IDEAS ON INTELLECTUAL PROPERTY LAW

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When similar trademarks don't create likelihood of confusion

The Trademark Trial and Appeal Board (TTAB) recently snuffed out opposition to a trademark registration for the mark "SMOKES." To the surprise of some, it determined that consumers were unlikely to confuse it with the existing mark "SMOK." How the TTAB distinguished between the two seemingly similar marks in *Shenzhen IVPS Technology Co. Ltd. v. Fancy Pants Products, LLC*, is worth a review.

THE CASE IGNITES

Fancy Pants Products LLC filed a trademark application for the mark SMOKES (stylized) covering nonmedicinal cannabis cigarettes. Shenzhen IVPS Technology Co. Ltd. opposed the registration on the ground of likelihood of confusion.

> Two key considerations in any likelihood of confusion analysis are: 1) the similarities between the marks, and 2) the similarities between the goods or services.

Shenzhen claimed to own 11 registered SMOK and SMOK-related marks for, among other things, e-cigarettes, parts and components. After further review, it turned out that the company had properly submitted only one registration — for the mark SMOK in standard form. The remaining Shenzhen registration submissions didn't adhere to TTAB requirements and therefore weren't considered.

Fancy Pants didn't take any testimony or introduce any evidence, nor did it file a brief in the matter. But, as the TTAB noted, it wasn't required to do so. Shenzhen had the burden to prove its claim, and the TTAB found that it had failed to do so.

THE TTAB GOES IN THE WEED(s)

The TTAB focused its likelihood of confusion analysis on the one properly registered mark. Such analyses typically rely on the 13 *DuPont* factors (named after the court case where they were first articulated). Every factor isn't always relevant, depending on the facts, but the TTAB explained that two key considerations in any analysis are: 1) the similarities between the marks, and 2) the similarities between the goods or services.

"FAMILY OF MARKS" CLAIM FIZZLES OUT

The plaintiff in *Shenzhen* (see main article) also claimed that it had a "family" of SMOK marks (for example, SMOK FASHION, SMOK MODS, SMOK ECIG and SMOK TECHNOLOGY) that it had used before the defendant filed its trademark application for SMOKES. A family of marks is a group of marks with a common feature (here, the word SMOK). A family arises only if the buying public recognizes the feature as indicative of a common source of the goods.

The TTAB found that Shenzhen didn't establish a family of marks. Because the alleged SMOK, as a family feature, was merely descriptive, Shenzhen had to show that it had acquired distinctiveness. In other words, the mark needed to have a "secondary meaning" aside from "smoke" to preclude others from using it.

The only evidence relevant to the secondary meaning question was testimony that Shenzhen had "relatively modest" advertising expenses for the mark — $1 million over six years. The TTAB concluded that the alleged SMOK family feature hadn't acquired distinctiveness.

In this case, it also assessed the similarity of the established and likely-to-continue channels of trade for the two parties' goods.

The board began by considering whether average purchasers who encounter the two marks would be likely to assume a connection between the parties. Because the word portions of the marks were descriptive — or "weak" — the marks' designs were more significant. The TTAB found that Fancy Pants' design elements, including two elongated "s" letters that evoked a lit cigarette, rendered its mark sufficiently distinguishable from Shenzhen's mark to avoid confusion.

As for the similarity of the goods, SMOK's registration covered a variety of goods, but the TTAB concentrated on e-cigarettes. It noted that, even if the parties' goods are different from each other, confusion can arise if the circumstances around their marketing are such that they could lead to the mistaken belief that they emanate from the same source. Therefore, the fact that e-cigarettes aren't limited to tobacco, but also can be used with cannabis, supported a finding of likelihood of confusion.

That brought the TTAB to the channels-of-trade factor. According to testimony, Shenzhen's goods were sold online and through smoking shops, vaping shops and convenience stores. Its customers typically were over 21 years old and sought an alternative to cigarette smoking.

Shenzhen argued that the class of consumers for both parties' goods was the same because both goods targeted consumers seeking alternatives to traditional cigarettes and were sold through the same venues. The TTAB, however, found no evidence that consumers who sought such cigarette alternatives also sought or used cannabis goods.

In addition, Shenzhen's website evidence as a whole didn't show that both types of goods were offered on the same websites. Some of the third-party websites selling e-cigarettes and parts offered only tobacco products. In addition, several of those offering only cannabis products appeared to be local dispensaries that required local pickup in states where cannabis is sold legally. Because the trade channels were distinct for the parties' goods, this factor favored a finding of no likelihood of confusion.

UP IN SMOKE

The TTAB ultimately dismissed the opposition. Although the goods were related, the marks were dissimilar and the channels of trade didn't overlap, so consumer confusion between them was unlikely. □

TKO: Standing argument in copyright case falls

A copyright owner can't give someone an exclusive enforceable right in a live event after the event has already occurred, right? That's what the defendants in *Joe Hand Promotions, Inc. v. Griffith* recently contended. But their argument fell short in light of some special circumstances.

TIME OUT

The case arose out a sporting event known as "The Fight," between boxer Floyd Mayweather and mixed martial arts fighter Conor McGregor, produced by Showtime Inc. Showtime sold individual viewers $99.99 personal use licenses to livestream the event on a personal device in a noncommercial setting. It also licensed commercial streaming to public establishments, such as bars and restaurants.

In June 2017, Showtime contracted with Mayweather Productions LLC to arrange, present and promote the fight. Mayweather, in turn, enlisted smaller distributors, including Joe Hand Promotions (JHP), to issue commercial licenses and collect fees. In a licensing agreement entered on August 1, 2017, it gave JHP the sole and exclusive license to distribute and authorize the public exhibition of the fight in a designated geographic area.

The fight wasn't registered with the U.S. Copyright Office when it first aired on August 26, 2017. Showtime applied to register its copyright about two months later, and the copyright was issued on October 26, 2017.

On November 21, 2017, Showtime entered into a contract with JHP (Copyright Agreement), giving JHP the exclusive right to distribute and publicly perform the fight live on the day of the event, even though the event had already occurred. The agreement also gave JHP the exclusive right to sue anyone who livestreamed the fight without paying the required licensing fee. Mayweather, though not a party to the contract, also signed.

JHP subsequently sued several bars and restaurants that aired the fight without paying, including the owners of a bar who purchased a personal license for the fight and used an HDMI cable to connect a personal device to the TV at the bar and broadcast it. The bar advertised the event and charged patrons $6 to watch it.

The trial court dismissed the case against these owners. It held that JHP didn't have the standing to sue because it didn't own the copyright on the day the fight aired. It found the Copyright Agreement was essentially a sham because it purported to transfer an exclusive right in an event that had already occurred. JHP appealed to the U.S. Court of Appeals for the Sixth Circuit.

Copyright registration *isn't* a condition of copyright protection — meaning copyright protection can arise before registration occurs.

ANOTHER ROUND

The author of a protected work is the original owner of a copyright and holds certain "exclusive rights" enumerated in Section 106 of the Copyright Act. The Sixth Circuit noted that some dispute exists over whether the list of exclusive rights extends beyond those identified in Sec. 106.

But the court also pointed out the special treatment the Copyright Act extends to live broadcasts. Specifically, the law allows an owner to sue for infringement of an unregistered copyright as long as it registers the copyright within three months of the broadcast. As the court explained, though registration is normally a requirement to sue, registration *isn't* a condition of copyright protection — meaning copyright protection can arise before registration occurs.

The court concluded that the Copyright Agreement gave JHP an enforceable right to sue the bar owners. That agreement, it found, formalized the series of earlier agreements under which JHP exclusively licensed and distributed the fight to commercial establishments before it aired. Viewing all of the agreements together, the Copyright Agreement merely intended to reiterate that JHP's existing exclusive license in the live right remained intact after the formal registration.

SAVED BY THE BELL

According to the court, Showtime, Mayweather and JHP essentially came together after the registration and concluded in the Copyright Agreement that the registration changed nothing other than the copyright's status. The nature of the three parties' exclusive rights and interests remained untouched, so JHP had standing to sue for infringement. □

Challenger, beware

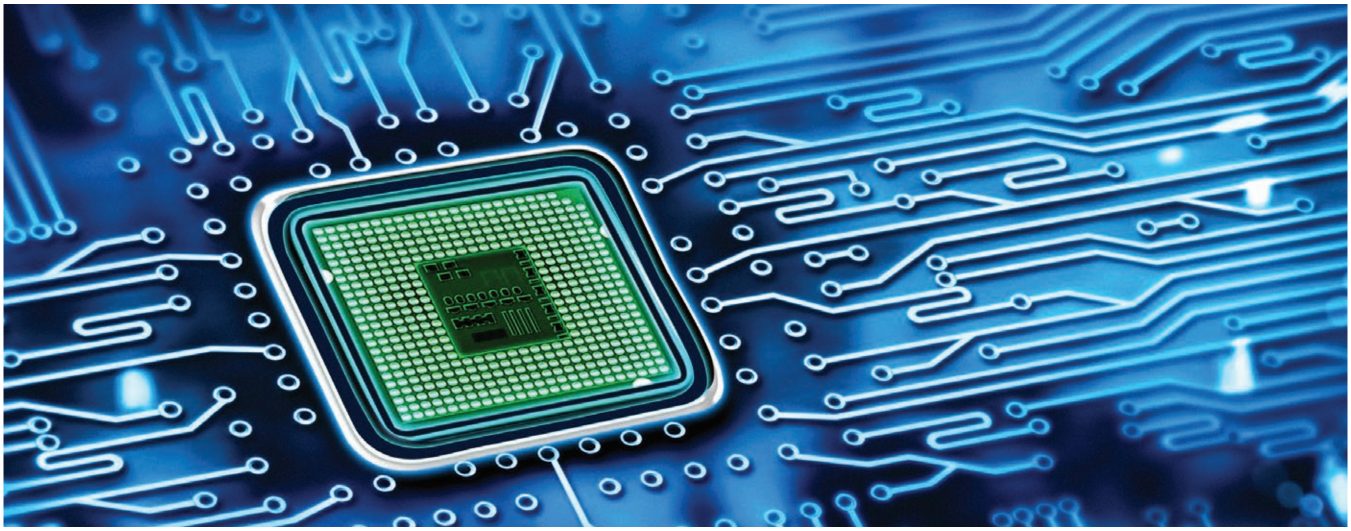
PTO director sanctions abuse of IPR process

Well-known technology giant Intel has been at war with a patent holding company for years. Recently, a new company inserted itself into the proceedings, apparently hoping to cash in. In an unusual move, the director of the U.S. Patent and Trademark Office (PTO) got involved in the case, *OpenSky Industries, LLC v. VLSI Technology LLC*. Things went downhill for the newcomer from there.

A TANGLED WEB

In April 2019, VLSI Technology sued Intel for infringing its patent for a system of managing clock speed in an electronic device. Intel responded by seeking inter partes review (IPR) from the Patent Trial and Appeal Board (PTAB), challenging the system's patentability. The reviews were denied, and a jury eventually awarded VLSI $675 million in March 2021.

In June 2021, OpenSky requested an IPR of the VLSI patent, copying extensively from Intel's earlier request. OpenSky was founded the month after the jury verdict, and its only apparent business activity was filing two IPR requests against VLSI — though it was at no risk of being sued by VLSI for



infringement. Nonetheless, the PTAB instituted IPR, finding the jury trial didn't resolve the unpatentability issues. Intel was granted the right to join the IPR.

VLSI subsequently requested a rehearing and a request for Precedential Opinion Panel (POP) review. In June 2022, the PTO director initiated a "Director Review" of the PTAB's institution decision, and the POP dismissed the rehearing and review requests.

THE DIRECTOR'S DISGUST

The director initially found that OpenSky engaged in discovery misconduct by failing to comply with a discovery order. Because of that failure, the director applied a negative inference when analyzing disputed facts relevant to whether the company's conduct amounted to an abuse of process.

For example, VLSI and OpenSky opened settlement negotiations, but it was disputed who initiated them. The director inferred that OpenSky initiated the negotiations, which she deemed relevant to the larger question of whether its pursuit of the IPR was improper, abusive conduct.

She also found that OpenSky sought monetary payment from Intel in return for success in the IPR. When rebuffed by Intel, OpenSky proposed a scheme to sabotage its IPR in exchange for payments from VLSI.

Both before and after institution of the proceedings, the director concluded, OpenSky abused the process by focusing on obtaining payment from VLSI or Intel, instead of pursuing the merits of its patentability challenge. She also found that OpenSky engaged in abuse of process and unethical conduct by offering to undermine and/or not vigorously pursue the matter in exchange for monetary payment.

According to the director, each aspect of OpenSky's conduct — discovery misconduct, violation of an administrative order, abuse of the IPR process and unethical conduct — taken alone constituted sanctionable conduct. Together, the behavior warranted sanctions to the fullest extent of the director's power.

In response, the director precluded OpenSky from actively participating in the underlying proceeding. She also ordered the company to show cause as to why it shouldn't have to pay compensatory damages to VLSI, including attorney's fees.

STAY TUNED

Interestingly, after all that, the PTO director didn't terminate the IPR. Instead, she ordered the PTAB to reconsider whether it should continue with Intel as lead petitioner to resolve the unpatentability issues. The board found it should — but the director has again stepped in, this time to review that decision. The upshot? Going after the money without being concerned about the underlying patent issue doesn't pay. ☐

Federal Circuit finds genus didn't anticipate species

Does the disclosure of a chemical genus render all of the species within it "inherently obvious" and therefore unpatentable? Not always, as the challenger in *Mylan Pharmaceuticals Inc. v. Merck Sharp & Dohme Corp*. learned.

A SALTY ISSUE

Merck Sharp & Dohme Corp. (Merck) owns a patent on a type of dihydrogen phosphate salt (sitagliptin DHP) that belongs to a genus of DP-IV inhibitors. Mylan Pharmaceuticals petitioned for an inter partes review (IPR). Under IPR, the Patent Trial and Appeal Board (PTAB) can reconsider and cancel an already-issued patent based on certain types of "prior art" that made the patented invention obvious or anticipated and therefore unpatentable.

Mylan argued that some of the patent claims were anticipated by prior art collectively referred to as "Edmonson." Edmonson disclosed a genus of DP-IV inhibitors and 33 compounds (or species), including sitagliptin. It also disclosed that pharmaceutically acceptable salts can be formed using "particularly preferred" acids, including phosphoric acid.

The PTAB concluded that Mylan hadn't established the claims were anticipated or would've been obvious at the time Merck's invention was made. Mylan turned to the U.S. Court of Appeals for the Federal Circuit for relief.

VISION QUEST

Merck argued that the PTAB was correct to find that Edmonson didn't *inherently* disclose its patented salt. The combined list of compounds and acids disclosed in Edmonson would result in 957 salts, some of which might not even form under experimental conditions.

Mylan relied on the "at once envisage" theory. It states that prior art may be deemed to disclose each member of a genus when, reading the prior art, a person of ordinary skill in the field can "at once envisage every member" of the class. The case where the theory originated referred to a limited class and involved a genus of only 20 compounds.

The Federal Circuit said the 957 salts here were a far cry from that narrow genus. And Mylan's own expert stated that salt formation is an unpredictable art that requires a trial-and-error process.

The court also agreed that Edmondson didn't *expressly* disclose the sitagliptin DHP salt. Mylan's expert stated that nothing in Edmonson directs a skilled artisan to sitagliptin from among the 33 listed inhibitors. Further, Edmonson didn't single out phosphoric acid or any phosphate salt of any inhibitor, and its list of preferred salts appeared 44 pages earlier.

A QUESTION OF CLASS

While the court held that the class here didn't meet the "at once envisage" standard for an invention to be inherently anticipated, it declined to provide a specific number that defines a "limited class." That figure, the court said, depends on the class. ☐

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