

# 19-2720

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United States Court of Appeals for the Second Circuit

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**Woodstock Ventures LC and The Woodstock Cannabis Company, LLC, Plaintiffs, Counter-Defendants, Appellees**

v.

**Woodstock Roots LLC, Woodstock Cannabis Company, LLC, Chet-5 Broadcasting, LP, Gary Chetkof, Axcentria Pharmaceuticals, LLC, and Woodstock Products Company International, LLC d/b/a Woodstock American Products, Defendants, Counter-Claimants, Appellants**

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Appeal from the order entered on July 29, 2019, in the United States District Court for the Southern District of New York (1:18-cv-01840), Hon. Paul G. Gardephe, denying Appellants' Motion for a Preliminary Injunction

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**Page Proof Brief of Appellants Woodstock Roots LLC, Woodstock Cannabis Company, LLC, Chet-5 Broadcasting, LP, Gary Chetkof, Axcentria Pharmaceuticals, LLC, and Woodstock Products Company International, LLC d/b/a Woodstock American Products**

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**Rule 26.1 Disclosure Statement**

Appellants Woodstock Roots, LLC (on behalf of itself and its predecessor, Woodstock Cannabis Company, LLC), Chet-5 Broadcasting, LP, Axcentria Pharmaceuticals, LLC, and Woodstock Products Company International, LLC d/b/a Woodstock American Products certify that each is a private non-governmental corporate party that has no parent corporation and that no publicly held corporation owns 10% or more of its stock.

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## **JURISDICTIONAL STATEMENT**

The district court had subject matter jurisdiction over this case pursuant to 28 U.S.C. § 1331 and 28 U.S.C. § 1338. This Court has jurisdiction pursuant to 28 U.S.C. § 1292(a)(1) because this appeal is from an order denying a preliminary injunction. The district court's order was entered on July 29, 2019, and Appellants timely appealed on August 27, 2019.

## **ISSUES PRESENTED FOR REVIEW**

1. Do Appellants have the exclusive right to use the WOODSTOCK mark for smokers' articles, and to preclude infringing use on related goods including federally illegal cannabis, where Appellants have valid federal registrations to use the WOODSTOCK mark for smokers' articles, and where Appellees failed to demonstrate use of their mark on smokers' articles before Appellants' constructive first use date?

2. Does Appellees' use of the WOODSTOCK mark on federally illegal marijuana create a likelihood of confusion with Appellants' use of the mark for smokers' articles where (1) it is indisputable that Appellants' mark is strong; (2) the marks consist of the same identical word; (3) the products are sold through the same channels to the same consumers; and (4) Appellees acted in bad faith by adopting the mark?

## STATEMENT OF THE CASE

### I. Nature of the Case and Relevant Procedural History

On February 28, 2018, Woodstock Ventures LC and the Woodstock Cannabis Company LLC (collectively “Plaintiffs” or “Ventures”) commenced this action against Woodstock Roots, LLC (“Roots”), Woodstock Products Company International, LLC d/b/a Woodstock American Products (“WPCI”), Woodstock Cannabis Company, LLC, Axcentria Pharmaceuticals LLC (“Axcentria”), Chet-5 Broadcasting, LP (“Chet-5”), and Gary Chetkoff (collectively “Defendants” or “Woodstock Products”). (Compl. (Dkt. No. 1)) (\_\_\_). Ventures asserted trademark infringement and related claims against Woodstock Products based on Woodstock Products’ use of the WOODSTOCK mark on “cannabis and cannabis-related goods and services.” (*Id.* ¶ 73) (\_\_\_). On June 11, 2018, Woodstock Products filed an Answer, Affirmative Defenses, and Counterclaims, asserting it was Ventures’ use of the WOODSTOCK mark on cannabis and cannabis-related products that infringed on Woodstock Products’ federal registrations for the WOODSTOCK mark on smokers’ articles<sup>1</sup> (the “Smokers’ Articles Mark”). (Ans. (Dkt. No. 30) at Counterclaim ¶ 8) (\_\_\_).

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<sup>1</sup> “Smokers articles” include cigarette rolling papers, lighters for smokers, tobacco-free electronic cigarettes for medical purposes comprised of e-liquids derived from the mature stalks of industrial hemp exclusive of any resins, cigarette cases, and smokeless cigarette vaporizer pipes for use with either tobacco-based e-liquids or e-liquids derived from the mature stalks of industrial hemp exclusive of any resins,

On August 22, 2018, while the case proceeded through discovery, Ventures announced it had entered into an “exclusive licensing arrangement” with one of the nation’s largest cannabis retailers, MM Enterprises, Inc. (“MedMen”). (Br. in Support of Mot. for Temp. Restraining Order (Dkt. No. 49) at Ex. C) (\_\_\_). On August 27, 2018, Woodstock Products filed a motion for a temporary restraining order and preliminary injunction to enjoin Ventures from moving forward with its licensing arrangement because it would drastically expand the scope of Ventures’ infringement while Woodstock Products’ counterclaims were pending and cause irreparable harm to Woodstock Products. (Mot. For Temp. Restraining Order (Dkt. No. 40)) (\_\_\_).<sup>2</sup> On August 28, 2018, the district court entered a temporary restraining order against Ventures that (i) prohibited the implementation of their licensing agreement with MedMen; (ii) prohibited Ventures from “engaging in any act likely to cause confusion, deception, or mistake, or to deceive as to the origin, sponsorship, approval, or association with the WOODSTOCK Mark for smokers’ articles”; and (iii) prohibited Ventures from “using ‘WOODSTOCK’ in any way

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as described in Woodstock Products’ two federal trademark registrations: Registration No. 5380815 (the “815 Registration”) and Registration No. 5612311 (the “311 Registration”). (Def. Ex. 3) (\_\_\_).

<sup>2</sup> Contrary to the district court’s finding that Woodstock Products delayed in moving for injunctive relief, (Op. at 5 n.2), Woodstock Products filed a motion for TRO just five days after Ventures announced its deal with MedMen.

that [would] injure Woodstock Products' business reputation or dilute, tarnish or disparage the distinctive quality of Woodstock Products' WOODSTOCK Mark for smokers' articles." (Order (Dkt. No. 45) at 4) (\_\_\_).

In February 2019, the Honorable Robert W. Sweet conducted a three-day evidentiary hearing on Woodstock Products' preliminary injunction motion. The parties submitted proposed findings of fact and conclusions of law on February 27, 2019, and Judge Sweet heard closing arguments on March 5, 2019. Shortly thereafter, and before he reached a decision on Woodstock Products' preliminary injunction motion, Judge Sweet passed away. On April 1, 2019, the action was reassigned to the Honorable Paul G. Gardephe, who issued the order on appeal based on the record developed before Judge Sweet. (Op. (Dkt. No. 129)) (\_\_\_).

After reviewing the preliminary injunction record before Judge Sweet, Judge Gardephe issued an order denying Woodstock Products' motion for a preliminary injunction. *Woodstock Ventures LC v. Woodstock Roots, LLC*, 387 F. Supp. 3d 306, 320 (S.D.N.Y. 2019). The district court concluded that Woodstock Products did not establish a likelihood of success on the merits of their trademark infringement claim because there was no likelihood of confusion between smokers' articles bearing Woodstock Products' federally registered Smokers' Articles Mark and Ventures' use of the WOODSTOCK mark on adult-use marijuana and marijuana vaping devices. Because it found there was no likelihood

of confusion, the district court did not decide who had priority to use the WOODSTOCK mark or whether Woodstock Products had established the other elements for a preliminary injunction. *See id.* at 315.

## II. Factual Background

### A. Ventures, Chet-5, and other entities have used the “Woodstock” mark for decades.

Ventures, Chet-5, and other entities have used the WOODSTOCK mark for decades.

Ventures first used the WOODSTOCK mark for music concerts and dramatic productions (“Music Concerts Mark”) in producing the 1969 Woodstock Music and Arts Fair in Woodstock, New York. (Prelim. Inj. Hr’g Tr. (“Tr.”) (Dkt. Nos. 101, 103, 105) at 388:17-389:1) (\_\_\_). Since then, Ventures has used the Music Concerts Mark intermittently. For instance, it has used the mark in connection with music concerts in 1994 and 1999 and on certain music and film recordings of the 1969, 1994, and 1999 concerts, including records, CDs, cassettes, VHS tapes, and DVDs. (*Id.* at 400:24-405:17, 415:21-25; Pl. Exs. 28-35) (\_\_\_)<sup>3</sup>. Over the years, Ventures has also obtained federal trademark registrations to use the WOODSTOCK mark and a separate mark comprised of the image of a dove sitting on top of a guitar (“Dove and Guitar Mark”) on apparel and miscellaneous

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<sup>3</sup> Unless otherwise indicated, cited exhibits are exhibits introduced at the preliminary injunction hearing.

merchandise, including t-shirts, sweatshirts, hats, blankets, and greeting cards.

(Compl. ¶ 32) (\_\_\_) (listing registrations).

Appellant Chet-5 owns Radio Woodstock, WDST-FM, a radio station operating in Woodstock, New York. (Tr. at 24:23-25:15) (\_\_\_). Radio Woodstock began operating in 1980, and the RADIO WOODSTOCK mark was first used in commerce on April 29, 1980. (*Id.*, Def. Ex. 1) (\_\_\_). Radio Woodstock was one of the first radio stations to stream content through the internet. Major broadcast companies including AOL Radio, Clear Channel Radio, and iHeart Media have distributed its content on their online platforms since 1994. (Tr. at 25:17-26:1) (\_\_\_). Since 2005, Radio Woodstock has also been the “presenting, featured radio station heavily involved in” the Mountain Jam music festival started and owned by Gary Chetkof. (Tr. at 29:24-30:10) (\_\_\_). The Radio Woodstock name is used to promote the festival. (*Id.* at 30:22-24) (\_\_\_).

On October 25, 1994, Chet-5 obtained federal trademark registration No. 1860014 to use the mark RADIO WOODSTOCK for radio and television broadcasting services in Class 38. (Tr. at 29:7-17, Def. Ex. 1) (\_\_\_). Over the years, Chet-5 has also obtained a number of additional federal trademark registrations to use the WOODSTOCK mark on a range of goods and services, including “Woodstock Broadcasting Network,” “Woodstock Universe,” “Woodstock Channel,” “Woodstock TV,” and “Woodstock Radio,” as well as a federal

trademark registration for the mark “PEACE, LOVE, MUSIC.” (Tr. at 32:13-33:6) ( ).

Consistent with their decades-long co-extensive use of the WOODSTOCK mark, on January 30, 2008, Ventures and Woodstock Broadcasting Network Corporation (“WBN”)<sup>4</sup> entered into a Co-Existence Agreement and Consent to Use and Register (the “Co-Existence Agreement”), which expressly acknowledged both parties’ rights to use the WOODSTOCK mark for certain goods and services. (Def. Ex. 2) ( ). Ventures proposed the agreement, and it paid WBN \$4,900.00 as consideration for it, so that it could freely use the WOODSTOCK mark on apparel-related items without risking infringement. (Tr. at 33:1-36:25) ( ). When it was negotiating the Co-Existence Agreement, Ventures never declared an actual or intended use of the WOODSTOCK mark on lighters, ashtrays, hemp, marijuana, or “any other type of device or product that can be used for smoking,” and the Co-Existence agreement is silent as to any such items. (Tr. at 35:16-36:17) ( ).

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<sup>4</sup> Woodstock Broadcasting Network was a predecessor in interest to Chet-5, and assigned its trademark rights, including the Co-Existence Agreement, to Chet-5. (Tr. at 53:23-25) ( ) (“Woodstock Broadcasting Network assigned all of its trademark rights [ ] back to Chet-5, and I think it’s implicit that this [the Co-Existence Agreement] would be part of that.”).

**B. Chet-5 obtained priority to use the WOODSTOCK mark for smokers' articles.**

There is no evidence that either Ventures or Chet-5 had used the WOODSTOCK mark to sell smoking-related articles before 2013. At the hearing, Ventures asserted that it licensed the mark for use on lighters and ashtrays before 2013. However, as described below at p. 31-34, any licensing of the WOODSTOCK mark by Ventures in connection with smokers' articles was too sporadic and without evidence of revenue generated or sales channels utilized to establish priority over the mark.

On October 3, 2013, Chet-5 filed federal trademark application No. 86082199 (the "199 Application") with the intention to use the mark WOODSTOCK in "standard characters, without claim to any particular font, style, size, or color" on "Tobacco-free cigarettes for medical purposes" in Class 5 and "Cigarette cases; Cigarette rolling papers; Cigarettes; Lighters for smokers; Smokeless cigarette vaporizer pipe; Smoking pipes; Tobacco; Tobacco water pipes," in Class 34. (Tr. at 41:10-44:8; Def. Ex. 5) (\_\_\_) The product description "tobacco-free cigarette for medical purposes" meant "an herbal cigarette that did not have nicotine in it," and the "intention of the '199 Application was to be as broad as possible and to have an herbal cigarette be anything that wasn't illegal." (Tr. at 45:3-4, 55:21-23) (\_\_\_). Ventures did not timely oppose the '199 Application. (See Tr. at 491:19-494:5) (\_\_\_).

The United States Patent and Trademark Office (“USPTO”) will not issue a registration for use of a trademark on an item that is illegal under federal law. Marijuana and hemp are both derived from the *Cannabis Sativa L.* plant, but marijuana contains more than .3% THC, is psychoactive, and is federally unlawful, while hemp contains .3% THC or less, is non-psychoactive, and is federally legal. *See* 21 U.S.C. § 802(16) (defining federally unlawful marijuana and excluding hemp); 7 U.S.C. § 1639o (defining federally lawful hemp).

Accordingly, in an office action following the filing of the ‘199 Application, the USPTO asked Chet-5 to clarify the goods covered by the ‘199 Application in order to verify that they did not include federally illegal marijuana. (Tr. at 43:22-44:2, 45:25-46:3) (\_\_\_). Chet-5 explained to the USPTO “many times” that the ‘199 Application did not include marijuana. (Tr. at 44:3-8; *see also* Pl. Ex. 1) (\_\_\_). After a number of communications between the USPTO and Chet-5 about the products that were the subject of the ‘199 Application, the USPTO examiner amended the ‘199 Application to include a specific reference to hemp. (Tr. at 44:15-47:12, Decl. of Christiane Schuman Campbell in Support of Mot. For Summ. J. (Dkt. No. 91) ¶¶ 43 and Ex. L) (\_\_\_). The USPTO examiner’s amendment narrowed the ‘199 Application from a generic herbal cigarette to a specific type of herbal cigarette, i.e., an electronic cigarette comprised of hemp. (Tr. at 47:1-12) (\_\_\_).

In May 2017, Chetkof filed a request to divide the ‘199 Application. (Tr. at 42:12-16; Def. Ex. 6) (\_\_\_). The ‘199 Application matured into two federal trademark registrations: Registration No. 5380815 (the “‘815 Registration”) and Registration No. 5612311 (the “‘311 Registration”) (Def. Ex. 3) (\_\_\_). On January 16, 2018, the USPTO issued the ‘815 Registration to Chet-5. (Tr. at 43:10-13; Def. Ex. 3) (\_\_\_). On January 20, 2018, Chet-5 assigned its rights *nunc pro tunc* in both the ‘815 Registration and the remaining, pending portion of the divided ‘199 Application to Woodstock Roots. (Tr. at 40:11-17; Def. Ex 4) (\_\_\_). On November 20, 2018, the USPTO issued the ‘311 Registration for the remaining portion of the ‘199 Application. (Tr. at 43:10-13; Def. Ex. 3) (\_\_\_).

The ‘815 Registration grants Chet-5 the right to use the WOODSTOCK mark on “Cigarette rolling papers; lighters for smokers” in Class 34. (Tr. at 38:10-13; Def. Ex. 3) (\_\_\_). The ‘311 Registration grants Chet-5 the right to use the WOODSTOCK mark on:

Class 5: Tobacco free electronic cigarettes for medical purposes ***comprised of e- liquids derived from the mature stalks of industrial hemp*** exclusive of any resins.

Class 34: Cigarette cases; Smokeless cigarette vaporizer pipes for use with either tobacco-based e-liquids or e-liquids ***derived from the mature stalks of industrial hemp*** exclusive of any resins.

(Tr. at 61:2-18; Def. Ex. 3) (\_\_\_) (emphasis added).

The products described in the ‘815 and ‘311 Registrations are collectively referred to as “smokers’ articles,” and the ‘815 and ‘311 Registrations are referred to as the “Smokers’ Articles Mark.” The ‘199 Application’s filing date of October 3, 2013, applies to both the ‘815 and ‘311 Registrations, giving each registration a constructive first use date of October 3, 2013. (Def. Ex. 3) (\_\_\_).

**C. Ventures’ Music Concerts Mark is weak and affords Ventures a narrow zone of expansion.**

The record reflects occasional use of the Music Concerts Mark by Ventures since 1969, mostly in connection with major anniversaries of the original Woodstock Music and Arts Fair. (*See* Tr. at 416:5-13 (\_\_\_) (noting a “boost in interest” every 10 years and “increased interest” every 5 years)). Further, Ventures’ licensing agent, Dell Furano, testified that in 2005, Ventures had no existing licensing deals. (Tr. at 141:2-143:24 (\_\_\_); Def. Ex. 7 ¶ 11.2(iii) & Ex. C (\_\_\_) (Furano’s agreement with Ventures)). Ventures also presented a list purporting to identify licensees in 1994, but that list was hearsay. (*See* Pl. Ex. 38) (\_\_\_)<sup>5</sup>.

Lang testified about a single cease and desist letter sent to Chetkof in 2017 and some intermittent Google searches he and his partners conduct ostensibly to police their mark. (Tr. at 493:8-494:5, 457:9-458:22) (\_\_\_). However, no cease and

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<sup>5</sup> Plaintiffs’ Exhibit 38 was identified at the hearing but not moved into evidence.

desist letters or records of online policing or enforcement were introduced into evidence.

Appellants' expert, Professor Barton Beebe, presented the district court with a CSC Trademark Research Report (the "CSC Report"), which analyzed uses of the WOODSTOCK mark. (Def. Ex. 17) (\_\_\_)<sup>6</sup>. Professor Beebe explained the CSC Report "essentially s[ought] to report, as comprehensively as possible, all the various commercial users of a particular mark." (*See* Tr. at 290:11-293:15; 350:1-354:21) (\_\_\_). A series of search terms were used to compile the CSC Report, including exact matches to the word "Woodstock" and variations, such as instances in which the words "Wood" and "stock" were split but appear next to each other. (Tr. at 293:7-12; Def. Ex. 17 at 7, 209, 251, and 849) (\_\_\_). The CSC Report included sections on federal trademark registrations issued by the USPTO, state trademark registrations, and the common law. (Tr. at 291:1-16; Def. Ex. 17 at 7-208, 209-250, 251-844, and 845-904) (\_\_\_).

The CSC Report was uncharacteristically large. Professor Beebe remarked that "what is uncommon is one that is this thick. This is certainly the thickest that I have ever seen." (Tr. at 290:12-17 (\_\_\_); *see also id.* at 295:3-5 (\_\_\_) (referencing

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<sup>6</sup> Exhibit 17 was incorrectly described as Exhibit 14 when it was admitted into evidence. (Tr. at 290:8-20) (\_\_\_). It was correctly labeled when it was submitted to the district court. (*See* Index of Exhibits (Dkt. No. 120-1)) (\_\_\_).

the “giant search report”). The report included an array of uses of WOODSTOCK that weaken Ventures’ Music Concerts Mark: a Woodstock Film Festival (Tr. at 350:16-351:1; Def. Ex. 17 at 623) (\_\_\_), a Woodstock Jazz Festival (Tr. at 351:2-10; Def. Ex. 17 at 641) (\_\_\_), a Woodstock Farm Festival (Tr. at 352:8-14; Def. Ex. 17 at 667) (\_\_\_), a Woodstock Music Center (Tr. at 353:10-14; Def. Ex. 17 at 699) (\_\_\_), a Woodstock Kentucky Bourbon (Def. Ex. 17 at 858) (\_\_\_), a website called VAPE.COM that has “a very prominent use of the term Woodstock,” (Tr. at 353:15-22; Def. Ex. 17 at 825) (\_\_\_), and even an entity named the Bethel Woods Center for the Arts that advertised a “Woodstock Golden Anniversary” concert on the site of the 1969 Woodstock Music and Arts Fair (Tr. at 352:15-353:9, Def. Ex. 17 at 683) (\_\_\_).

In addition to the rampant third-party uses of the mark WOODSTOCK identified by Professor Beebe and set forth in the CSC Report, Ventures has permitted all of Chetkof’s uses of the WOODSTOCK mark since he acquired Radio Woodstock in 1993. (Tr. at 32:5-33:10) (\_\_\_).

**D. Axcentria identified Ventures as a licensing partner because today’s vaping consumers share the attributes of the Woodstock generation.**

In 2015, Axcentria’s business focused on the production of generic over-the-counter drugs (“OTC”), and it had lost about \$5 million dollars in the previous year. (Tr. at 154:25-155:11) (\_\_\_). In 2015, Paul Litwack joined Axcentria as Chief

Executive Officer, with the objective of developing and implementing a plan for Axcentria to rebuild its business. (*Id.* at 154:3-157:4) (\_\_\_). Within five weeks of joining Axcentria, Litwack presented a plan to Axcentria's shareholders for Axcentria to "pivot away from the pharmaceutical OTC industry[] and ... move into vaping products." (*Id.* at 155:16-156:22) (\_\_\_).

Vaping products include electronic cigarettes, often called vaporizers, and cartridges of liquid that connect to the vaporizer itself. (*Id.* at 40:3-10) (\_\_\_). A consumer connects the pre-filled cartridge of liquid to the vaporizer, and the vaporizer then heats the liquid into a gas vapor that the user inhales. (*Id.*) (\_\_\_). The categories of vaping products Litwack proposed Axcentria produce included nicotine, federally legal cannabis (hemp), and federally unlawful cannabis (marijuana). (Tr. at 156:16-157:4; Def. Ex. 8 at WDPROD0001113) (\_\_\_).

The initial business plan called for Axcentria to either "license or create a brand," which could be either a product-based brand or a lifestyle brand. (Tr. at 160:9-19; Def. Ex. 8 at WDPROD0001122) (\_\_\_). A product-based brand focuses on the functionality of the product, such as Timex's focus on its watches' ability to tell time, while Rolex is a lifestyle brand because it focuses not just on the functionality of the product, but on what the product says about its owner's lifestyle. (Tr. at 160:25-161:4) (\_\_\_). Axcentria took both approaches by creating its own brand, Elevate, for certain vaping products and simultaneously looking to

license an existing trademark. (Tr. at 160:17-19, 161:21-25, 232:18-233:3) (\_\_\_). Potential licensees included Harley Davidson, Ciroc Liquor, British American Tobacco, Macanudo cigars, Burning Man, Grateful Dead, and Bob Marley. (Tr. at 162:7-9, 229:1-5; Pl. Ex. 11 at WDPROD0000400) (\_\_\_). Litwack contacted many of these potential licensees without success. (Tr. at 229:1-10) (\_\_\_).

In mid-2015, Litwack and Axcentria began to pursue a license to use the WOODSTOCK mark for vaping products. (*Id.* at 162:14-163:7) (\_\_\_). Litwack pursued a license for the word WOODSTOCK because he felt the attributes of a consumer that used vaping products—“people with social consciousness, leading edge, early adopters, people who were looking for additional creativity, challenging authority”—were much like the qualities found in the generation of people who grew up in the 1960’s. (Tr. at 185:4-187:2, *see also id.* at 27:4-8 (Chetkof); 97:13-98:3 (Furano)) (\_\_\_). Litwack sought a license specifically for the word Woodstock, rather than a license for the dove and guitar mark, because he felt that the dove and guitar image was limited to “a representation of the music and arts festival of 1969.” (Tr. at 186:15-187:2) (\_\_\_).

Through an internet search, Litwack identified Epic Rights as the exclusive licensing agent for Ventures. (Tr. at 162:14-21) (\_\_\_). On Axcentria’s behalf, Litwack submitted a license proposal to Epic Rights in August 2015 and attached to that proposal a “Business Plan Summary” that sought to use the WOODSTOCK

mark to “enter the vaping market” in three product categories: “nicotine-based e-liquids, maybe sometimes without nicotine, CBD, sometimes referred to [as] hemp oil, and then cannabis, cannabis meaning with THC, the federally prohibited product.” (Tr. at 164:7-14; Def. Ex. 9) (\_\_\_). Epic Rights was impressed with Axcentria’s business plan and invited Axcentria to present it to both Epic Rights and Ventures, which Axcentria did on October 30, 2015, in New York City. (Tr. at 166:6-172:4, 278:5-20; Def. Ex. 10).<sup>7</sup> Ventures’ principals Michael Lang and Joel Rosenman attended Axcentria’s presentation, as did the widow of deceased principal John Roberts. (Tr. at 166:15-19) (\_\_\_).

At no time during this presentation did anyone from Epic Rights or Ventures claim to have sold smokers’ articles using either the WOODSTOCK or dove and guitar marks in the past, nor did they suggest they had any plans to enter the cannabis business to do so, nor did they tell Litwack they were preparing to file trademark applications to use the WOODSTOCK or dove and guitar marks for the kind of vaping products described in Litwack’s presentation. (Tr. at 171:7-172:1) (\_\_\_).

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<sup>7</sup> Exhibit 10 was incorrectly described as Exhibit 11 when it was admitted into evidence. (Tr. at 167:10-12) (\_\_\_). It was correctly labeled when it was submitted to the district court. (*See* Index of Exhibits (Dkt. No. 120-1)) (\_\_\_).

However, just three weeks later, on November 20, 2015, Ventures filed two applications – No. 86827371 and No. 86827359 – with the USPTO to use the mark VAPESTOCK underneath the image of the dove and guitar mark on smokers’ articles substantially similar to those set forth in Chet-5’s ‘199 Application, which was filed two years earlier. (Def. Exs. 11, 12 (\_\_\_); cf. Def. Exs. 3, 5 (\_\_\_)).

The products contemplated in Ventures’ application No. 86827371 for VAPESTOCK were:

electronic vaporizer liquid for use in electronic vaporizers, including, e-cigarettes, e-cigars, and personal vaporizers; electronic vaporizer liquid containing CBD for use in electronic vaporizers, including e-cigarettes, e-cigars, and personal vaporizers; electronic cigarette components in the nature of electronic inhalation devices comprised of electronic cigarette refill cartridges, electronic cigarette atomizers, electronic cigarette cartomizers and refill liquid solutions containing “CBD” distributed as a unit; liquid nicotine solutions for use in electronic cigarettes; electronic nicotine inhalation devices, namely, electronic cigarette vaporizers; related goods.

(Def. Ex. 11) (\_\_\_)<sup>8</sup>. The products contemplated in Ventures’ application No.

86827359 for VAPESTOCK were:

CBD-liquid product derived from industrial hemp; Liquid nicotine in different flavors for use in electronic cigarettes, electronic cigars, and electronic smoking popes; electronic cigarette and cigar liquid in the nature of e-liquid; nicotine

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<sup>8</sup> Exhibit 11 was incorrectly described as Exhibit 12 when it was admitted into evidence. (Tr. at 173:11-19) (\_\_\_). It was correctly labeled when it was submitted to the district court. (See Index of Exhibits (Dkt. No. 120-1)) (\_\_\_).

cartridges for electronic cigarettes and electronic smoking devices; related goods.

(Def. Ex. 12) ( )<sup>9</sup>.

The products listed in Ventures' VAPESTOCK applications are, as Litwack put it, "exactly the same product[s]" as those Litwack proposed to Ventures just three weeks earlier, during his October 30, 2015, presentation to Ventures to use WOODSTOCK for vaping nicotine, hemp and marijuana. (Tr. at 177:12-19) ( ). Lang testified that Ventures filed the VAPESTOCK application for the sole purpose of trying to "block" Chet-5. (*Id.* at 464:24-467:22) ( ). Although those applications recite nicotine vaping products, Ventures has nonetheless disclaimed vaping because of it being tobacco-related and thus, in Ventures' mind, antithetical to Ventures' Woodstock brand. (*See, e.g., id.* at 461:19-464:8, 464:21-23) ( ).

In connection with the filing of the VAPESTOCK applications, Ventures, through Epic Rights, proposed a licensing arrangement to Axcentria whereby Axcentria would license the term VAPESTOCK with the dove and guitar image to use on vaping products, rather than accept Axcentria's proposal to license the WOODSTOCK mark for those products. (*Id.* at 172:9-25) ( ). Litwack's understanding was that Ventures was proposing VAPESTOCK because Epic

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<sup>9</sup> Exhibit 12 was incorrectly described as Exhibit 13 when it was admitted into evidence. (Tr. at 175:19-176:3) ( ). It was correctly labeled when it was submitted to the district court. (*See* Index of Exhibits (Dkt. No. 120-1)) ( ).

Rights/Ventures understood that Chet-5 had obtained priority to use WOODSTOCK on smokers' articles. (*Id.* at 172:17-173:4) (\_\_\_). However, Axcentria was not interested in licensing VAPESTOCK. (*See id.* at 178:19-22) (\_\_\_).

For about a year, Axcentria and Ventures continued to negotiate a licensing arrangement for Axcentria to use the WOODSTOCK mark on the goods and services identified in Axcentria's August 2015 licensing proposal and October 2015 presentation. (*Id.* at 178:23-179:2) (\_\_\_). However, the parties could not reach an agreement because Ventures could not represent they had clear title to the WOODSTOCK mark for smokers' articles. As Furano of Epic Rights testified, "I believe Chet-5 had a pending application for tobacco-related products, and there was concerns that – I think on both sides that ... there could be some intellectual property conflicts, and just how those would be resolved was a big topic for discussion for a number of months." (*Id.* at 111:2-14 (\_\_\_); *see also id.* at 179:5-181:24 (\_\_\_)).

On September 20, 2016, Furano, Ventures' licensing agent, then emailed Litwack with a second proposal to circumvent Chet-5's rights to the WOODSTOCK mark for smokers' articles: segment the product category and execute a more limited licensing agreement for only marijuana flower. As that email stated: "What about we drop Vaping products from the deal and just do

cannabis as there is no trademark issue?” (Pl. Ex. 8 at PLAINTIFFS0004694 ( )); *see also* Tr. at 118:13-119:17 ( ) (“[H]ere I was trying to find a common ground that I could go back to Woodstock Ventures or their attorneys and see if we could figure this out.”); Tr. at 180:6-15 ( ) (explaining that in this email Furano “was trying to segment the business and separate vaping from cannabis products, and the cannabis products in this case would have been the ones with THC, and perhaps doing just the flower portion of those products.”). When Litwack responded “I don’t think this would be a wise decision,” Furano explained he was “[t]rying to avoid the areas that could lead to a potential dispute[] with Chet 5.” (Pl. Ex. 8 at PLAINTIFFS0004693-94) ( ). However, Axcentria was not interested in segmenting the product category and executing a narrow license. (Tr. at 181:2-18) ( ).

Most recently, on April 4, 2018, more than a month after Ventures filed this lawsuit, Ventures filed another application, No. 87863275, with the USPTO to use the mark WEEDSTOCK underneath the image of the dove and guitar mark, again on smokers’ articles substantially similar to those set forth in Chet-5’s ‘199 Application, which was filed four years earlier. (Def. Ex. 21 ( ); *cf.* Def. Exs. 3, 5 ( )). Ventures’ WEEDSTOCK application recites goods that are substantially similar not only to the goods covered by ‘199 Application, ‘815 Registration, and

‘311 Registration, but also virtually identical to Ventures’ VAPESTOCK Applications. (*Cf.* Def. Ex. 21 *with* Def. Exs. 3, 5, 11, 12).

**E. Axcentria licenses the Smokers’ Articles Mark and incurs significant expenditures commercializing their Woodstock-branded cannabis business.**

In 2016, while negotiations with Ventures were still ongoing, Litwack reached out to Chetkof about licensing Chet-5’s WOODSTOCK mark for smokers’ articles. (Tr. at 47:13-20, 182:4-14) (\_\_\_). Although at first Chetkof declined, the parties resumed discussions in the fall of 2016 and eventually entered into a licensing agreement in March 2017. (Tr. at 48:10-21, 74:1-5, 182:4-23, Pl. Ex. 2 (term sheet)) (\_\_\_). Pursuant to that licensing agreement, Chet-5 issued a license to WPCI to use Chet-5’s WOODSTOCK mark for smokers’ articles. (*Id.*) The “licensing agreement covered global rights [to the WOODSTOCK mark for] all products related to cannabis, which both meant THC-based and CBD products for all types of delivery systems, and all types of permitted retail distribution.” (Tr. at 184:17-24) (\_\_\_). This arrangement included all rights conferred by the ‘199 Application, as well as the subsequently issued ‘815 and ‘311 Registrations.

At the end of 2015, while Axcentria was still negotiating with Ventures, Litwack contracted with a Colorado-based marketing company, Blank Space Strategies, for Blank Space to produce marketing and advertising materials. (Tr. at 190:13-193:14) (\_\_\_). Once Axcentria and Chet-5 entered their license agreement

and created WPCI, Woodstock Products began to implement a plan to commercialize the WOODSTOCK mark for smokers' articles, including federally legal hemp and federally unlawful marijuana, as originally laid out in the 2015 business plan Litwack presented to Axcentria's shareholders. (*Id.* at 187:3-197:9) (\_\_\_). Even after negotiations with Ventures fell through, WPCI continued to work with Blank Space until the summer of 2017. (*Id.* at 191:1-16) (\_\_\_). During this time, Blank Space presented WPCI with a series of style and branding proposals. (*See, e.g.*, Pl. Exs. 15, 20, 21) (\_\_\_)<sup>10</sup>.

WPCI ultimately replaced Blank Space with another marketing agency, Grit. (Tr. at 191:5-9) (\_\_\_). In May 2018, Grit produced the final brand guide that WPCI is prepared to use for marketing and advertising. That guide is the result of years of time, energy, effort, and financial investment by Woodstock Products. (*Id.* at 193:5-11; Def. Ex. 14) (\_\_\_). To commercialize Woodstock Products' federally legal smokers' articles, including hemp, WPCI built a consumer-facing website, advertised on Woodstock Radio, built advertising displays, and developed a presence on social media. (Tr. at 187:15-20) (\_\_\_).

To commercialize federally unlawful marijuana, WPCI was forced to build a plan "state by state" because federally unlawful marijuana cannot be shipped

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<sup>10</sup> Plaintiffs' Exhibits 15 and 21 were identified at the hearing but not moved into evidence.

across state lines. (Tr. at 187:21-188:8) (\_\_\_). That plan required identifying an operating partner or partners in each state that was capable of meeting WPCI's specifications for product cultivation, processing, distribution, and sale. (*Id.* at 188:1-18) (\_\_\_). As part of the process for building a state-by-state business, once WPCI identified a potential operating partner, the parties entered IP licensing, manufacturing, and trademark assignment agreements. (*Id.* at 189:2-190:12) (\_\_\_). WPCI completed this process in six states, and began the process in two additional states. (*Id.* at 189:2-190:12) (\_\_\_). As a result, Woodstock Roots, through licensee WPCI, also has rights to trademark registrations in six states. (*Id.* at 189:7-11, 190:8-12) (\_\_\_).

Woodstock Products' marketing, development of vendor relationships, development of product lines, and state-by-state efforts to build a business required a significant financial investment. (*See* Tr. at 196:22-199:21) (\_\_\_). Woodstock Products incurred at least \$55,000.00 in expenses related to identifying and working with "different operating partners in different states," such "Sublime, California; Revolutionary Clinics, Massachusetts, Nerol Investments Michigan." (*Id.* at 197:19-198:13; Def. Ex. 15) (\_\_\_); at least \$135,000.00 in expenses for "inventories or supplies" including vaporizer cartridges, hemp oil, vaping devices, and lighters. (Tr. at 198:14-25; Def. Ex. 15) (\_\_\_); at least \$249,000.00 in marketing expenses, paid to agencies including Blank Space and Grit. (Tr. at 199:8-14; Def.

Ex. 15) (\_\_\_); and approximately \$1.5 million in legal expenses at the time of the preliminary injunction hearing, which exposure is ongoing. (Tr. at 199:4-6; Def. Ex. 15) (\_\_\_). Litwack testified that total expenditures for the Woodstock portion of his business were just under \$3 million. (Tr. at 197:3-9) (\_\_\_).

Litwack testified that if Woodstock Products is not able to commercialize its WOODSTOCK-branded products, its years of effort and substantial financial investment would be completely lost. (Tr. at 283:14-23) (\_\_\_).

**F. Ventures infringes Woodstock Products' Smokers' Articles mark by selling Woodstock-branded marijuana.**

In early 2017 Ventures started selling federally unlawful WOODSTOCK-branded marijuana. Ventures' first sale in Colorado of federally unlawful WOODSTOCK-branded marijuana occurred on February 1, 2017. (Tr. at 383:1-10; Pl. Ex. 26 at PLAINTIFFS0004960) (\_\_\_)<sup>11</sup>. Through Ventures' licensing arrangement for the product, sales of federally unlawful marijuana in Colorado bearing a WOODSTOCK mark have resulted in royalty payments to Ventures of approximately \$12,000.00 in a year. (Tr. at 384:7-11) (\_\_\_).

Ventures' federally unlawful marijuana products include vaping devices similar to the vaping devices Woodstock Products sells. (*Cf.* Tr. at 373:4-14 (\_\_\_) *with* Tr. at 198:17-23 (\_\_\_)). Ventures markets their cannabis-related products,

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<sup>11</sup> Plaintiffs' Exhibit 26 was identified at the hearing but not moved into evidence.

including their federally unlawful marijuana, to the same consumers as Woodstock Products. (*Cf.* Tr. at 379:11-12 (\_\_\_) (the target demographic for Woodstock-branded cannabis is “young people and old people”) *with* Tr. at 196:8-12 (\_\_\_) (Litwack explaining the targets of its products are people “who lived through the 1960’s,” as well as “millennials”)).

As this action proceeded through discovery, Ventures entered into a licensing arrangement with MM Enterprises, Inc. (“MedMen”), on August 20, 2018. Lang testified that the deal with MedMen will allow Ventures to expand overnight their very low sales to date, putting Ventures’ WOODSTOCK branded marijuana into “states where cannabis is legal for recreation,” and Lang confirmed that “MedMen has lots of dispensaries in states that [Ventures is] already in but others that [Ventures hasn’t] penetrated yet.” (Tr. at 494:6-18) (\_\_\_). Lang also testified that an injunction to prevent Ventures’ sale of federally illegal cannabis would not impact Ventures’ ability to continue to sell any or all of its other merchandising products, or to continue to use its Music Concerts Mark for music festivals. (Tr. at 495:8-11) (\_\_\_).

## SUMMARY OF THE ARGUMENT

The district court erred in denying Woodstock Products' motion for a preliminary injunction because Woodstock Products has priority to use the WOODSTOCK mark for smokers' articles and because Ventures' use of the WOODSTOCK mark on federally illegal marijuana infringes that right.

First, this Court should hold that Woodstock Products has priority to use the WOODSTOCK mark on smokers' articles, although the district court did not reach the issue. Both Woodstock Products and Ventures have used the WOODSTOCK mark for decades. Ventures used the mark in connection with the 1969 Woodstock Music and Arts Fair and has used the mark intermittently since then. Radio Woodstock has been in operation since 1980. In 2013, Chet-5 filed an intent to use application for the WOODSTOCK mark on smokers' articles. Ventures did not timely oppose that application, and Woodstock Products has a constructive first use date of October 3, 2013, for the WOODSTOCK mark on smokers' articles.

Ventures' evidence does not rebut the presumption created by Woodstock Products' constructive use date. Ventures' use of the WOODSTOCK mark on promotional goods did not preclude Woodstock Products from obtaining a first use date of 2013 for smokers' articles because Ventures' WOODSTOCK mark is hemmed in by numerous third-party uses. And Ventures presented only unreliable

evidence of any occasional licensing by Ventures of the mark for use on smokers' articles before Woodstock Products' constructive first use date.

Second, the district court erred by finding that Ventures' use of the mark for federally illegal marijuana did not create a likelihood of confusion with Woodstock Products' use of the mark for smokers' articles. The district court gave insufficient consideration to the undisputed fact that the mark is arbitrary – and therefore conceptually strong – and that the marks as used by Ventures and Woodstock Products consist of the identical words. The district court also erred in finding that products sold by Ventures and Woodstock Products are not in proximity because Ventures' products are federally illegal. The district court's reasoning has the absurd result of making it more difficult hold a defendant liable for trademark infringement where the infringing use is illegal. Finally, the district court erred by not finding that Ventures acted in bad faith where the evidence showed deliberate copying of the mark. Contrary to the district court's findings, each of the relevant factors either weighed in favor of a likelihood of confusion or was neutral.

This Court should vacate the district court's order and remand with instructions to consider whether the other elements for granting injunctive relief are satisfied.

## ARGUMENT

This Court “review[s] for abuse of discretion a district court’s decision to deny a motion for a preliminary injunction. . . . To constitute an abuse of discretion, the district court’s decision must have rested on an error of law or a clearly erroneous finding of fact.” *Louis Vuitton Malletier v. Burlington Coat Factory Warehouse Corp.*, 426 F.3d 532, 537 (2d Cir. 2005) (internal citation omitted). “Questions of law decided in connection with requests for preliminary injunctions, however, receive the same *de novo* review that is appropriate for issues of law generally.” *American Exp. Fin. Advisors, Inc. v. Thorley*, 147 F.3d 229, 231 (2d Cir. 1998).

“To obtain a preliminary injunction, a plaintiff must establish: (1) the likelihood of irreparable injury in the absence of such an injunction, and (2) either (a) likelihood of success on the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation plus a balance of hardships tipping decidedly in its favor. In trademark disputes, a showing of likelihood of confusion establishes both a likelihood of success on the merits and irreparable harm.” *Louis Vuitton Malletier*, 426 F.3d at 537 (quotation marks and citations omitted). “To prevail on an infringement claim, a plaintiff must establish that it possesses a valid, legally protectable mark and that defendant’s subsequent use of a similar mark is likely to create confusion as to the origin of the product at issue.”

*Lane Capital Management, Inc. v. Lane Capital Mgmt., Inc.*, 192 F.3d 337, 344 (2d Cir. 1999).

**I. Woodstock Products has priority in the WOODSTOCK mark for Smokers' Articles.**

**A. Woodstock Products' registration of the WOODSTOCK mark is prima facie evidence of its exclusive right to use the mark for Smokers' Articles.**

Trademark registrations are prima facie evidence of a mark's validity and of the trademark holder's ownership of and exclusive rights to use the mark on the specified classes of goods and services. 15 U.S.C. § 1057(b); 15 U.S.C. § 1115(a); *Lane Capital Mgmt.*, 192 F.3d at 345. Registered trademarks "are presumed to be distinctive and should be afforded the utmost protection." *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 871 (2d Cir. 1986). "As a result, when a plaintiff sues for infringement of its registered mark, the defendant bears the burden to rebut the presumption of the marks' protectibility by a preponderance of the evidence." *Lane Capital Mgmt.*, 192 F.3d at 345; *see also Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206, 216 n.10 (2d Cir. 2012); *Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 687 F.2d 563, 567 (2d Cir. 1982); *Aluminum Fabricating Co. of Pittsburgh v. Season-All Window Corp.*, 259 F.2d 314, 316 (2d Cir. 1958); *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 542 (2d Cir. 1956).

Chet-5 filed the '199 Application to use the WOODSTOCK mark on smokers' articles on October 3, 2013, for "tobacco-free cigarettes for medical purposes" in Class 5 and "Cigarette cases; Cigarette rolling papers; Cigarettes; Lighters for smokers; Smokeless cigarette vaporizer pipe; Smoking pipes; Tobacco; Tobacco water pipes," in Class 34. Over the course of numerous exchanges with the USPTO, Chetkof repeatedly explained that the goods and services described in the '199 Application did not include federally unlawful marijuana. *See above* at p. 9. Because of Chet-5's clarification, the USPTO examiner amended the '199 Application to include a specific reference to hemp. *See Trademark Rule of Practice 2.71(a), 37 C.F.R. § 2.71(a)* (permitting amendment to clarify or limit identification of goods).

Woodstock Products now owns two federal trademark registrations for use of the WOODSTOCK mark on smokers' articles: the '815 Registration and the '311 Registration. *See above* at p. 10-11. Significantly, these registrations give Woodstock Products the right to use the WOODSTOCK mark in standard characters without claim to a particular font, style, size, or color. Woodstock Products' WOODSTOCK mark for smokers' articles is, as a matter of law, presumed valid by virtue of the '815 and '311 Registrations, and these registrations specifically cover federally legal cannabis. Thus, Woodstock Products have established that they possess a valid, legally protectable interest in the

WOODSTOCK mark for smokers' articles, including hemp. And hemp is cannabis.

Under the Lanham Act, a registered mark receives a constructive first use date that extends back to the date of the application for registration, which “confer[s] a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration” except for certain prior users of the mark. 15 U.S.C. § 1057(c); *see also* 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* §§ 20:28, 26:38 (5th ed.) (“*McCarthy*”). Chet-5 filed the ‘199 Application on October 3, 2013. *See above* at p. 8. The ‘199 Application matured into both the ‘815 and ‘311 Registrations. *See above* at p. 10. The goods and services described in these registrations are smokers' articles, including federally legal cannabis. Thus, Woodstock Products enjoys a constructive first use priority date of October 3, 2013, for the goods and services in the ‘815 and ‘311 Registrations and related goods and services.

**B. Ventures has not rebutted the presumption of validity.**

The district court did not decide who had priority rights over the WOODSTOCK mark for smokers' articles, determining that it was unnecessary in light of its holding that Woodstock Products failed to establish a likelihood of confusion. (Op. at 10) (\_\_\_). However, the evidence Ventures presented at the preliminary injunction hearing was insufficient to establish Ventures' claim of first

use. Accordingly, this Court should find that Woodstock Products has priority to use the WOODSTOCK mark for smokers' articles.

Ventures' licensing agent, Furano, testified that in 2005, Ventures had no existing licensing deals. (Tr. at 141:2-143:24 (\_\_\_); Def. Ex. 7 ¶ 11.2(iii) & Ex. C (\_\_\_) (Furano's agreement with Ventures)). Furano also testified that he believed he "may" have negotiated a license to use the WOODSTOCK mark on a pipe "at some point." (Tr. at 128:6-12, 129:2-16) (\_\_\_). His vague assertion does not identify a specific time period for such a license, and thus it cannot establish that Ventures licensed its mark on smokers' articles at a time that was before Woodstock Products' constructive first use date.

Lang testified that Ventures entered a licensing arrangement with Zippo Lighters in 1994, (Tr. at 412:1-413:15, 488:3-489:14) (\_\_\_), but Ventures did not present the district court with any actual licensing arrangement, and instead Ventures simply submitted a "licensee list." (*See* Pl. Ex. 38) (\_\_\_)<sup>12</sup>. This is hearsay and is inadmissible as evidence that such a license ever existed. Fed. R. Evid. 802. Lang also testified that an actual lighter presented to him as a demonstrative exhibit during the preliminary injunction hearing was the type of lighter sold at the 1994 Woodstock Festival. (Tr. at 412:1-413:15) (\_\_\_). However, there was no other

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<sup>12</sup> Plaintiffs' Exhibit 38 was identified at the hearing but not moved into evidence.

evidence to corroborate that testimony, as Ventures introduced no invoices, no proof of sales, and no shipping manifests. The unsupported testimony of Lang and one photograph of one lighter with a sticker on it that reads “Woodstock 94” cannot establish an actual sale. It is also worth noting that the picture of the 1994 lighter includes a copyright notice that states that “The Dove and Guitar Logo is the registered trademark of Woodstock Ventures LC.” (Pl. Ex. 39) (\_\_\_). Importantly, the notice makes no reference to the actual word “WOODSTOCK,” the mark in dispute here. (*Id.*) As with Furano’s testimony, Lang’s foggy memories, which could not even establish a date of sale or a basic description, are insufficient evidence to support a finding that Ventures sold smokers’ articles at a time before Woodstock Products’ constructive first use date.

The evidence Ventures introduced regarding license agreements with the merchandising company C&D Visionary was similarly flawed. The first license agreement does not enumerate lighters or other smokers’ articles as among the authorized articles. (*See* Pl. Ex. 44) (\_\_\_)<sup>13</sup>. Further, a second agreement with C&D Visionary post-dates Woodstock Products’ constructive first use date and lists “licensed products” as “stickers, patches, magnets, buttons and keychains only.” (Pl. Ex. 45) (\_\_\_). Further, “Product Approval” forms attached to Exhibit 45 for

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<sup>13</sup> Plaintiffs’ Exhibit 44 was identified at the hearing but not moved into evidence.

both lighters and ashtrays actually show that neither product was made until after Woodstock Products' constructive first use date for the '199 Application. (*Id.* at PLAINTIFFS0005200, 5209) (\_\_\_). The forms are dated December 3, 2013, the products are both designated as "Pre-Production Samples," and the top-right-hand corner of each form states "YOUR CONTRACTUAL PRODUCTION SAMPLES MUST BE SENT TO Perryscope's NEW YORK OFFICE UPON YOUR FIRST PRODUCTION RUN." (*Id.*)

The "continuous use" that a prior user must establish to show ownership of a mark "implies something more than mere sporadic or de minimis sales." *McCarthy* § 16:9; *see also New Wave Innovations, Inc. v. McClimond*, 589 F. App'x 527, 528 (11th Cir. 2015); *Dep't of Parks and Recreation for State of California v. Bazaar Del Mundo Inc.*, 448 F.3d 1118, 1126-27 (9th Cir. 2006); *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1274 (2d Cir. 1974); *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 534 (2d Cir. 1964). Ventures failed to introduce evidence of anything more than sporadic or de minimis sales or licensing, and therefore failed to rebut the presumption of validity, ownership, and exclusive use established by Woodstock Products' registrations of the WOODSTOCK mark.

**C. Woodstock Products' protectable right extends to infringement by use on related goods.**

Woodstock Products' exclusionary right, resulting from its registered WOODSTOCK trademark for smokers' articles, also extends to infringement by use of the WOODSTOCK mark on related goods. "The exclusionary rights of a registered trademark owner are not limited to the goods and/or services specified in the registration, but go to any goods or services on which the use of the mark is likely to cause confusion." *McCarthy* § 24:6. "On the issue of validity, the recitation of goods and services in the registration limits the scope of the presumption of validity. But it does not limit the scope of accused goods and services on which use will likely cause confusion." *Id. see also Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 257-58 (2d Cir. 1987); *Safeway Stores, Inc. v. Safeway Properties, Inc.*, 307 F.2d 495, 499 (2d Cir. 1962). As such, "direct competition between the products is not a prerequisite to relief ... Confusion, or the likelihood of confusion, not competition, is the real test of trademark infringement." *Mobil Oil*, 818 F.2d at 258 (quotation marks and citation omitted).

The rule that a trademark holder's exclusionary right extends to related goods has been the law of this circuit since this court's seminal decision in *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407 (2d Cir. 1917), *cert. denied*, 245 U.S. 672 (1918). In that case, this Court recognized that "goods, though different, may be so related as to fall within the mischief which equity should prevent," and

held that flour and pancake syrup fell into that category. *Id.* at 409-10. The general rule that has developed since is that complementary goods – that is, goods which may be used together – are related and therefore susceptible of confusion. *See McCarthy* §§ 24:26, 24:46. For instance, “[t]echnological duos such as motor vehicles and tires, computer hardware and software, or DVD players and DVDs are complementary because they must be used together.” *McCarthy* § 24:26; *see also, e.g., Fortune Dynamic, Inc. v. Victoria’s Secret Stores Brand Mgmt., Inc.*, 618 F.3d 1025, 1035 (9th Cir. 2010) (shoes and tank tops); *In re Martin’s Famous Pastry Shoppe, Inc.*, 748 F.2d 1565, 1567 (Fed. Cir. 1984) (bread and cheese); *Valmor Prods. Co. v. Standard Prods. Corp.*, 464 F.2d 200, 203 (1st Cir. 1972) (hair care preparation and hair dryer); *Jetzon Tire & Rubber Corp. v. Gen. Motors Corp.*, 177 U.S.P.Q. 467 (T.T.A.B. 1973) (tires and automobiles).

In this case, the federally illegal marijuana sold by Ventures is complementary to the smokers’ articles for which Woodstock Products has priority in the WOODSTOCK mark. As such, Woodstock Products’ registration protects it from infringement by Ventures’ use of the same mark on federally illegal marijuana.

**D. Ventures' Music Concerts Mark does not give it trademark rights either in smokers' articles or federally illegal marijuana.**

**1. Neither party has federal trademark rights for federally illegal marijuana.**

As described above, Ventures did not use its WOODSTOCK mark for federally illegal marijuana until 2017, well after Woodstock Products' constructive first use date of the mark as established by its trademark registrations. Further, Ventures' sales of federally illegal marijuana cannot give rise to trademark ownership rights, because the lawful use rule prohibits the application of federal trademark law to activities that are a per se violation of federal law.

Under the lawful use doctrine, "the shipment of goods in violation of a federal statute renders a federally registered trademark unenforceable." *Dessert Beauty, Inc. v. Fox*, 617 F. Supp. 2d 185, 189-90 (S.D.N.Y. 2007), *aff'd*, 329 F. App'x 333 (2d Cir. 2009); *see also, e.g., CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 630, 634 (9th Cir. 2007); Trademark Manual of Examining Procedure § 907 ("Use of a mark in commerce must be lawful use to be the basis for federal registration of the mark.")

The lawful use doctrine not only precludes trademark registration based on unlawful use, it also prevents a party from obtaining trademark rights through illegal use of a trademark that it has not registered. *See, e.g., CreAgri*, 474 F.3d at 630-31, 634; *United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219,

1225 (10th Cir. 2000). A contrary rule would “put the government in the ‘anomalous position’ of extending the benefits of trademark protection to a seller based upon actions the seller took in violation of that government’s own laws.” *CreAgri*, 474 F.3d at 630 (quoting *In re Stellar Int’l, Inc.*, 159 U.S.P.Q. 48, 51 (T.T.A.B. 1968)). Further, “to give trademark priority to a seller who rushes to market without taking care to carefully comply with the relevant regulations would be to reward the hasty at the expense of the diligent.” *CreAgri*, 474 F.3d at 630.

The rationale of the lawful use doctrine is particularly salient in the context of federally illegal marijuana. In this context, the lawful use rule prevents companies that may now be selling a federally illegal product from claiming priority over companies that may enter the market should marijuana become federally decriminalized. “[U]nlawful use will be found where ... there has been a *per se* violation of a statute regulating the sale of a party’s goods.” *Dessert Beauty*, 617 F. Supp. 2d at 190. Cannabis containing more than 0.3% tetrahydrocannabinol (“THC”) remains federally unlawful. *See* 21 U.S.C. 802(16) (defining federally unlawful marijuana and excluding hemp); 7 U.S.C. § 1639o (defining federally lawful hemp, which contains no more than 0.3% THC). There is no dispute that Ventures’ Woodstock-branded cannabis products are federally illegal. *See, e.g., In re Pharmacann LLC*, 123 U.S.P.Q.2d 1122 (T.T.A.B. 2017) (disallowing

registration for illegal use of trademark on marijuana); *In re Morgan Brown*, 119 U.S.P.Q.2d 1350 (T.T.A.B. 2016) (same).

In any event, as described above, Ventures presented evidence that its first sale of federally unlawful Woodstock-branded marijuana in Colorado occurred on February 1, 2017. *See above* at p. 24. Woodstock Products' constructive first use priority date predates Ventures' first actual use by several years, and so – even without consideration of the lawful use doctrine – Ventures' first sales of federally illegal marijuana bearing the WOODSTOCK mark do not establish priority to use the WOODSTOCK mark on smokers' articles.

**2. Ventures' Music Concerts Mark does not give it priority for smokers' articles or cannabis because it is hemmed in by a crowded field of other uses.**

Not only is Ventures unable to establish priority in the Woodstock mark for smokers' articles based on its use of the mark on federally illegal marijuana, it is also unable to establish priority based on its use of the Woodstock mark on other goods, mostly promotional items. In particular, Ventures failed to establish that their Music Concerts Mark is strong enough to afford them the unfettered ability to expand any rights in the WOODSTOCK mark to any new class of goods or services that Ventures might hope to enter.

Any reliance by Ventures on a zone of expansion theory fails, first, because its evidence only suggested that people consumed cannabis at Woodstock, and

therefore it is only possible that the word “Woodstock” might call to mind cannabis use in the minds of some consumers. Ventures did not establish that cannabis use was unique to Woodstock – to the contrary, an article relied on by Ventures in its opposition to Woodstock Products’ motion for a TRO stated, with respect to the 1994 Woodstock concert, that “[p]olice officials ... did not find drug use at Woodstock ’94 out of character.” (Declaration of Michael Lang at Ex. 32 (Dkt. No. 57-32)) (\_\_\_). One official noted that “I don’t think there was any more substance abuse than at any other concert of this type.” (*Id.*) Ventures also introduced no evidence that the concert promoters themselves manufactured or sold cannabis products, as opposed to third parties who sold products to concert attendees.

There is a critical legal difference between a mark that may call to mind another concept or image, on the one hand, and one that actually creates a likelihood of confusion, on the other hand. “Trademark law’s concept of confusion over source or connection is a different state of mind than if the junior’s user’s mark reminds a person of the senior mark or only calls the senior mark to mind. ‘Confusion’ means more than that the junior user’s mark merely ‘calls to mind’ the senior user’s mark.” *McCarthy* § 23:9; *see also Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 561 F. Supp. 2d 368, 386-87 (S.D.N.Y. 2008).

Further, it is a “well-established principle that trademark rights, unlike statutory copyrights or patents, are not rights in gross or at large. ‘There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed.’ ... The right, therefore, to exclusive use of a trademark derives from, and is limited by, its actual use in the marketplace.” *American Footwear Corp. v. General Footwear Co.*, 609 F.2d 655, 663-64 (2d Cir. 1979) (quoting *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918)). It follows that a trademark must be of sufficient strength to be distinctive of a particular commercial source. “‘Strong’ marks that have a high degree of distinctiveness are ... protected against the use of similar marks on a wider range of goods or services than are ‘weak’ designations that have less distinctiveness or market recognition.” *McCarthy* § 24:49 (quoting Restatement (Third) Unfair Competition § 21, cmt. i). Even if a mark is strong enough to result in confusion on competitive goods, it may not be strong enough to result in confusion on non-competitive goods. *McCarthy* § 24:49. For instance, the Second Circuit agreed with a finding that the mark “PLUS” was a weak mark and held that finding made it unlikely “that prudent consumers will confuse it with similar marks on non-competitive goods.” *Plus Prods. v. Plus Discount Foods, Inc.*, 722 F.2d 999, 1006 (2d Cir. 1983).

The strength of Ventures' WOODSTOCK mark has been diminished by substantial use by third parties in the marketplace. "If [a] trademark owner is quiescent and tolerates the encroachment of infringers, it will find that its trademark asset has 'eroded' and 'shrunken' because the strength of its mark as a distinctive and distinguishing symbol has been diminished by the presence of similar marks." *McCarthy* § 11:91. When, as is the case here, the user of a mark, like Ventures, allows multiple third parties to use similar or identical marks, it creates a "crowded field" in the eyes of consumers:

A mark that is hemmed in on all sides by similar marks on similar goods or services cannot be very 'distinctive.' It is merely one of a crowd of similar marks. In such a crowd, customers will not likely be confused between any two of the crowd and may have learned to carefully pick out one from the other.

*McCarthy* § 11:85; *see also, e.g., Fla. Int'l. Univ. Bd. of Trs. v. Fla. Nat'l Univ., Inc.*, 830 F.3d 1242, 1257-58 (11th Cir. 2016); *Lang v. Retirement Living Pub. Co.*, 949 F.2d 576, 581 (2d Cir. 1991) ("[E]xtensive third party use ... weighs against a finding that [the] trade name is strong."); *General Mills, Inc. v. Kellogg Co.*, 824 F.2d 622, 626-27 (8th Cir. 1987) ("[E]vidence of third party usage of similar marks on similar goods is admissible and relevant to show that the mark is relatively weak and entitled to a narrower scope of protection."); *Sun Banks of Fla., Inc. v. Sun Fed. Sav. & Loan Ass'n*, 651 F.2d 311, 316 (5th Cir. 1981) (district court erred in not considering effect "impressive array of third-party" uses of mark);

*Armstrong Cork Co. v. World Carpets, Inc.*, 597 F.2d 496, 505 (5th Cir. 1979) (“[T]he existence of eighty-five different carpet companies using without objection from World the word World in their business ... militates against the finding of likelihood of confusion.”); *Trs. of Columbia Univ. v. Columbia/HCA Healthcare Corp.*, 964 F. Supp. 733, 744-45 (S.D.N.Y. 1997) (“[T]hird party use and registrations of the name ... have diluted the strength of the ... mark”).

Because a weak mark does not create a likelihood of confusion outside its area of commerce, it also is not sufficient to establish priority of use outside its area of commerce. *See, e.g., Primrose Retirement Cmties., LLC v. Edward Rose Senior Living, LLC*, 122 U.S.P.Q.2d 1030, 2016 WL 7655551, at \*7-8 (T.T.A.B. 2016) (holding that opposer’s mark did not preclude trademark registration, where extensive third party use made the mark relatively weak). Since 1969, Ventures has permitted hundreds of other uses of the WOODSTOCK mark. *See above* at p. 12-13. Of these hundreds of other users, there are dozens of uses of the WOODSTOCK mark related to smokers’ articles, music and musical instruments, entertainment, alcohol and other beverages, food-related goods, apparel and miscellaneous merchandise. *Id.* As a result, Ventures’ lack of enforcement of their Music Concerts Mark has led to a crowded field for the WOODSTOCK mark. As Professor Beebe testified on cross-examination, “[i]t is not one mark, there are hundreds of Woodstock marks by hundreds of different entities . . . [consumers]

have been taught over the decades, over 50 years, that just because somebody called themselves Woodstock doesn't mean that they are associated with the founders of the festival." (Tr. at 328:20-329:4) (\_\_\_). Now, as a matter of law, this crowded field limits Ventures' ability to expand their mark to the new market of smokers' articles, including cannabis.

By having previously allowed hundreds of third-party uses of the WOODSTOCK mark in a variety of fields, including many closely related to music concerts, Ventures created a crowded field and, therefore, their rights to the WOODSTOCK mark are hemmed in by these many other uses. While Ventures slept on their rights in the WOODSTOCK mark for music concerts, Woodstock Products entered the market for smokers' articles, including federally legal cannabis, and Woodstock Products now has a protectable interest in the mark for those goods and services.

**II. The district court erred in finding that Ventures' use of the WOODSTOCK mark for federally illegal marijuana does not create a likelihood of confusion.**

The Second Circuit, in analyzing whether there is a likelihood of confusion between two marks, follows the eight-factor *Polaroid* test, which considers:

the strength of [the] mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers.

*Polaroid Corp. v. Polaroid Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961); see also *Louis Vuitton Malletier v. Burlington Coat Factory Warehouse Corp.*, 426 F.3d 532, 537 (2d Cir. 2005). “A district court’s findings with regard to each individual factor are subject to the clearly erroneous standard of review, but the ultimate issue of the likelihood of confusion is reviewed *de novo*.” *Louis Vuitton Malletier*, 426 F.3d at 537 (quotation marks and citation omitted). Although no single factor is itself determinative, the first three factors are “perhaps the most significant.” See *Mobil Oil*, 818 F.2d at 258.

**A. The district court erred in finding that the mark is commercially weak and giving significant weight to that finding.**

The district court erred in allowing its finding of commercial weakness to partially negate the undisputed conceptual strength of Woodstock Products’ WOODSTOCK mark. In holding that the first *Polaroid* factor weighed “only modestly” in Woodstock Products’ favor, the district court relied on a finding that the mark was commercially weak. (Op. at 11-12) (\_\_\_). However, the district court acknowledged that “Plaintiffs concede that the WOODSTOCK mark is conceptually distinctive.” (Op. at 11) (\_\_\_). In fact, Ventures conceded that the mark is not merely distinctive, it is arbitrary. (Pl. Prop. Findings & Concl. (Dkt. No. 100) ¶ 71) (\_\_\_). The district court made no findings contrary to that undisputed fact.

Accordingly, the district court erred by finding that the mark is commercially weak and allowing that finding to partially override the conceptual

strength of the mark. “[A]rbitrary or fanciful” is the highest of “[t]he four categories that measure the degree of protection a mark merits,” which “are, in ascending order of protection, generic, descriptive, suggestive, and arbitrary or fanciful.” *Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 73 (2d Cir. 1988). This Court has held that in a likelihood of confusion analysis, a plaintiff’s burden of satisfying the first *Polaroid* factor is satisfied by establishing that a mark is arbitrary, regardless of its commercial strength. *See, e.g., Hasbro*, 858 F.2d at 77 (citing “the general rule that a suggestive term is presumptively entitled to protection and recognition as a strong mark without proof of secondary meaning.”) For instance, in *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44 (2d Cir. 1978), the district court erred by proceeding to consider a mark’s “true strength” in the marketplace even though it had found the mark to be “arbitrary and fanciful.” *Id.* at 48. That is because “having established that its mark was conceptually strong, [plaintiff] met its burden with regard to the first *Polaroid* variable. ... Consequently, [plaintiff’s] relative success in the marketplace, although certainly a factor to be considered in balancing the ‘conflicting interests’ of the parties ... should not have been relied upon to belie the strength of [plaintiff’s] ... mark.” *Id.*

Likewise, in *Cadbury Beverages, Inc. v. Cott Corp.*, 73 F.3d 474 (2d Cir. 1996), the mark at issue was fanciful. *Id.* at 479. The defendants argued that the mark lacked strength because sales of product bearing the mark constituted a low

percentage of the plaintiff's sales; sales had declined; defendant's sales were stronger than plaintiff's; and the distribution of the product was limited. *Id.*

However, this Court rejected those arguments because "when a mark is registered and fanciful, the plaintiff has 'met its burden' on the question of strength." *Id.*

(quoting *Mushroom Makers*, 580 F.2d at 48). This court explained that although "[a] court's further consideration of the recognition that the mark actually enjoys in the marketplace is not error ... the facts set forth by the defendants ... do not begin to cast doubt on the otherwise firm conclusion that the plaintiff's fanciful mark is strong." *Id.*

In this case, there was no dispute that the mark was arbitrary. In light of that undisputed fact, the district court erred by giving significant weight to a finding that the mark lacked commercial strength. By focusing on a lack of evidence of "sales success, unsolicited media coverage of [defendant's] products, attempts to plagiarize their mark, or consumer studies" as well as "gross sales," (Op. at 11-12) (\_\_\_), the district court was requiring proof of secondary meaning that is not required to establish the strength of an undisputed arbitrary mark. Further, although the district court acknowledged that defendants incurred at least \$249,000.00 in marketing expenses, it ignored evidence of other expenses incurred by Woodstock Products in building the WOODSTOCK brand, totaling over \$1.6 million. *See above* at p. 23-24. Accordingly, the district court should have concluded that the

first *Polaroid* factor weighed strongly, not just modestly, in Woodstock Products' favor.

**B. The district court erred in holding that the marks are not similar.**

“Of salient importance among the *Polaroid* factors is the similarity of the marks test, which attempts to discern whether the similarity of the marks is likely to cause confusion among potential customers.” *Louis Vuitton Malletier*, 426 F.3d at 537 (quotation marks and citation omitted). “To apply this factor, courts must analyze the mark’s overall impression on a consumer, considering the context in which the marks are displayed and ‘the totality of factors that could cause confusion among prospective purchasers.’” *Id.*

There is no dispute that Ventures and Woodstock Products use the same word – WOODSTOCK – for their respective marks. The district court disregarded that fact, holding that differences in how the marks were displayed outweighed the fact that the words were identical. (Op. at 12-14) (\_\_\_). However, in conducting its analysis, the district court committed legal error by giving insufficient weight to the identity between the words themselves.

Woodstock Products’ registration for smokers’ articles is a standard character registration. “A standard character registration provides a registrant with the broadest form of coverage for the registered mark because such a registration gives the registrant rights in the mark in block letters as well as in ‘depictions of

the standard character mark regardless of font style, size or color.” *In re Calphalon Corp.*, 122 U.S.P.Q.2d 1153, 1160 n.8, 2017 WL 1476288 (T.T.A.B. 2017) (quotation marks and citation omitted); *see also Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 950 (Fed. Cir. 2000) (“Registrations with typed drawings are not limited to any particular rendition of the mark and, in particular, are not limited to the mark as it is used in commerce.”). “If a mark (in either an application or a registration) is presented in standard characters, the owner of the mark is not limited to any particular depiction of the mark.” Trademark Manual of Examining Procedure § 1207.01(c)(iii). As such, any form of the word “Woodstock” used by Ventures on their competing goods is not merely similar, but identical to Woodstock Products’ Smokers’ Articles Mark. Identical marks are the most likely to cause confusion. *See Lois Sportswear, U.S.A., Inc.*, 799 F.2d at 873.

The district court erred in disregarding the fact that the marks use the same word, instead relying on differences in font and design to hold that the marks are different. (Op. at 13) (\_\_\_). But even if it is not dispositive that the marks are comprised of the identical word, that fact is entitled to weight. For instance, in *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141 (2d Cir. 2003), the holder of the “VIRGIN” trademark sought an injunction against the use of the “VIRGIN WIRELESS” mark to sell mobile phones. The district court denied an injunction, and this Court reversed. The district court had held that the similarity of the marks

factor “did not favor plaintiff because it found some differences in appearance,” in particular “a differen[t] typeface and different colors from plaintiff’s.” *Id.* at 149. This Court held that although those were “indeed differences, they [were] quite minor in relation to the fact that the name being used as a trademark was the same in each case.” *Id.* Indeed, this Court recognized that “[p]laintiff’s and defendant’s marks were not merely similar; they were identical to the extent that both consisted of the same word, ‘virgin.’” *Id.* This Court went on to explain why differences in typeface were not dispositive. For instance, consumers who heard the trademark through radio advertising or word of mouth would not encounter the typographical differences. Also, a consumer who had visited a “VIRGIN” store “would not necessarily remember the typeface and color of plaintiff’s mark.” *Id.* Accordingly, the similarity factor favored plaintiff “as a matter of law.” *Id.*

Similarly, in *Pom Wonderful LLC v. Hubbard*, 775 F.3d 1118 (9th Cir. 2014), the plaintiff, who manufactured pomegranate drinks, claimed that the defendant infringed its “POM” mark by using it on a pomegranate-flavored energy drink. The district court denied the injunction, and the Ninth Circuit reversed. It held that the district court had “clearly erred in finding that the similarity-of-marks factor weighed against” the plaintiff. *Id.* at 1127. It stated that it was “[m]ost significant[.]” that “each mark is comprised of the same three letters.” *Id.* at 1128. Although the marks were also visually similar, the court noted that the marks’

sound and meaning were the same. *Id.* at 1129. Accordingly, “[b]alancing the marks’ many visual similarities, perfect aural similarity, and perfect semantic similarity more heavily than the marks’ visual dissimilarities – as we must – the similarity factor weighs heavily in [plaintiff’s] favor.” *Id.* at 1130 (footnote and citation omitted).

**C. The district court erred in concluding that the parties’ respective products are not in proximity.**

The third *Polaroid* factor, commercial proximity, should be considered in conjunction with the similarity of the marks. *See Hasbro*, 858 F.2d at 77.

“Ultimately, the crucial question is whether the similarity [between marks] is likely to cause confusion.” *Id.* “The third factor addresses whether, due to the commercial proximity of the competitive products, consumers may be confused as to their source.” *Id.* “This confusion can occur if consumers mistakenly will assume that one manufacturer’s [products] are associated with or made by the other.” *Id.* (quotation marks and citations omitted).

Relevant considerations to the third *Polaroid* factor include “the class of consumers to whom the goods are sold, the manner of advertising, the channels through which the goods are sold, and the extent to which the goods or services fall within the same class or are used together.” *Clinique Labs., Inc. v. Dep Corp.*, 945 F. Supp. 547, 553 (S.D.N.Y. 1996). “[T]he closer the secondary user’s goods or services are to those the consumer has seen marketed under the prior user’s brand,

the more likely that the consumer will mistakenly assume a common source.” *New York City Triathlon, LLC v. NYC Triathlon Club, Inc.*, 704 F. Supp. 2d 305, 317 (S.D.N.Y. 2010) (quoting *Virgin Enters.*, 335 F.3d at 150) (some punctuation omitted); *see also, e.g., NYP Holdings v. New York Post Pub., Inc.*, 63 F. Supp. 3d 328, 337 (S.D.N.Y. 2014). Channels of trade are not limited to “identical stores or agents.” *Century 21 Real Estate Corp. v. Century Life of Am.*, 970 F.2d 874, 877 (Fed. Cir. 1992).

The evidence presented at the preliminary injunction hearing established that both parties sell vaping devices and that vaping devices can be used for nicotine, hemp or CBD products, as well as for federally unlawful marijuana. *See above* at p. 14, 24-25. The evidence also established that both parties market their products to the same consumers. *See above* at p. 24-25. In short, both parties sell the same products to the same consumers.

The district court nonetheless held that, even assuming that the parties sold their goods in the same channels, the different nature of the products militated against a finding of competitive proximity. (Op. at 15) (\_\_\_). In particular, the district court noted that “[p]laintiffs’ products all involve the use of recreational marijuana, while Defendants have expressly disavowed the notion that their products are intended for use with recreational marijuana.” (*Id.*) In other words, the

primary difference that the district court focused on was that Ventures' products are intended for use that is federally illegal, and Woodstock Products' are not.

The district court's finding was contrary to the evidence presented at the preliminary injunction hearing, as described above. Further, its reliance on *Joules Ltd. v. Macy's Merch. Grp., Inc.*, 695 F. App'x 633, 637 (2d Cir. 2017) and *Constellation Brands, Inc. v. Arbor Hill Assocs., Inc.*, 535 F. Supp. 2d 347, 366 (W.D.N.Y. 2008) is misplaced. (See Op. at 15-16) (\_\_\_). Indeed, this Court in *Joules* held that two clothing product lines were sold in similar channels of trade, "even if the vast majority of products are not sold side-by-side in the same stores or on the same websites." *Joules*, 695 F. App'x at 637; see also *Constellation Brands*, 535 F. Supp. 2d at 366 (holding that products were "sometimes sold through the same channels of trade" and the fact that one was "less expensive" than the other "does not negate the fact that they compete with each other."). Both of those cases held that a finding of competitive proximity was tempered by the fact that the products were different in nature. *Joules*, 695 F. App'x at 637; *Constellation Brands*, 535 F. Supp. 2d at 366. Nonetheless, in each case, the court held that the factor ultimately favored, at least slightly, the party claiming infringement. *Joules*, 695 F. App'x at 637; *Constellation Brands*, 535 F. Supp. 2d at 372. By contrast, the district court in this case held that the third *Polaroid* factor did not favor Woodstock Products at all. (Op. at 16) (\_\_\_).

Even more problematic is the district court's focus on the legality of the parties' respective products. The effect of the district court's decision was to make it harder to hold an infringing user liable for trademark infringement if its use of the mark is on an illegal good. The district court compounded that error in its analysis of the "bridging the gap" factor. That factor is related to marketplace proximity and "examin[es] the likelihood that, even if the plaintiff's products were not so close to the defendants' when the defendant began to market them, there was already a likelihood that plaintiff would in the reasonably near future begin selling those products." See *Virgin Enters.*, 335 F.3d at 150. For instance, in *Virgin Enterprises*, the plaintiff's showing of bridging the gap was strengthened because it had demonstrated plans to enter another market shortly in the future. *Id.* at 151.

Woodstock Products acknowledged that the "bridging the gap" factor was neutral because both Ventures and Woodstock Products sell cannabis and cannabis-related products. (Def. Proposed Findings & Conclusions (Dkt. No. 99) ¶ 29) (\_\_\_). Nonetheless, the district court held that it "cannot give weight to Defendants' alleged intent to expand into the area of selling recreational marijuana, because the sale of recreational marijuana is illegal under federal law." (Op. at 16) (\_\_\_). As with its conclusion that Ventures and Woodstock Products operate in markets that are not in proximity, because Ventures' products are federally illegal, the district court's reasoning with respect to bridging the gap unfairly benefits a

defendant that has chosen to begin selling a federally illegal product. That erects a barrier to application of the likelihood of confusion analysis where the defendant's product is illegal.

**D. The district court erred in holding that Ventures did not act in bad faith.**

The district court also erred by misapplying the standard for evaluating whether a junior user of a mark has acted in bad faith.

This Court has held that “[w]here a second-comer acts in bad faith and intentionally copies a trademark or trade dress, a presumption arises that the copier has succeeded in causing confusion. ... In determining a defendant's intent, actual or constructive knowledge of the prior user's mark or dress may indicate bad faith. ... Where such prior knowledge is accompanied by similarities so strong that it seems plain that deliberate copying has occurred, we have upheld findings of bad faith.” *Paddington Corp. v. Attiki Importers & Distributors, Inc.*, 996 F.2d 577, 586-87 (2d Cir. 1993); *see also Perfect Fit Indus., Inc. v. Acme Quilting Co.*, 618 F.2d 950, 954 (2d Cir. 1980) (“If there was intentional copying the second comer will be presumed to have intended to create a confusing similarity of appearance and will be presumed to have succeeded”); *Charles of the Ritz Group Ltd. v. Quality King Distributors, Inc.*, 832 F.2d 1317, 1322 (2d Cir. 1987) (“[E]vidence of intentional copying raises a presumption that the second comer intended to

create a confusing similarity.”); *U.S. Polo Ass’n, Inc. v. PRL USA Holdings, Inc.*, 800 F. Supp. 2d 515, 536 (S.D.N.Y. 2011).

The record is indisputable that Ventures was aware of Chet-5’s WOODSTOCK mark for smokers’ articles when it started using it for federally illegal marijuana. In 2015, three weeks after Litwack’s presentation to Ventures proposing Axcentria use the WOODSTOCK mark on smokers’ articles, Ventures filed two federal trademark applications to use the word VAPESTOCK on goods identical to those in both Litwack’s presentation and Chet-5’s ‘199 Application. *See above* at p. 17-19. Lang conceded these applications were filed only as a way to “block” Chet-5, and Litwack explained that shortly after his presentation, Ventures proposed that Axcentria license VAPESTOCK instead of WOODSTOCK to avoid the obvious conflicts with Chet-5. *See above* at p. 18-19. Axcentria rejected Ventures’ VAPESTOCK proposal. Next, in 2016, Ventures proposed to Litwack a second workaround in an effort to avoid a conflict with Chet-5’s ‘199 Application, which was to segment the product category by executing a narrower licensing agreement limited to federally unlawful marijuana flower. *See above* at p. 19-20. However, Litwack rejected this as well, and eventually the negotiations broke down completely because Ventures conceded that it did not have clear title to the WOODSTOCK mark for smokers’ articles.

There can be no question that Ventures not only was aware of Woodstock Products' smokers' articles mark, but also, as evidenced by these proposed workarounds, Ventures recognized the validity of that mark multiple times from 2015-2016. Nevertheless, when the negotiations with Axcentria ended without a deal, Ventures simply decided to begin selling federally unlawful WOODSTOCK-branded marijuana in the same trade channels and to the same consumers as Woodstock Products were selling their WOODSTOCK-branded products. Even a month after filing the complaint, Ventures implicitly acknowledged Woodstock Products' superior rights to the WOODSTOCK mark for smokers' articles for yet a third time by filing an application to use the mark WEEDSTOCK on the same goods and services as those described in Woodstock Products' '199 Application, and their subsequently issued '815 and '311 Registrations. *See above* at p. 20-21.

In considering whether Ventures acted with bad faith, the district court found that there was insufficient evidence that Ventures intended to cause confusion. (*See Op.* at 17-18) (\_\_\_). However, the district court's analysis failed to acknowledge that Ventures was aware of Woodstock Products' ownership of the WOODSTOCK mark for smokers' articles. As described above, Ventures' knowledge of that fact is entitled to significant weight in the bad faith analysis. By failing to give any weight to the fact, the district court erred in finding that Ventures did not act in bad faith.

**E. Taken together, the *Polaroid* factors weigh in favor of a likelihood of confusion.**

Each of the *Polaroid* factors either weights in favor of a likelihood of confusion or is neutral. For the reasons described above, the first (strength of the mark), second (similarity of the marks), third (proximity in the marketplace), and sixth (bad faith) *Polaroid* factors weigh in favor of finding a likelihood of confusion. The fourth (bridging the gap), fifth (evidence of actual confusion), seventh (quality of the products), and eighth (sophistication of the consumer) are neutral. Therefore, taken together, the factors weigh in favor of finding a likelihood of confusion.

## CONCLUSION AND RELIEF SOUGHT

Appellants Woodstock Products request that the Court conclude that Woodstock Products demonstrated a likelihood of success on the merits, vacate the district court's order denying Woodstock Products' motion for a preliminary injunction, and remand with instructions to consider whether the standard for granting a preliminary injunction is otherwise satisfied.

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**CERTIFICATE OF COMPLIANCE WITH WORD LIMIT**

This brief is 13,329 words long and therefore complies with the word limit in 2d Cir. L.R. 32.1(a)(4)(A).

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**CERTIFICATE OF SERVICE**

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