115.

33. The THIRD EDUCATION GROUP mark is highly distinctive, and associated in the minds of the public and consumers with Plaintiff.

34. Defendants' use of counterfeit and infringing symbols, logos, and likenesses is likely to cause, and has caused, confusion in the minds of the public, leading the public to believe that Defendants' infringing TEGR.org Web Site emanates or originates from Plaintiff and/or that Plaintiff has approved, sponsored or otherwise associated itself with Defendants' TEGR.org Web Site, which is false.

35. Defendants' conduct is intended to exploit the goodwill and reputation associated with the THIRD EDUCATION GROUP mark and to take a competitive advantage without expenditure of resources, by a strategy of willful infringement.

36. Plaintiff has no control over the quality of the services provided by Defendants. Because of the likelihood of confusion as to the source of Defendants' services, Plaintiff's valuable goodwill in its trademark is at the mercy of Defendants.

37. Defendants' knowing misappropriation, misuse, infringement and counterfeiting of the THIRD EDUCATION GROUP mark, and/or marks substantially indistinguishable therefrom and/or likely to cause confusion therewith, is in willful and wanton disregard of Plaintiff's rights and without the approval or consent of Plaintiff.

38. Defendants' aforesaid acts have caused and, unless such acts are restrained by this Court, will continue to cause great and irreparable injury to Plaintiff.

39. Plaintiff has no adequate remedy at law.

40. As a result of Defendants' actions, Plaintiff has suffered, and will continue to suffer, money damages in an amount to be proven at trial.

COUNT II
FEDERAL UNFAIR COMPETITION, FALSE DESIGNATION OF ORIGIN,
FALSE AND MISLEADING REPRESENTATIONS AND
TRADEMARK INFRINGEMENT UNDER 15 U.S.C. § 1125(a)

41. Each and every allegation in paragraphs 1 through 40 are incorporated herein as if fully set forth.

42. The aforesaid acts of Defendants constitute the use in commerce in connection with Defendants' services of false designations of origin, false or misleading descriptions and representations in violation of 15 U.S.C. § 1125(a).

43. The aforesaid acts of Defendants constitute the willful and wanton infringement of Plaintiff's rights in and to the THIRD EDUCATION GROUP and THIRD EDUCATION GROUP REVIEW trademarks, in violation of 15 U.S.C. § 1125(a).

44. Defendants' wrongful, unauthorized and prominent use of Plaintiff's name, RICHARD PHELPS, in connection with the unlawful publication of the Phelps Article and on Defendants' TEGR.org Web Site constitutes a false and misleading representation concerning the affiliation with, sponsorship of and/or approval of Defendants and/or the TEGR.org Web Site by Plaintiff.

45. Defendants' aforesaid acts have caused and, unless such acts are restrained by this Court, will continue to cause great and irreparable injury to Plaintiff.

46. Plaintiff has no adequate remedy at law.

47. As a result of Defendants' actions, Plaintiff has suffered, and will continue to suffer, money damages in an amount to be proven at trial.

COUNT III
COMMON LAW UNFAIR COMPETITION

48. Each and every allegation of paragraphs 1 through 47 are incorporated herein as if fully set forth.

49. Defendants' use of Plaintiff's THIRD EDUCATION GROUP and THIRD EDUCATION GROUP REVIEW trademarks is being done with the intent to palm off Defendants' services as originating from or having the sponsorship, affiliation or approval of Plaintiff, and/or in order to trade on the goodwill created by Plaintiff in the trademark.

50. Defendants' unauthorized use constitutes the common law tort of unfair competition.

51. The aforesaid acts of Defendants constitute the passing off of their products as Plaintiff's products, the imitation and misappropriation of Plaintiff's trademarks, unjust enrichment, and unfair competition with Plaintiff, all in violation of Plaintiff's rights at common law.

52. Defendants' aforesaid acts have caused and, unless such acts are restrained by this Court, will continue to cause great and irreparable injury to Plaintiff.

53. Plaintiff has no adequate remedy at law.

54. Upon information and belief, Defendants' conduct has been and continues to be oppressive, fraudulent, and malicious, entitling Plaintiff to an award of punitive damages.

COUNT IV
COMMON LAW TRADEMARK INFRINGEMENT

55. Each and every allegation of paragraphs 1 through 54 are incorporated herein as if fully set forth.

56. Through his longstanding use of the THIRD EDUCATION GROUP and THIRD EDUCATION GROUP REVIEW marks in commerce, in connection with educational research, the publication of associated articles, the operation of the online Third Education Group Review, and other endeavors, Plaintiff has established valuable trademark rights under the common law in and to its THIRD EDUCATION GROUP and THIRD EDUCATION GROUP REVIEW marks. Plaintiff's THIRD EDUCATION GROUP and THIRD EDUCATION GROUP REVIEW marks are highly distinctive, and are associated in the minds of the public and consumers with Plaintiff.

57. Defendants' use of the identical designations Third Education Group and Third Education Group Review, as well as confusingly similar terms such as TEG and TEGR, in connection with educational research, the publication of articles and the operation of an online journal having subject matter similar to Plaintiff's Third Education Group Review, is likely to cause confusion, to cause mistake, and to deceive as to the affiliation, connection or association of Defendants with Plaintiff, and as to the origin, sponsorship and approval of Defendants' services by Plaintiff.

58. Defendants' unauthorized use of the designation Third Education Group, as well as terms confusingly similar thereto, constitutes the common law tort of trademark infringement.

59. Defendants' aforesaid acts have caused and, unless such acts are restrained by this Court, will continue to cause great and irreparable injury to Plaintiff.

60. Plaintiff has no adequate remedy at law.

61. Upon information and belief, Defendants' conduct has been and continues to be oppressive, fraudulent, and malicious, entitling Plaintiff to an award of punitive damages.

WHEREFORE, Plaintiff Phelps prays for judgment against Defendants as follows:

A. That Defendants and their agents, servants, employees, attorneys, successors and assigns, and any and all persons acting in concert or participating with them, or any of their successors or assigns, be preliminarily and permanently enjoined and restrained from directly or indirectly:

(1) using the THIRD EDUCATION GROUP and THIRD EDUCATION GROUP REVIEW trademarks, or any reproduction, counterfeit, copy or colorable imitation thereof, in connection with Defendants, and/or their offering or performance of services;

(2) using the THIRD EDUCATION GROUP and THIRD EDUCATION GROUP REVIEW trademarks, or any reproduction, counterfeit, copy or colorable imitation thereof, in any manner likely to cause others to believe that Defendants and/or their services are sponsored by, connected with or affiliated with Plaintiff;

(3) passing off, inducing, or enabling others to sell or pass off any services which are not genuine services of Plaintiff, as Plaintiff's genuine services;

(4) making any false or misleading statements regarding Plaintiff or its services, or the relationship between Plaintiff and Defendants;

(5) committing any other acts calculated to cause actual or prospective consumers to believe that Defendants and/or their services are sponsored by, connected with or affiliated with Plaintiff and/or its services; and

(6) assisting, aiding, or abetting any other person or business entity in engaging in or performing any of the activities referred to in the above subparagraphs (1) through (5).

B. That Defendants be required to account to Plaintiff for any profits or other unjust enrichment arising from the wrongful acts complained of herein and for such sum in addition thereto as the Court shall find just.

D. That this case be found exceptional and Plaintiff awarded its attorneys fees pursuant to 15 U.S.C. § 1117(a).

E. That Plaintiff recover the damages arising out of Defendants' wrongful acts in a sum equal to three times the actual damages suffered by Plaintiff, as provided in 15 U.S.C. § 1117(b).

F. That Plaintiff be awarded statutory damages, as provided in 15 U.S.C. § 1117(c), up to \$1,000,000 per counterfeit mark, per type of goods or services, if greater than actual damages or profits otherwise awarded.

G. For judgment in a damage amount adequate to compensate Plaintiff for Defendants' acts of common law unfair competition.

H. That Defendants be required to disgorge their profits and other ill-gotten gains.

I. That Plaintiff have and recover its costs of this action, including reasonable attorney's fees and interest.

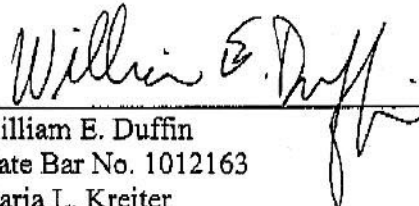
J. That Plaintiff be awarded punitive damages in view of Defendants' wanton and deliberate illegal acts committed with oppression, fraud or malice.

K. That Plaintiff be awarded such other and further relief as this Court deems just and proper.

JURY DEMAND

Plaintiff respectfully demands a trial by jury for all of the counts of its Complaint.

Dated this 6th day of December, 2007.



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