

19-2720

United States Court of Appeals for the Second Circuit

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**

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

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’ articles¹ (the “Smokers’ Articles Mark”). (Ans. (Dkt. No. 30) at Counterclaim ¶ 8) (____).

¹ “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)) (____).² 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

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) (____).

² 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) (____)³. 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

³ 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”)⁴ 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) (____).

⁴ 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) (____)⁵.

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

⁵ 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) ⁶(__). 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) ⁶(__). 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) ⁶(__). 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) ⁶(__).

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 ⁶(__); *see also id.* at 295:3-5 ⁶(__) (referencing

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

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 WDPROMD0000400) (____). 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).⁷ 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) (____).

⁷ 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) (____)⁸. 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

⁸ 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) (____)⁹.

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

⁹ 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) (____)¹⁰.

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

¹⁰ 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) ()¹¹. 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,

¹¹ 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) (____)¹². 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

¹² 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) (____)¹³. 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

¹³ 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.

Date: April 15, 2020

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CERTIFICATE OF COMPLIANCE WITH WORD LIMIT

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19-2720-cv

United States Court of Appeals
for the
Second Circuit

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, dba Woodstock American Products,

Defendants-Counter Claimants-Appellants.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

**BRIEF FOR PLAINTIFFS-COUNTER
DEFENDANTS-APPELLEES
(PAGE PROOF)**

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CORPORATE DISCLOSURE STATEMENT

1. Woodstock Ventures LC is a Wyoming limited liability company with its principal place of business at 150 West 56th Street #4510, New York, New York 10019.

2. Woodstock Cannabis Company, LLC is an affiliate of Woodstock Ventures LC. The Woodstock Cannabis Company LLC is a Colorado limited liability company with its principal place of business at 2745 West White Oak Court, Lafayette, Colorado 80026.

Neither Woodstock Ventures LC nor Woodstock Cannabis Company LLC is publicly traded, and no publicly held corporation owns 10% or more of their stock.

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INTRODUCTION

For over 50 years, Appellee Woodstock Ventures LC (“Ventures”) has promoted a variety of goods and services under its iconic WOODSTOCK brand. Recently, in 2014 Appellees considered a foray into the cannabis industry given the widespread association of WOODSTOCK with cannabis in the minds of the consuming public. So closely associated was Appellees’ brand with cannabis long prior to any venture into that business, that Appellant Axcentria sought out Appellees in 2015 to license the WOODSTOCK trademark for use in connection with cannabis sales by Appellants. Those licensing negotiations failed, and, in an end run to salvage its plans, Axcentria sought out and partnered with the remaining Appellants to enter the cannabis market using WOODSTOCK anyway, freeriding off Appellees’ longstanding reputation and goodwill. This caused Appellees to demand that Appellants cease that infringing activity, and then to file suit against Appellants for unfair competition, trademark infringement, and trademark dilution when that demand was rejected.

In defense to Appellees’ lawsuit, Appellants counterclaimed asserting superior rights in WOODSTOCK for cannabis solely through “constructive priority” for “smokers’ articles”, because it is undisputed that Appellants entered the cannabis market after Appellees. That claim of constructive priority was based on a 2013 application for “smokers’ articles” which eventually matured into two registrations.

In August of 2018, 20 months since Appellees' actual entry into the market for cannabis in December 2016; at least thirteen months since Appellants put them on notice through a cease and desist demand in July 2017; and four months after the Appellees' lawsuit was filed, Appellants, in a surprising reversal of position, sought a preliminary injunction to halt Appellees' sales of cannabis under Appellees' own famous WOODSTOCK trademark. This odd procedural posture should be kept in mind in considering the Appellants' arguments.

The court below essentially treated the Appellants, despite the clear priority of Appellees in the mark WOODSTOCK generally, as the "senior" party for purposes of the motion, and nevertheless found that Appellants failed to establish the prerequisites for the extraordinary remedy of a preliminary injunction. It expressly found that Appellants had not carried their burden to prove a likelihood of success on the merits, while also finding that Appellants did not show evidence of irreparable harm. Nor did the district court decide the question of *priority* of rights, as unnecessary to the denial of the motion.

First, Appellants did not establish a likelihood of success on the merits. Appellants challenge several of the district court's factual findings under the *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961), likelihood of confusion analysis, but have not shown that the district court was clearly erroneous in any of those factual findings.

Second, should this Court consider the finding as to likelihood of success below to have been an abuse of discretion despite the district court's careful analysis, this Court would then have to consider Appellants' failure to submit any evidence of irreparable harm, including their undue delay in seeking such extraordinary relief. That delay, coupled with the utter failure of Appellants to present any evidence of irreparable harm, by itself should mandate denial of the motion. See Op. at 5-6 note 2, and *infra* at pp. 45-47.¹ Consequently, this Court may find on its own – if necessary - that no irreparable harm was shown, based on the closed record below.

Third, even if Appellants could have established a likelihood of confusion as a basis for showing a likelihood of success on the merits (which the district court found they had not), a finding of a likelihood of success on the merits *would require a decision on the question of priority of rights* in the WOODSTOCK trademark. The district court did not resolve this question since it was unnecessary to the analysis because the district court presumed *arguendo* priority in favor of the Appellants. However, if that question needs to be resolved, the evidence clearly established that Appellees have priority of rights by virtue of their rights in the mark WOODSTOCK “...in association with concerts, motion pictures, television programs, and

¹ References to the district court's decision on appeal, S.D.N.Y. Dkt. No. 129 referred to herein as “Op.”

merchandise.” (Op. at 1)² Appellees not only have superior rights generally, they have priority even specifically as to “smokers’ articles” – the only basis manufactured by Appellants in support of their end run to grab a piece of the fame associated with Appellees. (*see infra* at 4).

JURISDICTION

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

STATEMENT OF THE ISSUES

1. Did the district court abuse its discretion in denying the motion of Appellants for a preliminary injunction based on its factual findings that Appellants failed to prove a substantial likelihood of success on the merits?
2. If this Court goes beyond the analysis of the district court with respect to its findings as to the *Polaroid* factors, was any error harmless because:

² While unnecessary to the resolution of this dispute, the evidence also establishes that Appellees have superior common law trademark rights stemming from prior actual use of the WOODSTOCK mark for cannabis in states where cannabis has been legalized.

- a. Appellants failed to present any evidence of irreparable harm and the district court found that Appellants had inordinately delayed in seeking a preliminary injunction, and/or
- b. A finding of a likelihood of success would require a determination that Appellants actually held priority of rights for use in the market, despite the decades of use by Appellees for their range of products and services; the actual priority of Appellees in connection with the sale of cannabis; and the actual priority of Appellees in smokers' articles.

~~~~~

## **STATEMENT OF THE CASE**

### **A. Case Background**

Appellees initiated this suit in the U.S. District Court for the Southern District of New York on February 2018 claiming, *inter alia*, that Appellants' use of WOODSTOCK in conjunction with recreational marijuana infringed Appellees' longstanding trademark rights in its famous WOODSTOCK trademark under both Federal and New York law, and, constituted unfair competition and dilution under Federal and New York law. (S.D.N.Y. Dkt. No. 1) (\_\_\_\_). The filing followed many months of attempts by Appellees to secure the cessation of use by Appellants by other means. *Id.*

Four months later, on June 11, 2018, Appellants counterclaimed for trademark infringement based upon Appellants' very recent (January 2018) federal registration

for WOODSTOCK on smokers' articles. (S.D.N.Y. Dkt. No. 30) (\_\_\_\_). Over two months after that, six months after the action commenced, and more than a year after being put on notice by Appellee Ventures, Appellants filed a motion for a temporary restraining order against Appellees. That motion was granted *ex parte* without any opportunity for Appellees to respond. (S.D.N.Y. Dkt. No. 40) (\_\_\_\_); (S.D.N.Y. Dkt. No. 45) (\_\_\_\_). The district court then received extensive briefing on the issues in connection with the motion for preliminary injunction. (S.D.N.Y. Dkt. Nos. 41, 42, 49, 55-57, 60-63, 72) (\_\_\_\_). In a bizarre procedural move, Appellants moved for summary judgment as to certain issues raised in their own motion for preliminary injunction. (S.D.N.Y. Dkt. Nos. 81-83); (\_\_\_\_). The district court denied the summary judgment at oral argument on February 8, 2019. (S.D.N.Y. Dkt. No. 95); (\_\_\_\_).

The Honorable Robert W. Sweet then conducted a three-day evidentiary hearing in February 2019 that included extensive witness testimony and exhibits. (S.D.N.Y. Dkt. Entries, February 6-8, 2019) (\_\_\_\_). The Parties submitted post-hearing findings of fact and conclusions of law on February 27, 2019 (S.D.N.Y. Dkt. Nos. 99, 100) (\_\_\_\_), and the Parties presented oral arguments on March 5, 2019. (S.D.N.Y. Dkt. Entry March 5, 2019) (\_\_\_\_). While the parties awaited decision, Judge Sweet unfortunately passed away, and on April 1, 2019 the case was reassigned to the Honorable Paul G. Gardephe. (S.D.N.Y. Dkt. Entry March 26, 2019) (\_\_\_\_). Both parties urged the district court to rule on the record, briefs and

transcripts already before the court, and on July 29, 2019, Judge Gardephe issued an order denying Appellants' motion for a preliminary injunction. (S.D.N.Y. Dkt. No. 129) (\_\_\_\_).

The district court, applying the *Polaroid* analytical factors, determined that Appellants had failed to establish a likelihood of success on the merits of their trademark infringement counterclaim. *Id.* at 4. Specifically, the district court found that Appellants' trademark was commercially weak (*Id.* at 12); that the parties' respective marks were not similar as presented in the marketplace (*Id.* at 14); that the parties' respective products were not in competitive proximity (*Id.* at 16); and that Appellants were not likely to bridge the gap (*Id.* at 17). The district court also found that there was no evidence of bad faith on the part of the Appellees (*Id.* at 18); that there was no evidence of inferior quality of Appellees' products (*Id.* at 18); and that there was no evidence of actual confusion or evidence as to consumer sophistication, and so therefore none of these factors supported the grant of a preliminary injunction. (*Id.* at 17; 18) (\_\_\_\_). Weighing these factors, the district court found Appellants failed to establish a likelihood of confusion, and as a result failed to show a likelihood of success on the merits. (*Id.* at 19) (\_\_\_\_).

The district court also determined that Appellants could not establish irreparable harm because they unduly delayed in seeking preliminary injunctive relief, *Id.* at 5-6 n.2, a finding which Appellants do not raise as an issue on appeal.

Finally, because the district court found no likelihood of success on the merits and no probability of irreparable harm, the district court explicitly did not resolve the issue of priority of rights between Appellants and Appellees as to use of the WOODSTOCK trademark, treating this issue as unnecessary. *Id.* at 4. (\_\_\_\_).

## B. Factual Background

### 1. The Iconic Woodstock Brand

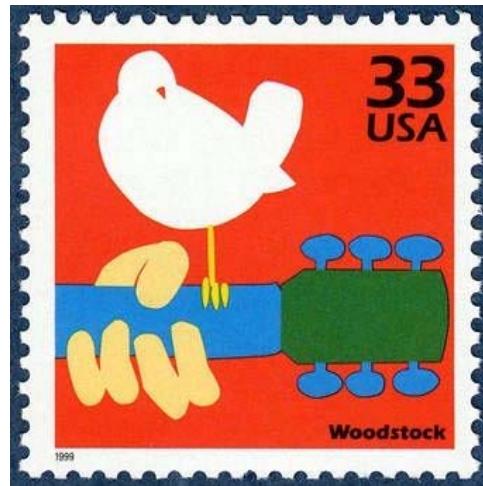
WOODSTOCK is one of the most famous brands in the music industry. P.I. Tr. Day 1, 97:13-98:3. (\_\_\_\_)-- indeed, it is one of the most famous brands of all time. The original festival changed the world, and amassed tremendous goodwill exceeding everyone's expectations. WOODSTOCK '69 attracted half a million people for a three-day festival, the impact of which has lasted over 50 years - resulting in subsequent festivals, the merchandising of related or commemorative goods, and movies, television shows, and music. S.D.N.Y. Dkt. 57 at ¶¶11-13, 19-28; (\_\_\_\_).

Not content with merely producing festivals, Ventures licensed its brand for a wide variety of goods and services. Starting in 1969, Ventures licensed its rights in its WOODSTOCK trademark to Warner Brothers for the movie documentary WOODSTOCK, which won an Academy Award for Best Documentary in 1970. S.D.N.Y. Dkt. 57 at ¶20. (\_\_\_\_). The WOODSTOCK mark was also licensed for a variety of additional movies including: (i) WOODSTOCK '94; (ii) WOODSTOCK

'99; (iii) WAYNE'S WORLD II (1993); (iv) WOODSTOCK: 3 DAYS OF PEACE AND MUSIC - THE DIRECTOR'S CUT - 40TH-ANNIVERSARY EDITION (2009); and (v) TAKING WOODSTOCK (2009). S.D.N.Y. Dkt. 57 at ¶21. (\_\_\_\_).

In addition to its movie deals, Ventures licensed its WOODSTOCK trademark for use in a variety of audio recordings sold to the public, such as: (i) WOODSTOCK (in 1970); (ii) WOODSTOCK TWO (1971); (iii) THE BEST OF WOODSTOCK (1994); (iv) WOODSTOCK: THREE DAYS OF PEACE AND MUSIC (1994); and (v) WOODSTOCK: 40 YEARS ON (2009). S.D.N.Y. Dkt. 57 at ¶22. (\_\_\_\_). Ventures also has licensed its WOODSTOCK trademark for use in connection with television program specials and videos, such as: (i) the 1989 CBS documentary WOODSTOCK: RETURN TO THE PLANET OF THE '60S; (ii) the 1989 MTV series WOODSTOCK MINUTES; (iii) the 1992 video WOODSTOCK: THE LOST PERFORMANCES; and (iv) the 2009 documentary WOODSTOCK: NOW AND THEN, which was nominated for an Emmy. S.D.N.Y. Dkt. 57 at ¶23. (\_\_\_\_).

The '69 Festival was further commemorated by issuance of a U.S. Postage Stamp featuring the WOODSTOCK trademark and Ventures' Dove and Guitar logo. P.I. Tr. Day 3, 411:13-25; Plaintiffs' P.I. Ex. 39. (\_\_\_\_).



For decades, Ventures has utilized merchandisers and licensing agents to expand the reach of its WOODSTOCK brand by licensing its WOODSTOCK mark throughout the world to promote the sale of apparel, novelties, paper products, ashtrays, lighters, and a wide variety of other goods. S.D.N.Y. Dkt. 57 at ¶¶24-27; P.I. Tr. Day 1, 104:4-17; P.I. Tr. Day 3, 397:4-426:5; Plaintiffs' P.I. Ex. 7; 38. (\_\_\_\_).

After building its brand for 25 years, Ventures produced a 25th-anniversary WOODSTOCK Festival in 1994. The 1994 WOODSTOCK Festival occurred in Saugerties, New York on August 12-14, 1994. Approximately 350,000 people attended the 1994 WOODSTOCK Festival. S.D.N.Y. Dkt. 57 at ¶¶14-15. (\_\_\_\_). The '94 festival became the highest grossing pay-per-view show to that date other than boxing. P.I. Tr. Day 3, 408:20-409:6. (\_\_\_\_). Ventures also partnered with Apple to create an online chat experience for the '94 Festival. *Id.* at 409:7-20. (\_\_\_\_). In conjunction with the '94 Festival, Ventures made sponsorship deals with major brands such as The Wiz and PepsiCo. Pepsi for example, labeled approximately 5

million Pepsi cans with the WOODSTOCK name and the Dove and Guitar trademark that were distributed nationwide, paying Ventures \$4,350,000 for the rights. P.I. Tr. Day 3, 407:3-408:17. Plaintiffs' P.I. Ex. 37. (\_\_\_\_).



Five years later, Ventures produced a 30th-anniversary WOODSTOCK Festival in 1999. The 1999 WOODSTOCK Festival occurred in Rome, New York from July 22-25, 1999. Approximately 200,000 people attended the 1999 WOODSTOCK Festival. S.D.N.Y. Dkt. 57 at ¶¶16-17. (\_\_\_\_). Both the 25th and 30th anniversary festivals spawned even more merchandising and movie rights. See e.g., S.D.N.Y. Dkt. 57 at ¶21. (\_\_\_\_).

In recognition of the 40th anniversary celebration in 2009, Target reached out to Ventures to license WOODSTOCK for a national summer marketing campaign, *The Summer of Love*. Target advanced Ventures a substantial sum of money against

royalties, and agreed to manufacture and sell a broad array of royalty -generating WOODSTOCK branded goods from beach towels to sleeping bags. P.I. Tr. Day 1, 101:5 - 102:3. (\_\_\_\_). As part of this summer promotion under license from Ventures, Target branded its retail stores across the country with WOODSTOCK-themed decorations and ran WOODSTOCK-branded advertisements in circulars across the United States. P.I. Tr. Day 1, 101:5-102:3; P.I. Tr. Day 3, 416:20-417:-5; 418: 7-419:12; Plaintiffs' P.I. Ex. 42. (\_\_\_\_).

Over the years, Ventures has licensed approximately 1,000 product lines, and is so well recognized it is considered an “evergreen” property - that is, a property that is timeless and only builds in value. P.I. Tr. Day 1, 99:23 - 100:20; 108:6-13. (\_\_\_\_). No other music festival has a branding and licensing program and consumer recognition as strong as WOODSTOCK. P.I. Tr. Day 1, 99:13-22. (\_\_\_\_).

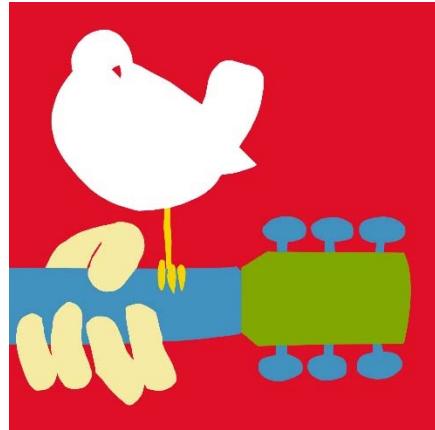
For a number of years, Ventures actively planned a 50th anniversary WOODSTOCK Festival for the summer 2019. This festival was supposed to take place in Watkins Glen, New York. S.D.N.Y. Dkt. 57 ¶18; S.D.N.Y. Dkt. 87 ¶6. (\_\_\_\_). In considering whether to participate in the planned 50th anniversary, Concept One, in partnership with Dentsu (one of the largest advertising agencies in the world), conducted a marketing study regarding the WOODSTOCK brand. Included within this study was a consumer survey that ranked the consumer perception and acceptance of the mark WOODSTOCK on a par with the Super Bowl and the

Olympics, and above the perceived value of Mardi Gras, the Grammys, the Oscars, and the World Series. The study also showed a large amount of social media activity about WOODSTOCK, with more than 7 million posts regarding Ventures' WOODSTOCK brand. P.I. Tr. Day 3, 435:22 - 438:9; Plaintiffs' P.I. Ex. 50. (\_\_\_\_).

Ventures' WOODSTOCK brand also garners consumer recognition through countless media mentions. For example, during the lead up to the hoped for 50<sup>th</sup> Anniversary Festival, just one story by the New York Times and Rolling Stone generated over 1,100 news stories and over a *billion* impressions, according to Dentsu. P.I. Tr. Day 3, 438:16-439:13; Plaintiffs' P.I. Ex. 50. (\_\_\_\_).

Even Appellants recognized the “iconic” status of Ventures’ WOODSTOCK brand, not only by seeking a license to use that valuable mark, but through Appellants’ own marketing materials, which trade on the history and work of Appellees – not of Appellant Chet-5. P.I. Tr. Day 2, 241:14-16; 242:21 -243:3. (\_\_\_\_).

The WOODSTOCK brand not only consists of the famous WOODSTOCK word trademark, but also other related marks and logos, including the iconic Dove and Guitar trademark:



This visual Woodstock trademark also has been in continuous use since 1969, sometimes alone and sometimes in combination with the word WOODSTOCK. It is widely replicated on merchandise licensed by Ventures, and has been used in various forms at the successive festivals. S.D.N.Y. Dkt. 57 at ¶¶ 37-41. (\_\_\_\_). The Dove and Guitar trademark has been described as iconic and one of the most recognizable logos in the music industry. S.D.N.Y. Dkt. 57 at ¶42; P.I. Tr. Day 1, 97:22 - 98:3. (\_\_\_\_). Even Appellants' own witness Gary Chetkof testified that he was very familiar with the Dove and Guitar trademark, had seen it on the original '69 festival posters and at subsequent festivals, and admitted that he would immediately associate it with Ventures when he saw it. P.I. Tr. Day 1, 63:11 - 64:11. (\_\_\_\_).

2. Appellants Adopted Ventures' WOODSTOCK Trademark Because of Its Longstanding Consumer Association with Cannabis

Appellant Axcentria's president Paul Litwack wanted to adopt an existing brand with existing consumer recognition and acceptance for its cannabis products. *His first choice was Ventures' WOODSTOCK mark.* P.I. Tr. Day 2, 224:12-24; 241:14-20; Plaintiffs' P.I. Exs. 11, 12; (\_\_\_\_). In his Positioning Statement for a planned Woodstock Products company, Mr. Litwack wrote that cannabis products would appeal to the "Woodstock Generation," testifying that this term clearly was a reference to Ventures' WOODSTOCK '69 Festival. P.I. Tr. Day 2, 247:1-13; Plaintiffs' P.I. Ex. 17; (\_\_\_\_). Litwack ultimately adopted WOODSTOCK as Appellants' trademark because it represented the same core values (peace, love, goodwill) as are represented by Ventures' WOODSTOCK brand. P.I. Tr. Day 2, 185:4-11; (\_\_\_\_).

Importantly, Litwack testified at the hearing that he believed that Ventures' WOODSTOCK mark had top-of-mind awareness *that could be transferred from music festivals to cannabis,* P.I. Tr. Day 2, 224:16 - 225:1; 258:11-16 (\_\_\_\_); that the WOODSTOCK brand had "instant name recognition," and *that this was why he wanted it for his company.* P.I. Tr. Day 2, 224:18-225:23; (\_\_\_\_). However, his lengthy efforts to secure a license from Ventures ultimately failed, leading Appellant Axcentria to concoct a scheme to usurp the mark by acquiring rights from Appellant

Chet 5 and using Appellees' mark without a license. That was recognized by Appellants at least as long ago as October 2016 to be a risky business decision. Specifically, Axcentria and Chet-5 *recognized* that they were at risk for trademark infringement, and expressly contemplated that such a claim could well be filed by Ventures. P.I. Tr. Day 1, 72:11 - 73:11; Day 2, 182:24 - 183:6. (\_\_\_\_). No doubt this caution derived from their plan to use WOODSTOCK for cannabis, even though Appellant Chet-5 – the owner of the application on which the scheme depended – had never sold cannabis up to that time, and critically, Chet-5 *never even contemplated using WOODSTOCK for cannabis*. P.I. Tr. Day 1, 67:11-13. (\_\_\_\_).

That scheme not only involved use of the iconic WOODSTOCK word mark, but also use of proprietary photographs of the Woodstock '69 Festival in Appellees' advertising on social media – photographs included in a style guide provided by Ventures during the negotiations with Mr. Litwack. P.I. Tr. Day 2, 210:16 - 217:22; Plaintiffs' P.I. Exs. 5, 9, and 10; (\_\_\_\_). Mr. Litwack also admitted that Appellants' slogan "Peace, Love, and Music" "plays off" of Ventures' famous "3 Days of Peace and Music" slogan. P.I. Tr. Day 2, 253:8-10; (\_\_\_\_). Mr. Litwack, though aware of these references to Ventures' activities, did not stop them. P.I. Tr. Day 2, 255:7-14; Plaintiffs' P.I. Ex. 15-22; (\_\_\_\_).

It is not surprising that Appellants chose Ventures' WOODSTOCK trademark. From its very inception, Ventures' WOODSTOCK products and

services and its brand have been associated with cannabis. As frequently reported, cannabis usage was ubiquitous at the WOODSTOCK '69 Festival. S.D.N.Y. Dkt. 57 ¶31. ( ); P.I. Tr. Day 1, 107:18-25. ( ); P.I. Tr. Day 3, 394:1-395:22. ( ). Indeed, as Nick Brownlee wrote in his book *This is Cannabis*, the WOODSTOCK'69 Festival was “the pinnacle of the hippie revolution in the USA, and in many people’s opinion the ultimate example of cannabis culture at work.” S.D.N.Y. Dkt. 57 at ¶31. This association continued through the '94 and '99 WOODSTOCK festivals. P.I. Tr. Day 3, 486:6-487:7; 488:3-25. ( ). As was the case regarding the WOODSTOCK '69 Festival, multiple media outlets publicly reported that attendees at WOODSTOCK '94 and '99 used cannabis extensively. S.D.N.Y. Dkt. 57 ¶31. ( ).

Through its recognition as the WOODSTOCK company, Ventures also actively lobbied for legalization of cannabis through the years. S.D.N.Y. Dkt. 57 at ¶29; P.I. Tr. Day 3, 391:1-11. ( ). Because of this longstanding association with cannabis, Ventures’ principals have repeatedly been interviewed regarding cannabis in mainstream media and cannabis industry publications. P.I. Tr. Day 3, 426:15-427:1. ( ). Even cannabis prohibitionists recognize the association of cannabis and WOODSTOCK. S.D.N.Y. Dkt. 57 at ¶32. ( ).

Public perception of the relationship of cannabis to Ventures’ WOODSTOCK brand was reported through recent unsolicited media coverage which described

WOODSTOCK-branded cannabis from Ventures as a “no brainer,” and which stated that it was “hard to imagine a brand with a more canna-friendly image.” S.D.N.Y. Dkt. 57 ¶34. (\_\_\_\_).

Indeed, when Appellant Axcentria commissioned its own survey to examine the value of Ventures’ WOODSTOCK brand in contemplating a license, the survey reported a majority of respondents recognizing an important and useful association between Ventures’ WOODSTOCK brand and cannabis. P.I. Tr. Day 2, 249:4-15; 250:11-15; Plaintiffs’ P.I. Ex. 14. (\_\_\_\_). Axcentria commissioned the survey because it recognized that the cannabis cultural revolution started with WOODSTOCK and more specifically with the 1969 WOODSTOCK Festival, and Axcentria wanted to test the present day connections. P.I. Tr. Day 2, 248:8-17; Plaintiffs’ P.I. Ex. 14. (\_\_\_\_).

Even Appellants’ marketing firms, in developing marketing materials for WOODSTOCK branded cannabis, repeatedly associated WOODSTOCK with Ventures’ trademark. Their materials referenced Ventures’ festivals and included use of the iconic Dove and Guitar trademark, as well as copyrighted photographs from Ventures’ style guide provided to Axcentria during negotiations. P.I. Tr. Day 2, 252:24-253:10; 259:2-9; 270:5-13; 262:22-264:24; 265:23-266:10; 267:16-268:18; 269:8-18; 271:8-274:4. (\_\_\_\_). Mr. Litwack admitted that the marketing agents - despite being highly sophisticated - could not help but associate the

WOODSTOCK trademark for cannabis with Ventures and its WOODSTOCK Festivals. P.I. Tr. Day 2, 275:22 - 276:4. (\_\_\_\_). Mr. Litwack further admitted that he did not know if ordinary consumers would be able to disassociate a WOODSTOCK branded cannabis product from Ventures. P.I. Tr. Day 2, 265:23 - 266:20. (\_\_\_\_). Mr. Litwack testified that he did not want to tell his marketing agents that they were wrong or mistaken because he did not want to stifle their creative urges - despite the fact that those creative urges led these agents consistently to reference Ventures' use and history – not Chet-5 or any other Appellant in their proposed marketing materials. P.I. Tr. Day 2, 253:24-254:3; (\_\_\_\_).

### 3. Ventures Expands Its Iconic Brand to Cannabis

Once cannabis started to be legalized in various states, Ventures began to consider how and when to enter the market under its iconic WOODSTOCK brand as early as 2012. By 2014, Ventures had instructed its licensing agent to locate suitable partners to grow, process, distribute and sell cannabis under Ventures' WOODSTOCK brand where lawful. Among those seeking a license from Ventures was Appellant Axcentria. S.D.N.Y. Dkt. 57 at ¶35.

Appellees made their first sale of WOODSTOCK branded cannabis on December 16, 2016 in Colorado, followed closely by the sale of WOODSTOCK branded cannabis on December 21, 2016 in Nevada. S.D.N.Y. Dkt. 57 at ¶36; P.I. Tr. Day 3, 483:20-22. (\_\_\_\_). Sales in Oregon, California, and Washington State

followed, along with sales of WOODSTOCK branded vaping devices and pipes. S.D.N.Y. Dkt. 57 at ¶36. (\_\_\_\_).

#### 4. Appellants' Registrations Cover only Smokers' Articles

Nearly two decades *after* Ventures first licensed its iconic WOODSTOCK mark for smokers' articles, Appellant Chet-5 filed with the United States Patent and Trademark Office (the "USPTO") Trademark Application Ser. No. 86/082,199 (the "'199 application") on October 3, 2013, seeking registration of the mark WOODSTOCK for smokers' articles. S.D.N.Y. Dkt. No. 41 at 9; Defendants' P.I. Ex. 5. (\_\_\_\_). Nothing within the '199 application deals with, or mentions at all, marijuana or hemp or cannabis. P.I. Tr. Day 1, 54:14 - 55:19; Defendants' P.I. Ex. 5. (\_\_\_\_). This is not surprising, as Appellant Chetkof, the filer of the '199 application, testified that he had no intent to use WOODSTOCK in conjunction with cannabis or hemp at the time he filed his application. P.I. Tr. Day 1, 44:15-24; 56:2-7; 62:2-6. (\_\_\_\_).

The USPTO issued an Office Action to Appellant Chet-5 on January 22, 2014 pursuant to the Controlled Substances Act, requiring Chet-5 to confirm that its goods in the applied for trademark would not contain or relate to marijuana. *See* S.D.N.Y. Dkt. No. 43-3. (\_\_\_\_). In response, on July 18, 2014, Appellant Chet-5 represented to the USPTO that the goods "are not nor do they refer to marijuana or any illegal substance..." Plaintiffs' P.I. Ex. 1; P.I. Tr. Day 1, 57:2-24 - 58:1. (\_\_\_\_). The '199

application issued partially as the ‘815 registration. That registration does not cover cannabis. P.I. Tr. Day 1, 60:6-10; Defendants’ P.I. Ex. 3. (\_\_\_\_). A divisional application was filed off the ‘199 application that became the ‘811 application and eventually matured into the ‘311 registration. The ‘811 application did not recite cannabis. P.I. Tr. Day 1, 60:11-20. (\_\_\_\_).

## SUMMARY OF ARGUMENT

Appellants have offered no reason to disturb the well-reasoned opinion and decision of the district court. The grant of a preliminary injunction requires that a moving party carry a heavy burden of proof that it is likely to win on the merits; that it will be irreparably harmed if the injunction is not granted; that the balance of harm tips in its favor; and that the grant would not be contrary to the public interest. The district court based the denial of the motion on its findings under *Polaroid* that Appellants had not produced evidence sufficient to carry their burden of proving a likelihood of success on the merits.

With respect to the basis of the decision below, Appellants' sole claim is that Appellees' use of their own, famous WOODSTOCK brand for cannabis is likely to cause confusion with whatever rights Appellants might have arising from their submarine trademark registration for "smokers' articles." This position is untenable for a variety of reasons, not least of which is the fact that to obtain their registrations *at all*, Appellants were required to expressly disclaim cannabis and cannabis related products from the scope of their registrations.

Relying solely on the challenged registrations, Appellants ignore the express scope of the claimed goods and services in those registrations, the marketplace context of the products, the commercial weakness of Appellants' "mark," and –

importantly – their failure to have presented evidence on the remaining *Polaroid* factors.

Finally, while the Court could remand the case to Judge Gardephe for further proceedings on the issue of priority of rights, that is unnecessary for purposes of affirming the decision below based on the district court’s *Polaroid* analysis, and in any event could be decided by this Court should it determine such a review is necessary.<sup>3</sup>

Appellants ignore the law that a “constructive use” date is subservient to an actual use date, and also ignore the inconvenient truth that Appellees have decades of priority. The use by Appellees of WOODSTOCK on a variety of merchandise and services for nearly 50 years before Appellants would give rise to priority for any goods considered “related” to Appellees’ use, and Appellants’ own witnesses testified that Appellees’ goodwill in their music and merchandise business would be readily transferred to cannabis sales.

Turning specifically to the narrow claims of Appellants regarding “smokers’ articles,” Appellants can only try and dismiss the fact that Appellees have been selling WOODSTOCK branded smokers’ articles for almost two decades prior to Appellants’ constructive priority date by claiming that the testimony and documents

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<sup>3</sup> See e.g., *Colavito v. N.Y. Organ Donor Network, Inc.*, 486 F.3d 78, 80 (2d Cir. 2007) (“Ordinarily, we will not review an issue the district court did not decide. However, whether we do so or not is a matter within our discretion.”)

of record about those sales, should be ignored as uncorroborated and hearsay. Their plaintive cry is summed up at page 33 of their brief wherein they contend that no one had told them about those sales before Appellants engaged in their end run scheme.

### **STANDARD OF REVIEW**

This Court reviews the grant or denial of a preliminary injunction for abuse of discretion. *SG Cowen Sec. Corp. v. Messih*, 224 F.3d 79, 81 (2d Cir. 2000). “Such an abuse of discretion ordinarily consists of either applying an incorrect legal standard or relying on a clearly erroneous finding of fact.” *Jolly v. Coughlin*, 76 F.3d 468, 473 (2d Cir. 1996). A reviewing court will defer to a district court’s fact findings even if it ultimately disagrees with the lower court’s view of the evidence, as long as that view is “plausible in light of the record viewed in its entirety.” *Anderson v. City of Bessemer City, N.C.*, 470 U.S. 564, 574 (1985).

As to the district court’s determination of likelihood of success on the merits of trademark infringement under *Polaroid*, the Court reviews the district court’s factual findings on each of the *Polaroid* factors for clear error, while the weighing of those factors is considered *de novo*. *Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1510 (2d Cir. 1997).

## ARGUMENT

“A preliminary injunction is an extraordinary remedy never awarded as a matter of right.” *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 24 (2008). To obtain a preliminarily injunction, Appellants must establish:

- (1) a likelihood of success on the merits or ... sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in [Appellants’] favor;
- (2) a likelihood of irreparable injury in the absence of an injunction;
- (3) that the balance of hardships tips in [Appellants’] favor; and
- (4) that the public interest would not be disserved by the issuance of an injunction.”

*Benihana, Inc. v. Benihana of Tokyo, LLC*, 784 F.3d 887, 895 (2d Cir. 2015).

Because it is an extraordinary remedy, preliminary injunctions are not routinely granted. *JSG Trading Corp. v. Tray-Wrap, Inc.*, 917 F.2d 75, 79, 80 (2d Cir. 1990). Appellants bear the burden of persuasion to demonstrate “by a clear showing” that the above necessary elements are satisfied. See *Mazurek v. Armstrong*, 520 U.S. 968, 972 (1997).

### **I. The District Court Properly Determined Likelihood of Success on the Merits Had Not Been Proven**

Appellants brought their motion for a preliminary injunction based on their counterclaim for trademark infringement. Ironically, the case started with

Appellees' claim of trademark infringement against Appellants, who were using the Appellees' famous WOODSTOCK trademark without permission and despite clear warnings by Appellees. The Motion by Appellants, as defendants, then came as something of a surprise. "The plaintiff in a trademark infringement action establishes a likelihood of success by showing both 1) a legal, exclusive right to the mark, and 2) a likelihood that customers will be confused as to the source of the infringing product." *Otokoyama Co. Ltd. v. Wine of Japan Import, Inc.*, 175 F.3d 266, 270 (2d Cir. 1999); *accord 1-800 Contacts, Inc. v. WhenUCom, Inc.*, 414 F.3d 400, 405 (2d Cir. 2005).

**A. Appellees' Use of WOODSTOCK on Cannabis Is Not Likely to Cause Confusion With Appellants' Limited Registration for Smokers' Articles**

"The likelihood-of-confusion prong turns on whether ordinary consumers are likely to be misled or confused as to the source of the product in question because of the entrance in the marketplace of [the junior user's] mark..." *See Guthrie Healthcare System v. ContextMedia, Inc.*, 826 F.3d 27, 37 (2d Cir. 2016). In assessing the likelihood of confusion, courts must balance the eight *Polaroid* factors, namely: "[1] the strength of the senior user's mark; [2] the similarity of the parties' marks; [3] the proximity of the parties' areas of commerce; [4] the likelihood that the senior user will bridge the gap separating their areas of activity; [5] the existence of actual consumer confusion; [6] whether the junior user acted in bad faith or was

otherwise reprehensible in adopting the mark; [7] the quality of the junior user's product; and [8] the sophistication of the relevant consumer group." *Id.* at 37 *citing Polaroid*, 287 F.2d at 495.

It is important to keep in mind that the Appellants' counterclaims below, and on which they based their motion for a preliminary injunction, were founded in a trademark registration obtained by Appellant Chet-5 for WOODSTOCK for "smokers' articles." These counterclaims are not based in any way on actual use of the mark for cannabis – or frankly on use by Appellants for anything. The district court therefore looked at the Appellants' registration for "smokers' articles" – a registration which expressly disclaimed any rights in marijuana – and on balance found no likelihood of confusion because Appellants' mark was commercially weak (Op. at 11-12), the parties' respective marks were not similar as they appear in the marketplace (Op. at 13-14), the products were not related (Op. at 15), Appellants were not likely to bridge the gap (Op. at 16-17), Appellees did not act in bad faith (Op. at 17-18), and there was no evidence that Appellees' products were of inferior quality (Op. at 18). The district court found the lack of actual confusion evidence and the absence of evidence of consumer sophistication to be neutral factors. (Op. at 17-18). Given that the first three *Polaroid* factors (strength, similarity of marks, and competitive proximity of products) are the most significant factors (*see Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 258 (2d Cir. 1987)), and either

weighed in Appellees' favor or only modestly weighed in Appellants' favor, and coupled with additional factors such as no bridging the gap, and lack of bad faith or inferior quality goods, the district court found no likelihood of confusion. (Op. at 19).

Appellants challenge the district court's findings as to the strength, similarity, competitive proximity and bad faith. However, as will be discussed, Appellants fail to show that any of the district court's findings were clearly erroneous, much less that on balance the Court could even possibly find a likelihood of confusion.

#### 1. Appellants' WOODSTOCK Mark Is Extremely Weak

Appellants do not contest the district court's factual finding that Appellants' trademark was commercially weak. (Op. at 11-12 finding *de minimis* advertising expenditures, no evidence of sales success<sup>4</sup> or unsolicited media coverage, or any consumer studies). Appellants' argument is that the district court erred in examining the market strength of Appellants' mark at all.

The first *Polaroid* factor assesses the "strength" of the senior user's mark. And here again it is important to understand that Appellants' claim to being the senior user is dependent on whether their registration (a) covers cannabis, and (b) would survive the petition to cancel which Ventures has filed against that mark and which is currently

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<sup>4</sup> The district court found Appellants' total gross sales of WOODSTOCK branded products only amounted to \$12,837. Op. at 12.

pending. Even assuming for purposes of argument that Appellants have the “senior” mark, the district court’s finding is still not clearly erroneous.

To gauge a mark’s strength, courts consider two factors: inherent distinctiveness, and distinctiveness in the marketplace. *Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739, 743 (2d Cir. 1998). Appellants’ position is that if a mark is found to be inherently distinctive under the first *Polaroid* subfactor, there is no need to consider the second subfactor – actual strength. Yet that would make the second subfactor superfluous.

In support, Appellants cite *Hasbro, Inc. v. Lanard Toys. Ltd.*, 858 F.2d 70, 73 (2d Cir. 1988), for the proposition that the first *Polaroid* factor is satisfied by showing that a mark is conceptually strong. (Appellants’ Br. at 46). Yet *Hasbro* merely indicated that where a mark is inherently distinctive, there is no need to consider secondary meaning factors such as advertising expenditures and sales success in the context of determining whether or not a term serves as a mark. That does not mean that actual, commercial strength should be disregarded. *Id.* at 77. Much more recently, this Court noted that although a mark may be conceptually strong, a secondary meaning analysis (e.g., its commercial strength) is still relevant to the probative strength of a mark in assessing the likelihood of confusion. *See Cross Commerce Media, Inc. v. Collective, Inc.*, 841 F.3d 155, 160 n.3 (2d Cir. 2016).

That makes sense as one can easily envision an arbitrary or fanciful trademark, which would be inherently very strong, being used in commerce but not necessarily causing confusion if consumers are unaware of the brand. As this Court noted, a finding of conceptual strength does not end the *Polaroid* strength inquiry. *Streetwise Maps, Inc.*, 159 F.3d at 743 (holding that a court must consider “the mark’s distinctiveness in the marketplace”). In fact, in *Streetwise*, the Court found the district court to be clearly erroneous in determining the plaintiff’s mark to be relatively strong where it had inherent distinctiveness but weak commercial strength. *Id* at 744.

Appellants cite *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44 (2d Cir. 1978), to suggest that a finding of conceptual strength ends the inquiry. Yet, the very next year, the Court noted that “[t]he cases agree that it is appropriate to consider all factors bearing on the likelihood of confusion. We view evidence concerning the origin-indicating significance of a mark in the marketplace as relevant to and probative of the strength of a mark and hence useful in assessing the likelihood of confusion.” *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1132 (2d Cir. 1979).

Finally, Appellants argue that the Court in *Cadbury Beverages, Inc. v. Cott Corp.*, 73 F.3d 474 (2d Cir. 1996), rejected arguments of commercial weakness in the face of a finding of a conceptually strong mark. However, there the Court *did*

consider the evidence of marketplace strength, and merely found that the evidence presented of recent marketplace weakness failed to rebut the commercial success of the brand over a sixty-year period. *Id.* at 479. It did not reject the evidence in light of the “inherent” strength evidence.

Unlike *Cadbury*, here Appellants have no long period of strong sales and goodwill to outweigh a small recent decline. Appellants have not shown that *their* use ever had any commercial recognition; they had only *de minimis* sales and little evidence of any consumer exposure to Appellants’ use of the trademark. (\_\_\_\_). The evidence clearly supports a finding that Appellants’ mark was weak. *See e.g., Lang v. Retirement Living Pub. Co., Inc.*, 949 F.2d 576, 581 (2d Cir. 1991) (holding that district court did not err in finding a conceptually strong mark to be nonetheless weak given paltry sales and little evidence of advertising or third party media associating the mark with the plaintiff).

Moreover, as here, where the parties’ products which are the subject of the district court’s analysis do not directly compete,<sup>5</sup> evidence of weak marketplace strength is even more relevant to the confusion analysis. *See Plus Prod. v. Plus Disc. Foods, Inc.*, 722 F.2d 999, 1005 (2d Cir. 1983) (holding conceptually strong mark was nonetheless commercially weak and militated against a finding of confusion).

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<sup>5</sup> Again, given that the entirety of the Appellants’ case is built on the construct of a registration and not actual use, the relevant comparison is “smokers’ articles versus cannabis”.

Thus, it was not clear error for the district court to determine that Appellants' weak marketplace presence made the first *Polaroid* factor only modestly weigh in favor of Appellants.

2. The Parties' Respective WOODSTOCK Marks Present Different Commercial Impressions

Appellants contend that the district court committed clear error in determining the *Polaroid* similarity factor did not favor a likelihood of confusion. Although Appellants note that the Court must consider the marks' overall impression, "considering the context in which the marks are displayed," *Louis Vuitton Malletier v. Burlington Coat Factory Warehouse Corp.*, 426 F.3d 532, 537 (2d Cir. 2005), Appellants apparently want the Court to treat the infringement analysis as a Trademark Trial and Appeal Board ("TTAB") proceeding over registrability, and consider only the applied for mark while ignoring marketplace context. Appellants' Br. at 49 (citing TTAB and Federal Circuit precedent concerning registrability under Section 2(d) of the Lanham Act). That, however, is not the law of this Circuit, and the Court cannot consider just the use of WOODSTOCK in a vacuum. See e.g., *Levy v. Kosher Overseers Ass'n of Am., Inc.*, 104 F.3d 38, 41 (2d Cir. 1997)

We pointed out there that the standards governing 'likelihood of confusion' in registration cancellation or opposition proceedings before the TTAB and Federal Circuit can be different than the 'likelihood of confusion' standard applicable in trademark infringement actions in a district court. ... The Federal Circuit decision we considered in *Beam* only compared the typewritten names and sounds of the two trademarks, and we held that the district court in the later infringement

action should have, at least, ‘examine [d] the visual appearance of each mark in the context of its use.’

*Citing Jim Beam Brands Co. v. Beamish & Crawford Ltd.*, 937 F.2d 729, 735 (2d Cir. 1991).

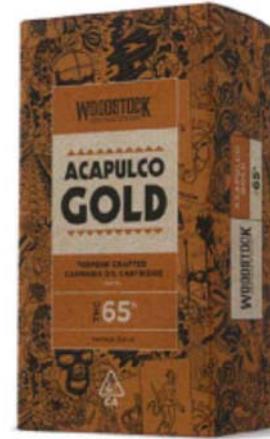
“In assessing similarity, courts look to the overall impression created by the logos and the context in which they are found and consider the totality of factors that could cause confusion among prospective purchasers.” *Star Indus., Inc. v. Bacardi & Co.*, 412 F.3d 373, 386 (2d Cir. 2005); *citing Gruner + Jahr USA Pub., a Div. of Gruner + Jahr Printing & Pub. Co. v. Meredith Corp.*, 991 F.2d 1072, 1078 (2d Cir. 1993); *accord Estee Lauder, Inc. v. Gap, Inc.*, 108 F.3d 1503, 1512 (2d Cir. 1997). This inquiry requires examining not “just at the typewritten and aural similarity of the marks, but how they are presented in the marketplace.” *The Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 962 (2d Cir. 1996). “In making this determination, a court should look at the general impression created by the marks, taking into account all factors that potential purchasers will likely perceive and remember.” *Lang*, 949 F.2d at 581. To that end, a district court may properly consider “the products’ sizes, logos, typefaces, and package designs.” *W.W.W. Pharm. Co. v. Gillette Co.*, 984 F.2d 567, 573 (2d Cir. 1993).

Appellants rely on *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141 (2d Cir. 2003), for the proposition that the use of identical word marks may be sufficient similarity to overcome minor differences in presentation. While that is true, in *Virgin* this Court held that the plaintiff's word mark was famous, and that the only differences in presentation were minor differences in typeface.<sup>6</sup> *Id.* at 149. That is not the case here, where Appellants' mark has little to no commercial strength, and the differences between the parties' respective packaging is, therefore, relevant.

Here, Appellants would have this Court believe that the only source-identifier on the packaging for Appellees' cannabis products is the mark WOODSTOCK. That is not true:



Appellees' Products ( )



Appellants' Products ( )

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<sup>6</sup> Similarly, Appellants' reliance on the out of Circuit decision in *Pom Wonderful LLC v. Hubbard*, 775 F.3d 1118 (9<sup>th</sup> Cir. 2014), is misplaced. In *Pom*, the Ninth Circuit noted that the commercial strength of the plaintiff's mark required a lesser degree of similarity. Nonetheless, the court held that the similarity of typeface and same color scheme on the parties' packaging combined with the identity of the marks weighed in favor of a likelihood of confusion. *Id.* at 1129.

The packaging for Appellees' cannabis products prominently features Appellees' iconic Dove and Guitar logo, which consumers have associated with Appellees and their WOODSTOCK brand for nearly half a century.<sup>7</sup> Indeed, *Appellants themselves admit that upon seeing the Dove & Guitar logo, they would immediately think of the Appellees.* This association, combined with consumers' longstanding association of Appellees' iconic WOODSTOCK word mark with cannabis, means that when consumers encounter Appellees' cannabis products, they will correctly attribute Appellees as the source of those products. *See e.g., Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 503–04 (2d Cir. 1996):

In this connection, placement of the marks next to other identifying but dissimilar symbols is clearly relevant. Here, Henson plans to always use the name “Spa'am” next to a likeness of the wild boar puppet. In addition, the words “Muppet Treasure Island” always will be prominently displayed wherever the name “Spa'am” appears. Thus, the two marks appear in strikingly different contexts and project wholly different visual displays.

*Accord E.A. Sween Co., Inc. v. A & M Deli Express Inc.*, 787 F. App'x 780, 784 (2d Cir. 2019) (“[A]n inquiry into the degree of similarity between two marks does not

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<sup>7</sup> To be sure, Appellees' famous WOODSTOCK word mark is uniquely associated with Ventures on its own. Thus, while the Dove and Guitar logo, as Appellants *admit*, helps to dispel any confusion because it too is immediately associated with Ventures in consumers' minds, the same cannot be said for the other elements added to Appellants' packaging, such as their house mark “American Products”. That is, the word mark WOODSTOCK alone is so intimately associated with Ventures, that consumers cannot help but associate third party products bearing this word mark with Ventures.

end with a comparison of the marks themselves.... [T]he setting in which a designation is used affects its appearance and colors the impression conveyed by it."); *Nabisco, Inc. v. Warner-Lambert Co.*, 220 F.3d 43, 46 (2d Cir. 2000) (affirming summary judgment for defendant where use of house marks reduced likelihood of confusion). Appellees' use of its Dove & Guitar Logo combined with its dramatically different color scheme packaging and font present a drastically different commercial impression from Appellants' product. Accordingly, Appellants have failed to carry their burden on the second *Polaroid* factor.

3. Appellants Expressly Represented That Their Products Do Not and Will Not Encompass Appellees' Products

Appellants contend that the district court was clearly erroneous in determining that the product proximity and bridging the gap *Polaroid* factors did not weigh in favor of a likelihood of confusion. Appellants' Br. At 51-55.

The third *Polaroid* factor – proximity of goods - considers whether the parties' respective goods are associated with each other or may compete with each other. *W.W.W. Pharm. Co.*, 984 F.2d at 573. The court considers the nature of the products, the types of consumers for such products, and the channels of trade. *Id.*

The fourth *Polaroid* factor – “bridging the gap” - is designed to protect a senior user's interest in possibly using its mark to enter another product line in the future. *W.W.W. Pharm. Co.*, 984 F.2d at 574. This factor is only considered if the

parties' respective products are unrelated, because if they are the same or considered related, then the factor is irrelevant. *Star Indus.*, 412 F.3d at 387.

*At issue here is the competitive proximity of Appellees' cannabis products and Appellants' smokers' articles.*<sup>8</sup> The district court determined that Appellants submitted no evidence as to the channels of trade for their smokers' articles, and this failure in and of itself is sufficient to support the court's finding. (Op. at 15) (\_\_\_\_). However, the district court went on to find that even if the parties' respective products were sold at the same locations (e.g., state licensed dispensaries), the differing nature of the parties' products weighed against a likelihood of confusion. *Id; see also, W.W.W. Pharm. Co.*, 984 F.2d at 573-74 (the fact that products are sold at the same location is of little importance where the nature of the products differs).

Appellants attack this finding by the district court, arguing that their smokers' articles relate to Appellees' cannabis products. (Appellants' Br. at 36). But Appellants were required to *admit* that the products listed in their registrations do not encompass cannabis in order to secure the very registrations on which they rely. In the sworn responses to the USPTO during prosecution of their trademark

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<sup>8</sup> Appellants argue that the district court's factual findings were clearly erroneous because both parties now offer cannabis products under their respective WOODSTOCK trademarks. Appellants' Br. at 54. That may be true, and this factor may be neutral if Appellants were relying on their *common law rights* for cannabis. But Appellants cannot rely on their common law rights to beat Appellees' earlier actual use, and are instead forced to rely solely on their federal registration for smokers' articles to obtain constructive priority.

registrations, Appellants expressly stated that their smokers' articles do not relate to marijuana nor are they intended to be used with marijuana products. (\_\_\_\_).

Appellants' original '199 application does not recite, claim, or mention at all marijuana or hemp or cannabis. P.I. Tr. Day 1, 54:14 - 55:19; Defendants' P.I. Ex. 5. (\_\_\_\_). This is not surprising, as Gary Chetkof, the filer of the '199 application, testified that *he had no intent to use WOODSTOCK in conjunction with cannabis or hemp at the time he filed his application.* P.I. Tr. Day 1, 44:15-24; 56:2-7; 62:2-6. (\_\_\_\_). The '199 application solely concerned smokers' articles. P.I. Tr. Day 1, 57:24 - 58:1. (\_\_\_\_). Mr. Chetkof admitted that cannabis and smokers' articles are different products. P.I. Tr. Day 1, 68:1-22. (\_\_\_\_).

The district court specifically held that the representations by Appellants or their predecessors bound Appellants, who could not now claim that which had been specifically excluded from their application. Since the Appellants relied only on the registrations and not on any common law rights (recognizing that Appellees held all the common law priority), the district court properly found that the goods were different and not related.

Appellants argue that the district court improperly focused on the legality of the respective products in determining the competitive proximity and bridging the

gap factors. Appellants' Br. at 54.<sup>9</sup> But that was not the district court's primary focus. The district court principally focused on Appellants' own admissions to the USPTO that their products differ from Appellees' cannabis products and that Appellants were not intending to use their WOODSTOCK mark on cannabis products. Op. at 16-17. ( ); *see also e.g., Vitarroz Corp. v. Borden, Inc.*, 644 F.2d 960, 969 (2d Cir. 1981) (affirming district court's denial of an injunction and finding no "bridging the gap" where the plaintiff admitted no intention of selling defendant's goods).

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<sup>9</sup> The district court only focused on the legality of the products in the bridging the gap factor and not with regard to competitive proximity. *See* Op. at pp. 14-17. ( ). In considering the bridging the gap factor, the district court cited *CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 630 (9<sup>th</sup> Cir. 2007), for the proposition that the doctrine of "zone of natural expansion" could not be used by a trademark owner to enjoin unlawful goods. Op. at 16-17 ( ). However, *CreAgri* does not stand for that proposition. *CreAgri* extended TTAB precedent on registrability to hold that a trademark owner could not establish rights based on use of a mark in commerce unless such use was on lawful goods. *Id.* It did *not* address whether a party could enforce rights stemming from lawful use to enjoin use of an infringing mark on unlawful goods. For example, Appellees may, and have, cited the 50 years of use by Ventures of WOODSTOCK for music, movies, merchandise and the like, as sufficient to enjoin Appellants from misappropriating the WOODSTOCK mark.

Moreover, *CreAgri* has been heavily criticized by courts and critics, and has never been applied by this Court. *See e.g., 3 McCarthy on Trademarks and Unfair Competition* § 19:123 (5th ed.) ("I believe that the Ninth Circuit erred in unthinkingly wrenching a draconian version of the U.S.P.T.O.'s 'unlawful use' policy out of its administrative registration setting and inserting it into federal court infringement lawsuits."). And in fact, the Ninth Circuit has since restricted *CreAgri* only to situations of such "gravity and significance" that it could not create any trademark rights. *See Southern California Darts Ass'n v. Zaffina*, 762 F.3d 921, 931-932 (9th Cir. 2014).

Here, Appellants seek to avail themselves of constructive priority pursuant to 15 U.S.C. § 1057 in their trademark registrations to establish priority over Appellees. (Appellants’ Br. at 8). Yet, to obtain such registrations, Appellants represented to the USPTO that their registrations would not cover cannabis – the only product for which Appellees sought a preliminary injunction. (\_\_\_\_). Appellants should not be able to expressly disclaim the scope of their rights in order to obtain government sanctioned benefits, and then seek to reclaim through judicial proceedings what they disclaimed. *See e.g., Narda Microwave Corp. v. Gen. Microwave Corp.*, 675 F.2d 542, 549 (2d Cir. 1982) (recognizing well settled principle of prosecution history estoppel that the narrowing of a patent for purposes of obtaining a patent cannot later be reclaimed in a judicial action); *see also* 37 C.F.R. § 2.71(a) (2020) (an applicant may limit its application, but not broaden it). Therefore, the district court was not clearly erroneous when it determined that neither the competitive proximity factor nor the bridging the gap factor favored a likelihood of confusion.

As to the district court’s application of *CreAgri* in determining that the zone of natural expansion cannot be applied to unlawful goods (Op. at pp. 16-17), the Court does not need to resolve this issue. The issue is not whether a party is claiming priority of rights in an unlawful good through the zone of natural expansion. Rather, the Court only needs to consider the traditional *Polaroid* factors, including the “bridging the gap” factor that seeks to preserve a senior user’s rights to prevent

confusion from use by another in related fields, even if such related fields are unlawful goods. *C.L.A.S.S. Promotions, Inc. v. D.S. Magazines, Inc.*, 753 F.2d 14, 18 (2d Cir. 1985). *See discussion infra.*

#### 4. Appellants' Arguments As to Bad Faith Are Not Credible

Appellants argue the district court was clearly erroneous in failing to consider Appellees' alleged awareness of Appellants' prior trademark rights in smokers' articles. (Appellants' Br. at 55-57) (\_\_\_\_). However, as the district court noted, the proper issue was whether Appellees intentionally sought to capitalize on Appellants' goodwill for their own use of WOODSTOCK on recreational marijuana. (Op. at 18) (\_\_\_\_). "As this court has noted, this factor of the *Polaroid* test considers 'whether the defendant adopted its mark with the intention of capitalizing on plaintiff's reputation and goodwill and any confusion between his and the senior user's product.'" *W.W.W. Pharm. Co.*, 984 F.2d at 575 (internal citations omitted).

Here, Appellants failed to present any evidence that Appellees sought to capitalize on Appellants' alleged good will. First, Appellants failed to demonstrate any kind of "good will" or even any sales revenue or advertising expenditures upon which it could be inferred that Appellees intended to "capitalize." Appellants proffered no evidence of sales prior to actual trademark use by Appellees-- only *de minimis* sales during their two-years of activity following Appellees' entry in the market-- and no evidence whatsoever of any kind of marketplace recognition. (\_\_\_\_).

Second, the evidence establishes Appellees' longstanding intention to enter into the cannabis market, and to exploit their own nearly 50-year old brand in doing so. (\_\_\_\_). Indeed, Appellant Axcentria sought a license from Appellees for the WOODSTOCK trademark long prior to entering into a scheme with Appellant Chet-5 in an effort to make an end run around Appellees' recognized and valuable rights; well before Appellants secured the registration on which they rely; and before Appellants brought any cannabis products to market. (\_\_\_\_).

Third, mere knowledge of Chet-5's registration by Appellees' licensing agent is irrelevant. *See e.g., W.W.W. Pharm. Co.*, 984 F.2d at 575 ("adoption of a trademark with actual knowledge of another's prior registration of a very similar mark may be consistent with good faith.") As the evidence showed, during the 2015-2016 license negotiations, and prior to Axcentria's "end run" acquisition of Chet-5's rights, Appellees' licensing agent suggested to Axcentria a work-around limiting any license just to marijuana products to avoid any issues with Chet-5—thereby demonstrating that Appellees did not consider that Chet-5's rights, if any, in smokers' articles conflicted with marijuana products.

Appellants have failed to show that the district court was clearly erroneous in finding there was no intention to capitalize on Appellants' alleged goodwill. The facts showed Appellants had little goodwill, and the more credible position was that Appellees merely sought to capitalize on their own goodwill amassed over the past

50 years of their iconic brand. Indeed, that is precisely why Appellants approached Appellees in the first place to take a license – to capitalize on a brand considered to be a “no brainer” with respect to cannabis. S.D.N.Y. Dkt. 57 ¶34 (\_\_\_\_). Given this, the district court clearly had a reasonable basis for its factual findings, and those findings are not clearly erroneous.

Given the district court’s findings that the first three *Polaroid* factors (strength, similarity of marks, and competitive proximity) either weighed in Appellees’ favor or only modestly weighed in Appellants’ favor, and coupled with the fact that such additional factors as no bridging the gap and no evidence of bad faith or inferior quality goods all weighed in Appellees’ favor, the district court did not commit clear error in finding no likelihood of confusion. (Op. at 19). (\_\_\_\_).

## **II. Even if This Court Finds That the District Court Was Clearly Erroneous In Its Application of The Polaroid Factors, the Decision Should Still be Affirmed**

### **A. The District Court’s Finding of No Irreparable Harm Should Not Be Disturbed**

While the district court denied the requested preliminary injunction primarily because Appellants failed to carry their burden to show a likelihood of success, Judge Gardephe felt it important to find that Appellants had unduly delayed in seeking a preliminary injunction, which therefore raised serious doubts that they would be irreparably injured by denial of the preliminary injunction. *See* Op. at 5 n.2 (“[a] delay of this length ‘undercuts the sense of urgency that ordinarily

accompanies a motion for preliminary relief and suggests that there is, in fact, no irreparable injury.”” *citing Citibank, N.A. v. Cititrust*, 756 F.2d 273, 277 (2d Cir. 1985).

A party *must* establish, in addition to a likelihood of success on the merits, that it will be irreparably harmed in the absence of an injunction. *Benihana, Inc.*, 784 F.3d at 895. “A showing of irreparable harm is the single most important prerequisite for the issuance of a preliminary injunction.” *Faiveley Transport Malmo AB v. Wabtec Corp.*, 559 F.3d 110, 118 (2d Cir. 2009). Accordingly, “the moving party must first demonstrate that such injury is likely before the other requirements for the issuance of an injunction will be considered.” *Rodriguez ex rel. Rodriguez v. DeBuono*, 175 F.3d 227, 234 (2d Cir. 1998).

Any finding of irreparable harm must be based on evidence, not argument or presumption. There is no presumption of irreparable harm. *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 338 (2006) (irreparable harm must be proved to obtain permanent injunction); *see also Salinger v. Colting*, 607 F.3d 68, 79-80 (2d Cir. 2010) (applying *eBay, Inc.* in the context of a preliminary injunction sought for alleged copyright infringement and requiring showing of irreparable harm); *see also New Look Party Ltd. v. Louise Paris Ltd.*, 2012 WL 251976, at \*2 (S.D.N.Y. Jan. 11, 2012) (“Despite long-held circuit precedent, [irreparable] harm [is] no longer

presumed in copyright or trademark cases"); *see also Freedom Holdings, Inc. v. Spitzer*, 408 F.3d 112, 114 (2d Cir. 2005).

Although the district court did not need to find an absence of irreparable harm in order to deny Appellants' motion, it did make certain factual findings relevant to such a determination:

Indeed, there is no evidence that [Appellants] have amassed significant goodwill in the marketplace for recreational marijuana and vaping devices. (Op. at 18). (\_\_\_\_).

and

There is no evidence that [Appellants'] reputation has been tarnished by [Appellees' products, and [Appellants] have made no such argument. (*Id.*)

Appellants do not argue that the district court was clearly erroneous in such findings. Nor was the district court unreasonable in making such findings, given Appellants' virtually nonexistent sales and advertising, and the fact that Appellants could easily shift to one of their other preexisting brands. *See* S.D.N.Y. Dkt. No. 41 at 5 (\_\_\_\_); P.I. Tr. Day 2, 201:22 - 203:5. (\_\_\_\_); P.I. Tr. Day 2, 205:8 - 209:21. (\_\_\_\_); P.I. Tr. Day 1, 74:9-17. (\_\_\_\_); P.I. Tr. Day 2, 236:5-14. (\_\_\_\_).

Appellants' having failed to present any evidence of actual harm, the district court's finding of delay is not necessary to its determination of no irreparable injury. Notably, though, Appellants did not actually appeal the district court's finding of

delay.<sup>10</sup> Because Appellants do not seek to disturb the district court’s findings as to irreparable injury, this alone justifies affirming the denial of the motion. See *Citibank, N.A. v. Citytrust*, 756 F.2d 273, 277 (2d Cir. 1985) (holding that a long delay “undercuts the sense of urgency that ordinarily accompanies a motion for preliminary relief and suggests that there is, in fact, no irreparable injury.”) “[C]ourts typically decline to grant preliminary injunctions in the face of unexplained delays of more than two months.” *Life Technologies Corp. v. A.B. Sciex Pte. Ltd.*, 2011 WL 1419612 at \*7 (S.D.N.Y. Apr. 11, 2011); *Richard A. Leslie Co., Inc. v. Birdie, LLC*, 2007 WL 4245847, at \*2 (S.D.N.Y. Nov. 26, 2007) (“The three month period from June 8 through September 18 cannot [be excused]. It is sufficiently long, in and of itself, to warrant denial of preliminary relief [...].”); *New Look Party Ltd.*, 2012 WL 251976 at \*11 (“These [three month] lapses further counsel against a finding of irreparable injury.”)

While the finding of delay was not appealed, we address the issue briefly here in light of the insertion of arguments by Appellants in their brief. Appellants argue that there was a “change of circumstance” which should have excused their delay,

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<sup>10</sup> Appellants only mention the irreparable harm factor on page 3 of their brief, note 2. Without citing any evidence or even arguing that the district court abused its discretion on the record before it, Appellants merely return to their rejected argument (discussed more fully below) that they filed shortly after the announcement of the MedMen distribution agreement with Ventures, without explaining how this was a sufficiently changed circumstance to justify their lengthy delay.

because Appellees were seeking to replace their current distributors with a new one. However, Appellees' execution of the MedMen agreement merely changed Appellees' existing distributors, but did not materially change Appellees' presence in the marketplace. P.I. Tr. Day 3, 494:22 - 495:3. (\_\_\_\_). Nor was there any allegation, much less evidence, that the MedMen agreement in any way drove Appellants from the market or impacted their distribution agreements.<sup>11</sup> There was no evidence presented by Appellants that Appellees' change of distributors was a "change of circumstance" that could excuse their delay in seeking a preliminary injunction. The salient point here is that Appellees were in the market using WOODSTOCK for cannabis for well over a year and a half during which time Appellants did nothing, and they now have no reasonable justification for their delay in seeking a preliminary injunction.

### **B. Appellees Have Priority of Rights**

Appellants request that this Court remand the case to the district court for a determination as to priority of rights to use WOODSTOCK in connection with "smokers' articles," even though – or perhaps because – Judge Gardephe specifically declined to decide that issue as unnecessary to denial of the motion.

In order to prove entitlement to a preliminary injunction, Appellants must establish a likelihood of success on the merits. For a trademark infringement claim,

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<sup>11</sup> It is hard to fathom how any change in Appellees' circumstances could have impacted Appellants' position in the marketplace, seeing how it was essentially non-existent. Op. at pp. 11-12. (\_\_\_\_).

that includes establishing a likelihood of confusion *as well as exclusive rights to the mark*. In order to establish exclusive rights to the mark, Appellants must establish priority of rights over Appellees. *See Thompson Medical Co., Inc. v. Pfizer Inc.*, 753 F.2d 208, 218 (2d Cir. 1985).

In the United States, when two parties use an identical or similar mark, the first to use the mark in commerce is the “senior” user of the mark and has trademark priority over “junior” users of the mark. *See Hana Fin., Inc. v. Hana Bank*, 135 S. Ct. 907, 909 (2015) (“Rights in a trademark are determined by the date of the mark’s first use in commerce. The party who first uses a mark in commerce is said to have priority over other users”); *Empresa Cubana del Tabaco v. Culbro Corp.*, 399 F.3d 462, 468 (2d Cir. 2005) (In the United States, “the standard test for ownership of a mark is priority of use [...]”). Trademark priority allows the senior user to enjoin junior users from using the mark for the same goods and services that the senior user offers—even if the junior user is the party who federally registers the mark. McCarthy at 16:1.50 (“[C]onstructive use” priority based on federal trademark registration “can always be defeated by another party’s evidence of prior actual use.”). Therefore, the fact that Appellant Chet-5 filed an application in 2013 is not the determinative factor in priority if Appellees had actual use prior to that date. It is undisputed that Appellees have long prior use of WOODSTOCK on many products and services. Appellants’ entire argument is based on distinguishing those

uses from “smokers’ articles,” and then challenging the extent of use by Appellees on smokers’ articles. But the evidence of Ventures’ use of WOODSTOCK on smokers’ articles – while attacked procedurally - was unrebutted by Appellants.

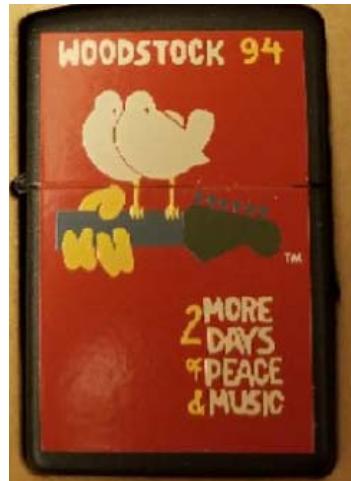
Appellants cannot establish priority in WOODSTOCK for anything in this dispute - not for music festivals, smokers’ articles, or cannabis - the last being the product which spawned this litigation. Appellees have trademark priority over Appellants in the mark WOODSTOCK for cannabis based on their actual first use and the common law trademark rights arising therefrom, as well as for smokers’ articles, which is also based on Ventures’ actual first use for nearly 20 years prior to Appellants’ claim of a “constructive” first use date.

#### 1. Appellees Have Priority of Rights as to Smokers’ Articles

In addition to movies, television specials, and apparel sold or licensed since 1969, Ventures’ officially licensed WOODSTOCK products have included “smokers’ articles” such as lighters and ashtrays for over 30 years.

For example, in 1994, Ventures licensed its WOODSTOCK trademark to Zippo Manufacturing Company for use in connection with lighters. S.D.N.Y. Dkt. 87 at ¶8; P.I. Tr. Day 3, 412:1-7. (\_\_\_\_). Those lighters were sold not only at the 1994 Festival, but also at various retail outlets. P.I. Tr. Day 3, 412:1-24. (\_\_\_\_). The

commemorative '94 WOODSTOCK festival smokers' articles remain widely available for sale today on the Internet. S.D.N.Y. Dkt. 87 at ¶8; (\_\_\_\_).



In 1994, Ventures also licensed its WOODSTOCK trademark to Crest Craft for use in connection with lighter covers. S.D.N.Y. Dkt. 87 at ¶9; (\_\_\_\_).



Similarly, in 1999, Ventures licensed its WOODSTOCK trademark for a commemorative lighter for the '99 WOODSTOCK festival, P.I. Tr. Day 3, 415:23-416:2; (\_\_\_\_), as well as for use in connection with ashtrays (the "C&D License"). The use of Ventures' WOODSTOCK trademark under the C&D License in

connection with ashtrays and lighters has been continuous since 2009. S.D.N.Y.

Dkt. 87 at ¶10; P.I. Tr. Day 3, 420:21-421:11; Plaintiffs' P.I. Ex. 44. (\_\_\_\_).



Most recently, Ventures licensed its mark again through Zippo for the latest WOODSTOCK branded lighters. P.I. Tr. Day 3, 414:19-415:19; Plaintiffs' P.I. Exhibit 41. (\_\_\_\_).



Appellants suggest that Appellees' evidence of use was insufficient to establish priority. Appellants' Br. at 32. In support, Appellants cite to a warranty provision in a 2005 agreement between Appellees and Appellees' licensing agent Dell Furano that there were no existing licensing deals in 2005. Appellants misread that document, as reflected in Mr. Furano's sworn testimony about his sourcing licenses for Appellees since the late 90s. The language merely refers to the fact that there would be no conflicting licenses, which of course is the case if one license expires when a new one is signed. P.I. Tr. Day 1, 97:3-12. (\_\_\_\_).

In addition to Mr. Furano's testimony, one of Appellees' founders, Michael Lang, testified at length regarding Appellees' prior licensing arrangement with Zippo in 1994; introduced a specimen of a WOODSTOCK branded Zippo lighter in 1993; testified regarding the continuous licensing thereafter, including a lighter in 1999; and identified a Master Licensing agreement including C&D Visionary for production of another WOODSTOCK branded lighter in 2013, and yet another lighter released in 2019. (P.I. Tr. Day 3, 410:8 – 416:2; Plaintiffs' P.I. Exhibits 39 – 41 (\_\_\_\_).<sup>12</sup>

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<sup>12</sup> Appellants take issue with the admissibility of Plaintiffs' P.I. Exhibit 38, a business record of Appellees that was a licensee list from 1994 showing Zippo as a licensee of the WOODSTOCK trademark. While Appellants claim that this list was hearsay, they provide no authority for this position. Mr. Lang testified at length regarding this business record (Fed. R. Evid. 803(6)), and in any event his testimony provides more than sufficient basis for the district court to determine that Appellees

## 2. Appellants Have Priority of Rights as to Cannabis

The district court properly held that the registrations asserted by Appellants do not, and cannot as a matter of law, include cannabis products. First, as a matter of law, no one can own a federal trademark registration that purports to cover cannabis. Trademark Manual of Examining Procedure (“TMEP”) § 907; 37 C.F.R. § 2.69 (*citing* Controlled Substances Act, 21 U.S.C. §§ 801-971). In fact, Appellants faced this precise issue during prosecution of their applications when they were required by the USPTO to explicitly disclaim marijuana or anything related to marijuana as a condition to obtaining a registration. Second, even if it were possible to include cannabis in a federal registration, neither registration actually covers goods of the type sold by Appellees. *See* 15 U.S.C. § 1057(b) (“A certificate of registration of a mark upon the principal register . . . shall be *prima facie* evidence of . . . the owner’s exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate . . .”)) (emphasis added). In this case, Appellants’ registrations are limited to smokers’ articles, and thus any constructive priority would be limited to those goods.

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were licensing the WOODSTOCK mark for lighters as early as 1994 – samples of which were introduced into the record.

Appellants assert that their registrations cover “lawful cannabis” (*i.e.*, “hemp”). Appellants’ Br. at 30. Yet, in addition to misrepresenting the registrations,<sup>13</sup> such a claim would render the resulting registration invalid. When Appellant Chetkof filed the original intent-to-use application (“ITU”) on behalf of Chet-5 that matured into the ‘815 and ‘311 Registrations, he admitted that at the time he filed this application “[w]e had not the intent to go into hemp at that point in time.” P.I. Tr. Day 1, 44:15-24; 45:15-20; 55:17-56:18. (\_\_\_\_).<sup>14</sup> For an ITU application to be lawful, the Lanham Act requires that a trademark applicant possess a *bona fide* intent to use in commerce each and every good listed in the application *at the time of the application*. 15 U.S.C. § 1051(b)(3)(B) (the application must include a verified statement which includes “the applicant’s bona fide intention to use the mark in commerce”); *see* 37 C.F.R. § 2.33(b)(2) (a § 1(b) intent-to-use application must include a verified statement which must allege, among other things, that “the applicant has a *bona fide* intention to use

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<sup>13</sup> Appellants’ registrations do not in fact claim hemp. Rather, they claim e-cigarettes containing “e-liquids derived from industrial stalks of hemp”. (\_\_\_\_).

<sup>14</sup> If Appellants’ registration covers hemp despite the lack of intent, then it was improperly granted, and would be subject to cancellation on that basis as well as the bases asserted by Appellees in their Cancellation Petition. At the time Chet-5’s ITU application was filed in 2013, hemp was a controlled substance. *See* Agricultural Improvement Act of 2018, Pub. L. No. 115-334, § 12619(a)(2) (de-scheduling hemp from the Controlled Substances Act in December 2018). Appellant Chet-5 could not have had an intention to claim hemp because it was unlawful at the time Chet-5 filed its trademark application. Nor could the USPTO Examiner properly add hemp as an amendment, since this would broaden the scope of the application in violation of 37 C.F.R. § 2.71(a).

the mark shown in the accompanying drawing in commerce on or in connection with the specified goods or services.”).

When an applicant lacks a *bona fide* intent to use a mark for goods identified in its trademark application, the court may, at a minimum, delete those goods from the issued registration. *See e.g., Kelly Services, Inc. v. Creative Harbor, LLC*, 846 F.3d 857, 875 (6th Cir. 2017) (excising the overbroad portions of the application where there was no *bona fide* intent to use). This at a minimum establishes the kind of *prima facie* challenge to the validity of Appellants’ registrations that “bursts” the presumption.

Finally, even if Appellants’ registrations evidenced rights to hemp (but *see supra*), this does not give them priority of rights over marijuana. As discussed previously, Appellants expressly disclaimed marijuana from their trademark registrations and indicated that the applied for mark would not be used in connection with marijuana products. Any probative value of Appellants’ registrations is limited to their specifically claimed goods that Appellants admitted do not encompass Appellees’ goods. Thus, Appellants’ registrations do not establish any priority of rights over Appellees’ use of WOODSTOCK on their goods.

### 3. Appellees Have Priority Based on Their Music Festivals, Recorded Music, Films, Television, Books and Merchandise

In addition to Appellees having priority in WOODSTOCK for cannabis based on their actual sale of this product, the evidence establishes that Appellees have priority for cannabis based on their WOODSTOCK music festivals and other

goods and services . If consumers of cannabis who encounter the WOODSTOCK brand in the marketplace associate that mark with Appellees, then Appellees' use is sufficient to support Appellees' right to enjoin the use of such mark by others.

Appellees' status as the "senior" user of the mark WOODSTOCK generally allows them to enjoin the junior user Appellants from exploiting the mark WOODSTOCK for those goods and services which may be associated in the minds of consumers with Appellees. This is the concept of relatedness of goods, the scope of which may be broader when the mark at issue is famous. That is, regardless of whether Appellees actually expanded into or planned to expand into marijuana sales, it is the association by the public of such sales with Appellees that would support an injunction against Appellants. *See e.g., Scarves by Vera, Inc. v. Todo Imports Ltd.*, 544 F.2d 1167, 1172 (2d Cir. 1976) (enjoining junior party's use of trademark for new products that senior user had not yet introduced but "were by their nature so closely related to plaintiff's own products"). This doctrine protects the senior user when consumers associate the senior user with a product, or vice versa, at the time the junior user begins using its mark for such product—even though the senior user has never offered such product under its existing mark. *Scarves by Vera*, 544 F.2d at 1172.

a) Consumers and Appellants Associate Appellees' Music Festivals with Cannabis

Appellants argue that Appellees failed to establish that consumers associate their WOODSTOCK Festivals with cannabis. Appellants' Br. at 40. But that flies in the face of the wealth of evidence in the record before the Court. Consumers have associated Appellees' iconic WOODSTOCK Music Festivals and brand with cannabis (and *vice versa*) for half a century. From the ubiquity of cannabis use at the festivals themselves, to repeated mainstream media reports associating the two, to lobbying efforts and recognition within the cannabis industry, Appellees have long associated themselves with cannabis and campaigns to legalize its use (*see supra* at 44).

Apparently, even Appellants associated Ventures' WOODSTOCK brand with cannabis. Appellants attempted to license the existing brand equity created by Appellees for use with cannabis, admitting that the goodwill in Ventures' music festivals could readily be transferred to cannabis. Appellants themselves considered the WOODSTOCK mark as a powerful brand for use with cannabis and their first choice for a license. (*See supra* at 3). Appellants' own marketing survey substantiated this association, showing that consumers associated Ventures' WOODSTOCK brand with cannabis, and *none associated it with any Appellant.* Plaintiffs' P.I. Ex. 14; P.I. Tr. Day 3, 322:8-323:5. (\_\_\_\_). Appellants' own marketing agents repeatedly associated Appellants' proposed cannabis products with

Appellees and their famous WOODSTOCK Festival as a natural connection. P.I. Tr. Day 2, 275:22 - 276:4. (\_\_\_\_).

The longstanding, well recognized association among Appellees, the WOODSTOCK Festivals, and the use of cannabis supports the conclusion that persons encountering WOODSTOCK-branded cannabis(both consumers and the trade) will expect that Appellees—the producers of the iconic WOODSTOCK Music Festivals—will be the source of those products and not any of the Appellants. That is, regardless of whether Appellees are selling cannabis, or would in the future sell cannabis, under their famous WOODSTOCK mark, Appellees are entitled to prevent others from usurping their mark for use with marijuana sales.

Appellants argue that Appellees' ability to enjoin related goods is limited based upon alleged third party uses of “Woodstock,” which supposedly hem in the range of protection that could be afforded to Appellees’ WOODSTOCK mark. Appellants’ Br. at p. 39. There are two problems with this argument; first, whether or not Appellees (as plaintiffs below) may secure an injunction against use of WOODSTOCK by Appellants (as defendants below) is irrelevant to the question currently before this Court. The issue before the district court was whether Appellants as the moving parties had carried their burden to prove likelihood of success on the merits – not whether Appellees would ultimately succeed in securing an injunction against use by Appellants.

Second, even were the question relevant, Appellants failed to present any evidence of actual usage of WOODSTOCK as a mark by third parties, much less any use that would restrict the breadth of protection afforded Appellees' mark. Appellants' expert Professor Barton Beebe relied only upon a dilution search report containing a number of trademark registrations, applications, domain names and corporate secretary of state filings, without regard to the nature of the businesses with which any uses might be associated or whether the third parties were actually using the mark.<sup>15</sup> Professor Beebe admitted that he did not conduct any analysis of or inquiry into actual third party use, and thus had nothing to show as to whether such third parties used the mark and, if they did, on what products and how consumers were likely to view that use, or the extent to which it impacted the marketplace. P.I. Tr. Day 3, 326:8-22; 341:16-19. (\_\_\_\_).

For example, the examples cited by Professor Beebe from the search report he relied upon, had no evidence showing whether the word Woodstock was even used as a trademark, much less the nature of the goods or services with which it might have been used. Many were corporate names, or had a geographic meaning

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<sup>15</sup> Search reports are not cognizable evidence of third party use. *See e.g., Scarves by Vera*, 544 F.2d at 1173 (“The significance of third-party trademarks depends wholly upon their usage. Appellants introduced no evidence that these trademarks were actually used by third parties, that they were well promoted or that they were recognized by consumers. ... the existence of these registrations is not evidence of what happens in the market place or that customers are familiar with their use.”) (internal citations omitted).

for companies located in a town called “Woodstock,” and some of the trademark applications cited were in fact abandoned. Moreover, for every specific example in which Professor Beebe consulted a webpage and offered testimony about usage, Appellees presented evidence establishing that either the applicable third parties were licensed by Appellees (thus demonstrating strength of the mark and not weakness), or that they had agreed to cease use after receiving a protest from Appellees. P.I. Tr. Day 3, 336:12-341:25; (\_\_\_\_).

The search report relied upon by Professor Beebe was a “Dilution” survey and not an infringement survey. Dilution is a modern concept which addresses the ability to control use of a mark without regard to the nature of the goods or service with which it might be used. Consequently, the survey encompassed trademark registrations for goods which are unrelated to either cannabis or smokers’ articles – or indeed to any relevant use by Appellees – even though relevant usage is a requirement for any analysis of infringement. Appellants presented no evidence of how registrations for cheese, charcoal, or drill bits, even if in actual use, could have any relevance to Appellees’ protectable rights with respect to cannabis. *See Scarves by Vera*, 544 F.2d at 1174 (holding third party uses on unrelated products have no bearing on plaintiff’s asserted trademark rights).

b) Appellees' Rights Created by Their Trademark Use for Music Festivals, Music, Television, Movies, and Merchandise Are Sufficient to Enjoin Use on Unlawful Goods

Appellants further argue that Appellees cannot claim rights to cannabis because it is unlawful under Federal law. Appellants' Br. at 37.<sup>16</sup> In support, Appellants cite to the unlawful use doctrine. However, Appellants once again miss the point, for two reasons: First, it is Appellants who are seeking to claim Federal trademark rights in cannabis in their motion, and second, Appellants misapply that doctrine. As discussed *supra*, the *CreAgri* progeny of cases relates to registrability.

Appellees in their complaint (and not in a motion before the district court) seek to rely on the priority in their trademark rights to lawful goods and services (e.g., their music festivals, recordings and merchandise) to *enjoin* related goods that consumers already associate or are likely to associate with Appellees and their WOODSTOCK trademark. See e.g., *Charvet S.A. v. Dominique France, Inc.*, 736 F.2d 846, 847 (2d Cir. 1984) (“The related goods doctrine, as applied in this circuit, requires the court to balance the equities in deciding whether to enjoin a junior user from using a trademark on related, noncompeting goods.”) Ironically, as Appellants admit, if the Court applied the unlawful use doctrine in the infringement context –

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<sup>16</sup> Notably though, Appellants argue out of the other side of their mouth by asserting that the “zone of natural expansion” allows Appellants to use their rights in smokers’ articles to enjoin use of WOODSTOCK by Appellees for marijuana.

as opposed to the registrability context - it would have the unintended and undesirable effect of making it harder to enjoin unlawful goods than lawful ones. Appellants' Br. at 54.

The Court need not recognize or even address “trademark rights” in unlawful goods. Rather, all it needs to do is recognize existing trademark rights in lawful goods, and determine whether use on related, though unlawful, goods is likely to cause consumer confusion. This merely requires application of the traditional *Polaroid* factors (whether treating cannabis as a related good under the proximity factor, or as within the “zone of natural expansion” in a “bridging the gap” factor). *See e.g., C.L.A.S.S. Promotions, Inc. v. D.S. Magazines, Inc.*, 753 F.2d 14, 18 (2d Cir. 1985) (“The term ‘bridging the gap’ is used to describe the senior user’s interest in preserving avenues of expansion and entering into related fields.”).

## CONCLUSION

For the foregoing reasons, the Court should affirm the district court's denial of Appellants' Motion for a Preliminary Injunction.

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July 15, 2020

## CERTIFICATE OF COMPLIANCE

This brief complies with the type-volume limitations of Federal Rule of Appellate Procedure 28.1(e)(2)(B) because it contains 13,992 words, excluding the parts of the brief exempted by Rule 32(a)(7)(B)(iii). This brief complies with the typeface requirements of Rule 32(a)(5) and the type style requirements of Rule 32(a)(6) because it has been prepared in a proportionally spaced typeface using Microsoft Word 2016 in Times New Roman and 14 point font.

s/ Edward T. Colbert  
Edward T. Colbert

July 15, 2020

## CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Second Circuit by using the appellate CM/ECF system on July 15, 2020.

I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the appellate CM/ECF system.

s/ Edward T. Colbert

Edward T. Colbert

July 15, 2020

# 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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**Reply Brief of Appellants Woodstock Roots LLC, Woodstock Cannabis Company, LLC, Chet-5 Broadcasting, LP, Gary Chetkof, Axcentria Pharmaceuticals, LLC, and Woodstock Products Company Int'l, LLC d/b/a Woodstock American Products**

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## SUMMARY OF THE ARGUMENT

Ventures' claim to use the WOODSTOCK mark on cannabis asks the federal courts to accept that federal trademark rights can be expanded from lawful products, i.e., Ventures' promotional items, to unlawful products, i.e., Ventures' federally illegal marijuana. In contrast, Woodstock Products' claim to use the WOODSTOCK mark on smokers' articles asks the federal courts to enforce rights derived from a federal trademark registration to use the mark on lawful products, like Woodstock Products' rolling papers and e-cigarettes, and to prevent infringing use of the mark on closely related products, such as Ventures' federally illegal marijuana.

Ventures is wrong to argue that it has priority to use the WOODSTOCK mark for federally illegal marijuana. Ventures argues that its trademark rights for promotional items give it priority to use the WOODSTOCK mark on federally illegal marijuana under a zone of expansion theory. However, Ventures cannot obtain priority to use the mark on federally illegal marijuana as a matter of federal law. By contrast, Woodstock Products' trademark rights arise from a federal registration to use the mark on legal goods. As such, Woodstock Products can rely on the related goods doctrine to establish that Ventures' use of the mark on cannabis is infringing, but Ventures cannot rely on a similar theory to argue that it has priority to use the mark for federally illegal marijuana.

Ventures is wrong that injunctive relief is precluded by a district court finding that Woodstock Products did not suffer irreparable harm. The district court did not make such a finding. To be sure, the district court indicated in a footnote that the time that elapsed between the initiation of this case and Woodstock Product's preliminary injunction motion called into question whether Woodstock Products would be able to establish irreparable harm. However, the district court did not actually decide that issue. Further, it would have been error for the district court to find that Woodstock Products' so-called delay precluded a finding of irreparable harm. In fact, Woodstock Products filed its motion for a temporary restraining order and preliminary injunction within days of Ventures' announcement of a licensing deal with MedMen, which threatened to substantially alter the status quo. In any event, given that the district court did not determine whether the irreparable harm element was satisfied, this Court should not do so in the first instance.

Finally, the district court erred in its analysis of the *Polaroid* factors to determine that Ventures' use of the WOODSTOCK mark on federally illegal marijuana does not create a likelihood of confusion. The district court gave insufficient consideration to the undisputed fact that the WOODSTOCK mark has significant conceptual strength, being not merely distinctive but arbitrary. The district court also gave too little weight to the fact that the marks are identical in

lettering and sound. The district court also erred in determining that the marks are not in proximity, and that Woodstock Products cannot establish the “bridging the gap” element of the *Polaroid* analysis. And, as explained in Woodstock Products’ opening brief, the district court erred in finding that Ventures did not act in bad faith.

Accordingly, the Court should hold that Woodstock Products established a likelihood of success on the merits and remand for a consideration of the other elements for preliminary injunctive relief.

## **ARGUMENT**

### **I. Ventures does not have priority to use the “Woodstock” mark for federally illegal marijuana.**

#### **A. Ventures does not have trademark rights for federally illegal marijuana as a matter of federal law.**

Ventures is wrong to argue that it has priority to use the WOODSTOCK mark for federally illegal marijuana. First, Ventures incorrectly frames the issue. The issue in this appeal is whether Ventures’ use of the mark violates Woodstock Products’ rights, not the other way around. Nonetheless, Ventures argues that its priority to use the mark for federally illegal marijuana gives it the right to exclude Woodstock Products. (*See* Ventures Br. at 56).

More importantly, Ventures cannot have priority to use the WOODSTOCK mark for federally illegal marijuana because, as a matter of federal trademark law, no party can have trademark rights for use of a mark on an illegal good. Indeed,

Ventures admits that “as a matter of law, no one can own a federal trademark registration that purports to cover cannabis.” (Ventures Br. at 53). Ventures nonetheless argues that it has trademark priority arising from its alleged sale of cannabis products and expansion of its promotional items mark. (*See id.* at 55-60). However, under the illegal goods doctrine, nobody can obtain federal trademark rights in federally illegal marijuana. *See, e.g., CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 630-31, 634 (9th Cir. 2007); *United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219, 1225 (10th Cir. 2000).

Ventures claims that *CreAgri* has been “heavily criticized” by courts and critics, but in support of that proposition cites only an “author’s comment” from *McCarthy on Trademarks*. (Ventures Br. at 39 n.9). The treatise’s concern with *CreAgri* was that denial of common law rights of priority and first use was too harsh a penalty for what could be “a relatively minor case of mislabeling.”<sup>3</sup> *McCarthy on Trademarks and Unfair Competition* § 19:123 (5th ed.). By contrast, there is no dispute that federally illegal marijuana, as a controlled substance, is illegal under federal law no matter how it is sold. Ventures makes no effort to explain why the fundamental reasoning of *CreAgri* was incorrect: that giving trademark priority for an illegal use 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)).

Indeed, the Northern District of California recently applied *CreAgri* in the context of cannabis to hold that prior sales of federally illegal marijuana did not confer trademark priority and could not be relied upon as a defense to an infringement claim. *See Kiva Health Brands LLC v. Kiva Brands Inc.*, 402 F. Supp. 3d 877 (N.D. Cal. 2019). In that case, Kiva Health Brands claimed that Kiva Brands Inc. infringed its "KIVA" mark registrations for food products and cosmetics. Kiva Brands Inc., as a defense, claimed that it had priority in the mark because of prior sales of cannabis-infused edibles. *Id.* at 881. The court rejected the argument that such sales of cannabis established prior common law trademark rights and held that a defense to a federal infringement claim could not be based on federally unlawful use. *Id.* at 888-90.

In addition, Ventures is wrong that evidence of extensive third party use of the WOODSTOCK mark is "irrelevant to the question currently before this Court." (Ventures Br. at 58). It is not irrelevant, because Ventures is relying on the supposed strength of its promotional items mark to establish priority to use the WOODSTOCK mark for federally illegal marijuana. Further, it is false, as Ventures claims, that the dilution report introduced into evidence by Woodstock Products contains no evidence of "actual usage" of the WOODSTOCK mark by

third parties. (*See* Ventures Br. at 59). To the contrary, the report includes numerous screenshots demonstrating evidence of actual marketing and use of the mark by third parties – including for a Woodstock Film Festival, Woodstock Jazz Festival, Woodstock Farm Festival, Woodstock Music Center, Woodstock Kentucky Bourbon, VAPE.COM, and a “Woodstock Golden Anniversary” concert. (Opening Br. at 13).

**B. Woodstock Products’ smokers’ articles registration is valid and gives it priority.**

Despite its extensive focus on the strength of its promotional items mark, Ventures ultimately acknowledges that “all [the Court] needs to do is recognize existing trademark rights in lawful goods, and determine whether use on related, though unlawful, goods is likely to cause consumer confusion.” (Ventures Br. at 62). Indeed, Woodstock Products can rely on its registration for smokers’ articles to enjoin Ventures’ infringing use on federally illegal marijuana because it is related to smokers’ articles. (*See* Opening Br. at 35-36). As such, it is irrelevant whether Woodstock Products’ registration for smokers’ articles includes cannabis. (*See* Ventures Br. at 27 (stating that Woodstock Products’ registration “expressly disclaimed any rights in marijuana”); *id.* at 54-55 (arguing that registration does not cover hemp)). In any event, Chetkof testified that “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, such as marijuana.” (Tr. at 55:17-23) (A1237).

Ventures does not dispute that the legal effect of a trademark registration, such as Woodstock Products' registration for smokers' articles, is to confer a presumption of validity and to establish a constructive first use date. (*See* Opening Br. at 29-31). Ventures notes in passing that it has filed a petition to cancel Woodstock Products' smokers' articles mark registration. (Ventures Br. at 28, 54). The cancellation petition is not in the record, was not the subject of testimony at the preliminary injunction hearing, and remains suspended pending the outcome of the federal litigation. Ventures does not identify the arguments it made in its petition. In any event, there is no dispute that the smokers' articles mark continues to be registered. Accordingly, it continues to have legal effect despite the pendency of any petition to cancel.

Ventures also argues that despite Woodstock Products' smokers' articles registration, Ventures has priority over smokers' articles because of its own alleged sales of smokers' articles. (Ventures Br. at 49-52). Woodstock Products addressed the deficiencies in Ventures' evidence on that point in its opening brief. (Opening Br. at 31-34). Ventures disagrees that a 1994 licensing list that it introduced to demonstrate its prior sales is inadmissible. (Ventures Br. at 52 n.12). It is clearly hearsay – it is an out-of-court statement made for the truth of the matter asserted. *See* Fed. R. Evid. 801(c). Ventures claims that it is admissible as a business record, but Ventures failed to lay the foundation for that. *See* Fed. R. Evid. 803(6).

Ventures does not dispute that de minimis sales are insufficient to establish trademark rights. (*See* Opening Br. at 34). Ultimately, Ventures does not provide evidence of more than occasional token sales of smokers' articles branded with its Woodstock mark. That makes sense – Ventures' claim that it sold enough smokers' articles to establish priority is contrary to Lang's insistence that tobacco products were antithetical to Ventures' brand. (*See* Opening Br. at 18). Ventures cannot establish that its actual use defeats the presumption created by Woodstock Products' registration.

**II. The district court did not determine whether Woodstock Products suffered irreparable harm, and this Court should not decide the question in the first instance.**

Ventures is wrong that the district court determined that Woodstock Products did not establish irreparable harm. (*See* Ventures Br. at 43). In fact, the district court, in a footnote, remarked that "Defendants' delay in moving for a preliminary injunction ... raises a significant issue" and cited case law for the proposition that such a delay in seeking injunctive relief militates against a finding of irreparable harm. (Opinion at 5 n.2) (SA05). Despite its discussion of that general principle, the district court did not hold that irreparable harm was not or could not be demonstrated in this case. As such, any suggestion that Woodstock Products waived the issue is misplaced. (*See* Ventures Br. at 46).

Further, any finding that Woodstock Products delayed in seeking injunctive relief would have been erroneous. The impetus for Woodstock Products' motion for a temporary restraining order and preliminary injunctive relief was Ventures' "exclusive licensing arrangement" with MedMen, one of the largest companies in the legal cannabis market. (Mtn. for TRO, Dkt. 40-1, ¶ 5) (A0141). That deal was particularly likely to subject Woodstock Products to irreparable harm because it drastically expanded the scope of Ventures' infringement. Indeed, MedMen was one of the largest retailers in the cannabis market. (Litwack Decl., Dkt. No. 42, ¶ 18, 22) (A0209-10). MedMen "ha[d] lots of dispensaries in states that [Ventures was] already in but others that [Ventures hadn't] penetrated yet," so the MedMen deal would have expanded Ventures' geographic footprint. (Tr. at 494:6-18) (A1349). Woodstock Products filed its motion for a temporary restraining order just five days after Ventures publicly announced its deal with MedMen. That is the date from which any "delay" should be assessed.

Besides Woodstock Products' supposed delay, Ventures argues that Woodstock Products could not have established the element of irreparable harm because of the trial court's findings that Woodstock Products does not have significant goodwill in the marketplace and that Woodstock Products did not establish tarnishment. (Ventures Br. at 45). However, Woodstock introduced evidence of the significant investment it has made in its brand, relying on its

trademark rights for smokers' articles. (*See* Opening Br. at 23-24). That investment would be jeopardized if Ventures is allowed to infringe.

Ultimately, however, this Court need not and should not decide in the first instance whether Woodstock Products established the element of irreparable harm. Whether a particular delay precludes injunctive relief is a fact intensive inquiry, and longer delays do not necessarily preclude injunctive relief. *See, e.g. King v. Innovation Books, a Div. of Innovative Corp.*, 976 F.2d 824, 831 (2d Cir. 1992) (8 month delay did not preclude injunctive relief); *Kuklachev v. Gelfman*, 629 F. Supp. 2d 236, 251 (E.D.N.Y. 2008) (year and half delay did not preclude injunctive relief); *Clifford Ross Co. v. Nelvana, Ltd.*, 710 F. Supp. 517, 521 (S.D.N.Y. 1989). If this Court finds that Woodstock Ventures has established a likelihood of success on the merits of its claim, then it should remand to the district court to determine whether Woodstock Products has satisfied the other elements for injunctive relief, including irreparable harm.

### **III. The district court erred in finding no likelihood of confusion.**

Woodstock Products extensively discussed the district court's misapplication of the factors for assessing likelihood of confusion in its opening brief, (*see* Opening Br. at 44-58), and will not repeat those arguments here. However, certain points in Ventures' brief bear response.

**A. The district court erred in its evaluation of the strength of the marks.**

The district court erred by giving excessive weight to factors relating to the commercial distinctiveness of Woodstock Products' WOODSTOCK mark, despite the fact that the mark is, as Ventures concedes, arbitrary – the highest level of conceptual distinctiveness. Indeed, this Court's precedent allows some consideration of commercial distinctiveness in analyzing the likelihood of confusion. But the district court erred in giving almost exclusive weight to commercial distinctiveness and allowing it to overcome the conceptual distinctiveness of the mark.

Ventures attempts to distinguish this Court's reasoning in *Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 73 (2d Cir. 1988) by arguing that commercial strength is proper to consider in a likelihood of confusion analysis, as opposed to determining whether a term qualifies for protection as a mark. (See Ventures Br. at 29). However, even in the context of evaluating the first *Polaroid* factor, this Court in *Hasbro* rejected the assertion that despite the fact that a mark was suggestive, “it is still necessary to consider the well-known secondary meaning factors.” *Id.* at 77. Instead, this Court held that “[i]n light of our holding that the mark is suggestive, we need not review the magistrate’s findings or conclusion on the issue of secondary meaning at the preliminary injunction stage of litigation . . . [defendant] offers no reason to depart from the general rule that a suggestive term is

presumptively entitled to protection and recognition as a strong mark without proof of secondary meaning.” *Id.* at 77.

Ventures also relies upon *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126 (2d Cir. 1979) (Ventures Br. at 30). However, in that case, this Court explained that “[w]here the products involved are competitive and the marks quite similar . . . the senior user of a more-than-descriptive mark need not prove secondary meaning.” *Id.* at 1132. “And where the marks involved are virtually identical, even if the products are non-competitive, a senior user of a more-than-descriptive mark can carry its burden on the ‘strength of the mark’ component of the *Polaroid* formula without proving secondary meaning.” *Id.* at 1132. Indeed, “[c]onsideration of evidence of secondary meaning will almost always work in favor of the senior user . . . [P]roof of secondary meaning, acquired perhaps through successful advertising, can only enhance the strength of its mark and thus enlarge the scope of protection to which it is entitled. On the other hand, the owner of a distinctive mark need not introduce evidence of secondary meaning in order to gain protection for its mark against the confusing similarity of others.” *Id.*

Thus, under this Court’s precedent, even if a district court may consider commercial strength of a mark in the first *Polaroid* factor, it is clear that commercial distinctiveness becomes less important the more conceptual distinctiveness the mark has. Significantly, the cases relied upon by Ventures, in

which a lack of commercial strength prevented the first *Polaroid* factor from being satisfied, involved marks that were merely suggestive – not arbitrary as is the mark here. *See Cross Commerce Media, Inc. v. Collective, Inc.* 841 F.3d 155, 160 n.3, 162 (2d Cir. 2016); *Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739, 743-44 (2d Cir. 1998); *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1132 (2d Cir. 1979) (mark was “barely over the ‘suggestive’ line”); *Lang v. Retirement Living Pub. Co.*, 949 F.2d 576, 581 (2d Cir. 1991) (court was skeptical that mark was even suggestive); *Plus Prod v. Plus Disc. Foods, Inc.*, 722 F.2d 999, 1005 (2d Cir. 1983); *Cf. Cadbury Beverages, Inc. v. Cott Corp.*, 73 F.3d 474, 479 (2d. Cir. 1996) (holding that evidence of commercial strength did *not* diminish conceptual strength of fanciful mark).

**B. The district court erred in its analysis of the similarity of the marks.**

The district court also erred in its comparison of the marks for determining similarity. Although it may not be dispositive that the marks have the same lettering and are aurally identical, those factors should not be discounted entirely. *See, e.g., Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 149 (2d Cir. 2003).

Ventures cites *Sports Authority, Inc. v. Prime Hosp. Corp.*, 89 F.3d 955, 962 (2d Cir. 1996) (*See* Ventures Br. at 33). But in that case, although the district court had focused “simply on” a logo, this Court recognized that the mark “stretches beyond the logo to the words ‘the sports authority.’” *Id.* at 962. It noted that as

used in radio advertisements, “the parties’ marks are identical.” *Id.* Ventures’ attempt to distinguish *Pom Wonderful LLC v. Hubbard*, 775 F.3d 1118 (9th Cir. 2014) is also unavailing. (*See* Ventures Br. at 34 n.6). Ventures claims that the finding of likelihood of confusion in that case was based on “the similarity of typeface and same color scheme on the parties’ packaging.” (Ventures Br. at 34 n.6). However, the Ninth Circuit also found that “the presentation of the marks differs in terms of prominence, font, size, and capitalization.” *Pom Wonderful*, 775 F.3d at 1128. Nonetheless, the court found a likelihood of confusion because the mark consisted of the same letters, in the same order, presented in all uppercase or all lowercase, that sounded the same and meant the same thing. *Id.* at 1129.

Despite Venture’s focus on the visual elements that surround the word mark WOODSTOCK, Ventures also insists that the word mark alone is so associated with Ventures “that consumers cannot help but associate third party products bearing this word mark with Ventures.” (Ventures Br. at 35 n.7). Ventures cites no record evidence for this assertion, and it is contradicted by evidence of significant third party use of the mark “WOODSTOCK.” (*See* Opening Br. at 11-13).

**C. The district court erred in its analysis of the proximity of products and bridging the gap.**

Ventures’ attempt to defend the district court’s finding that the parties’ products are not in proximity in the marketplace is misplaced. (*See* Ventures Br. at 36-37). The district court held that, even assuming that the parties’ products are

sold in the same trade channels, they are of such a different nature as to foreclose a finding of proximity. (Opinion at 15) (SA15). The basis for that conclusion was that Ventures' products involve federally illegal marijuana, and Woodstock Products' products do not.

Ventures defends the district court's decision by noting that Woodstock Products was required to clarify that it did not intend to use the smokers' articles mark on federally illegal marijuana. (Ventures Br. at 36-41).<sup>1</sup> The explanation provided that "the identified goods do not contain marijuana, marijuana-based preparations, or marijuana extracts or derivatives, synthetic marijuana, nor any other illegal controlled substance." (Pl. Ex. 1) (A2465). But merely because Woodstock Products did not have an intent to utilize its federal registration for its smokers' articles mark on federally illegal marijuana does not mean that smokers' articles and federally illegal marijuana are not complementary goods. *See, e.g., New York City Triathlon, LLC v. NYC Triathlon Club, Inc.*, 704 F. Supp. 2d 305, 336 (S.D.N.Y. 2010) (holding that complementary products were in proximity for

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<sup>1</sup> Ventures incorrectly refers to this as a disclaimer. However, a disclaimer is a statement by an applicant that it "disclaim[s] a registrable component of a mark otherwise registrable." 15 U.S.C. § 1056. "The purpose of a disclaimer is to permit the registration of a mark that is registrable as a whole, but contains matter that would not itself be registrable alone." 3 *McCarthy on Trademarks and Unfair Competition* § 19:63 (5th ed). There is no component part of the WOODSTOCK mark that is not registrable and was disclaimed on that basis.

purposes of *Polaroid* analysis); *Frank Brunckhorst Co. v. G. Heileman Brewing Co.*, 875 F. Supp. 966, 979 (E.D.N.Y. 1994) (same).

Ventures' use of the WOODSTOCK mark on federally illegal marijuana can still infringe Woodstock Product's smokers' articles mark where there is a likelihood of confusion. The opposite result would be absurd – it would mean that a registered trademark could not be infringed by confusingly similar use on an illegal but complementary good (because a trademark registration cannot encompass illegal goods). That would allow infringers to act with impunity, so long as their infringing use of a mark is on an *illegal* good.

## 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.

Date: August 5, 2020

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I certify that today I served the foregoing brief on the following counsel by

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