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SUPREME COURT

Google's high court copyright win means 'more claims of fair use,' attorneys say

By Patrick H.J. Hughes

Leading copyright attorneys say the U.S. Supreme Court avoided a potentially difficult question about the copyrightability of computer code when it let Google off the hook for accusations that its use of Oracle's intellectual property violated federal copyright law.

Google LLC v. Oracle America Inc., No. 18-956, 141 S. Ct. 1183 (U.S. Apr. 5, 2021).

In a 6-2 decision, the justices on April 5 declared Google's copying of roughly 11,500 lines of code to be a fair use, but disagreed with Google about how to resolve a question over a fair use defense.

Google had argued that the fact-based nature of the fair use doctrine meant the question should go before a jury, but Justice Stephen Breyer, who wrote for the majority, said the question is a mix of facts and law that, in this case, "primarily involves legal work."

The majority also disagreed with Google about the copyrightability of the code, assuming "purely for argument's sake" that the code "falls within the definition of that which can be copyrighted."



REUTERS/Clay McLachlan

But Google persuaded the justices to find that its use of Oracle's Java source code to create the Android smartphone operating system was fair.

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EXPERT INTERVIEW

Q&A: Art law expert Megan Noh on Andy Warhol's fight over Prince pics

Thomson Reuters interviewed Pryor Cashman LLP partner and Art Law Group Co-Chair Megan Noh to get some insight into how the fair use defense applies to copyright infringement allegations involving visual artworks.

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Westlaw Journal Intellectual Property

Published since August 1989

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Westlaw Journal Intellectual Property

(ISSN 2155-0913) is published by
Thomson Reuters.

Thomson Reuters

610 Opperman Drive, Eagan, MN 55123
www.westlaw.com
Customer service: 800-328-4880

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Q&A: Art law expert Megan Noh on Andy Warhol's fight over Prince pics

By Patrick H.J. Hughes

Megan Noh was asked about the 2nd U.S. Circuit Court of Appeals' recent ruling that found Andy Warhol's "Prince Series," which used photographer Lynn Goldsmith's photo of rock star Prince, was not protected under the fair use doctrine. *Andy Warhol Found. for the Visual Arts Inc. v. Goldsmith*, No. 19-2420, 2021 WL 1148826 (2d Cir. Mar. 26, 2021).

That ruling overturned a decision by U.S. District Judge John Koeltl of the Southern District of New York, who said Warhol did not violate copyright law because he transformed the photo into "something new." *Andy Warhol Found. for the Visual Arts Inc. v. Goldsmith*, No. 17-cv-2532, 2019 WL 2723521 (S.D.N.Y. July 1, 2019).

Thomson Reuters: First of all, how did this dispute come about?

Megan Noh: Lynn Goldsmith photographed Prince Rogers Nelson (the musical icon popularly known simply as "Prince") in 1981, and three years later, her agency licensed the photo to Vanity Fair as an "artist reference" for an illustration commissioned by the magazine to accompany a profile piece it planned to run entitled "Purple Fame." The visual artist commissioned to create that illustration was none other than Andy Warhol — and he went on to use the photo as an underlying source for a series of 15 additional artworks (the "Prince Series"). Warhol's production method typically involved the manipulation of underlying photos through the creation of high-contrast silkscreens.

Goldsmith did not become aware of the Prince Series until May 2016 — shortly after Prince's tragic death — when Vanity Fair republished a digital version of the November 1984 "Purple Fame" article, and issued a print run of a commemorative magazine using one of the Warhol "Prince Series" works on the cover. Following those publications of works from the Prince Series, Goldsmith contacted the Andy Warhol Foundation (to which copyright in the works had transferred following Warhol's death in 1987) to notify it of her belief that the series infringed the copyright in her 1981 photo.

Fair use is necessarily an "open-ended" and "context-sensitive inquiry."

In April 2017, the Andy Warhol Foundation brought the dispute to a head by commencing an action in the Southern District of New York seeking a declaratory judgment that the Prince Series works do not infringe Goldsmith's copyright because they are not substantially similar to the photo in question, and/or because they are protected by the "fair use" doctrine.

TR: Why did the District Court ruling and the 2nd Circuit ruling come out so differently?

MN: Fair use is necessarily an "open-ended" and "context-sensitive inquiry," on which jurisprudence has evolved in a particularly dynamic manner over the last few decades.

When courts are asked to apply a multifactor test to unique visual artworks, results can vary — and this can be exacerbated when there isn't universal agreement about interpretation or weight of the factors.

The Southern District's 2019 finding of fair use ultimately focused on the first factor of the relevant four-factor test, the "purpose and character of the use," citing *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006), for the proposition that the "[m]ost important" consideration under this factor is the "transformative" nature of the secondary (i.e., allegedly infringing) work.

Concluding that the Prince Series cleared this hurdle, the Southern District quoted the decision in *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013), in which the 2nd Circuit found that a secondary work which "ha[s] a different character, ... a new expression, and employ[s] new aesthetics with creative and communicative results distinct" from the original is transformative as a matter of law.

Finding that the Prince Series "can reasonably be perceived to have transformed Prince from a vulnerable, uncomfortable person to an iconic, larger-than-life figure," the Southern District deemed the works transformative, and further ruled that the balance of other fair use factors also supported a ruling in favor of the Andy Warhol Foundation.

Notably, the Southern District's finding of transformativeness resulted in a sort of domino effect, substantially influencing both the weight placed by the court on the second factor and its determination as to the party favored by the third factor.

In its reversal, the 2nd Circuit opined that the Prince Series works "are much closer to presenting the [Goldsmith photo] in a different form," i.e., to being the type of *derivative* work as to which a copyright holder has exclusive rights under 17 U.S.C.A. § 106(2), "than they are to being works that make a transformative use Crucially, the Prince Series retains the essential elements of the Goldsmith [photo] without significantly adding to or altering those elements."



Megan Noh is co-chair of the Art Law Group at **Pryor Cashman LLP** in New York. With over 15 years of combined experience in private practice and both in-house legal and business positions in the auction world, she has extensive knowledge of the complex issues affecting today's art market, specifically with respect to transactional matters and artists' rights. She can be reached at mnoh@pryorcashman.com.

Noting that at a “bare minimum,” a secondary work’s transformative character must “comprise something more than the imposition of [the secondary] artist’s style on the primary work” or “recasting” of the underlying work in a new medium, the 2nd Circuit determined that the Prince Series failed to clear this bar. Moreover, the 2nd Circuit disagreed with the Southern District’s analysis of the other fair use factors, finding that each favored Goldsmith.

In its analysis of the fourth factor in particular, the 2nd Circuit noted that Goldsmith had met her burden of alleging that the Prince Series adversely impacted the licensing market for her photo, and that the Southern District had “entirely overlooked the potential harm to Goldsmith’s derivative market.”

TR: How have appropriation artists fared in other copyright disputes, and what clarification does the 2nd Circuit’s *Goldsmith* opinion provide with respect to those precedents?

MN: As acknowledged by the *Goldsmith* decision, 2nd Circuit cases addressing the transformative nature of works of appropriation art have “yield[ed] conflicting guidance.” So, for example, in *Rogers v. Koons*, 960 F.2d 301 (2d Cir. 1992), the 2nd Circuit determined that Jeff Koons’ three-dimensional sculpture recreating a photograph of two figures holding a row of puppies was not fair use despite his claim that he intended the work to serve a distinct purpose from the original, in commenting on modern society.

But in a subsequent case involving a different Koons work, the court held that the appropriation of a copyrighted fashion photograph of women’s sandal-clad feet was a fair use, in part because of the artist’s similar testimony on the work’s commentary on mass media (as distinguished from the purpose of the underlying work, the promotion of the actual footwear product). *Blanch v. Koons*, 467 F.3d 244 (2d Cir. 2006).

Compounding those seemingly disparate results, in *Cariou v. Prince*, the 2nd Circuit placed little weight on the testimony of the secondary artist, contemporary appropriation artist Richard Prince, as to the intended purpose of his “Canal Zone” series (which incorporated copyrighted photos by the French photographer Patrick Cariou). In fact, Prince testified that he *did not* seek to create new meaning or message with

the disputed works. The focus of the *Cariou* court’s analysis was the actual manipulation of the source material and the resulting visual effect: because the Prince works both juxtaposed Cariou’s photos with other images and “obscured and altered” them to the point of being “barely recognizable,” the 2nd Circuit ruled in favor of Prince, and established the precedent that a secondary work could be adjudged transformative as a matter of law if it “employ[s] new aesthetics” with distinct creative results.

This newly articulated standard is clearly meant to set a higher bar for a finding of “transformative use.”

The majority *Goldsmith* opinion seeks to reconcile some of these seemingly disparate applications, and also signals an ebb current following the “high water mark of [the 2nd Circuit’s] recognition of transformative works” that *Cariou* represented.

Explicitly noting that *Cariou* did not establish a rule that “any secondary work that adds a new aesthetic or new expression to its source material is necessarily transformative,” the 2nd Circuit instructs that the analysis of transformativeness “cannot turn merely on the stated or perceived intent of the artist.” Rather, a judge must instead seek to objectively “examine how the works may reasonably be perceived,” including “whether the secondary work’s use of its source material is in service of a ‘fundamentally different and new’ artistic purpose and character, such that the secondary work stands apart from the ‘raw material’ used to create it.”

This newly articulated standard is clearly meant to set a higher bar for a finding of “transformative use,” but commentators have noted that it’s not exactly crystal clear how that standard might be satisfied. In other words, the *Goldsmith* opinion tells us that the Prince Series is *not* transformative, but does not tell us how much further Warhol would have had to “pull” the Goldsmith photo “in new directions” (Maj. Op., citing *Cariou*, 714 F.3d at 711) for it to have passed the test.

Perhaps the most actionable guidance from the *Goldsmith* decision actually comes from the concurrence by Judge [Richard J.] Sullivan, who criticizes the tendency of past fair use decisions to have “overreli[ed]” on the

“‘transformative’ nature of [the] secondary work,” threatening to “collapse the four statutory fair use factors into a single, dispositive factor.”

Illustrating this “pattern,” Judge Sullivan points to the Southern District’s evaluation of the factors below, noting that the “[p]lacing [of] dispositive weight on transformative use while reducing evidence of market harm to an afterthought is difficult to square with the Supreme Court’s guidance [in *Harper & Row Publishers Inc. v. Nation Enters.*, 471 U.S. 539 (1985)] that the fourth factor ‘is undoubtedly the single most important element of fair use.’”

The concurrence recommends a “renewed focus” and placement of “substantial weight” on “the effect of the use upon the potential market for or value of the copyrighted work,” in order to “better serve the purposes of copyright, which remains at its core ‘a commercial doctrine whose objective is to stimulate creativity ... by enabling [authors] to earn money from their creations.’”

Moving forward, appropriation artists seeking to follow the *Goldsmith* decision will accordingly not only need to meet the higher bar established by the majority opinion for transformativeness (however that standard may continue to be interpreted and developed), but will also need to be prepared to show that their uses don’t usurp any relevant market for the underlying works, as courts following Judge Sullivan’s instructions begin to give greater consideration to the fourth factor.

TR: About a week after the appeals court ruling against the Andy Warhol Foundation for the Visual Arts Inc., the U.S. Supreme Court ruled that Google’s copying of computer code to create a platform for Android smartphones was a fair use. *Google LLC v. Oracle America Inc.*, No. 18-956, 2021 WL 1240906 (U.S. Apr. 5, 2021). Does the *Google* opinion’s analysis of fair use square with the *Goldsmith* decision?

MN: The flurry of fair use decisions this spring has certainly been interesting — let’s not forget that just a week after reversing on *Goldsmith*, the 2nd Circuit also handed down its opinion in the *Marano v. Metropolitan Museum of Art*, No. 20-31-4, 2021 WL 1235707 (2d Cir. Apr. 2, 2021), authored by a different panel of judges. The *Marano* decision found the Met’s use of an image by photographer Lawrence Marano depicting Eddie Van

Halen’s “Frankenstein” guitar to be non-infringing, since the original photo served the purpose of “show[ing] what Van Halen looks like in performance,” whereas the museum’s use served to “highlight ... the unique design” of the instrument itself and its significance in rock history.

Notably, in *Marano*, the 2nd Circuit specifically highlighted the context of the museum’s use, pointing to the fact that the Met’s exhibition included the disputed photo “alongside other photographs showing the physical composition of the guitar” and didactic text. This context was itself transformative — unlike in *Goldsmith*, where the “overarching purpose and function of the works at issue [was] identical” (namely, presenting “portraits of the same person”), the Met need not have manipulated or altered the underlying photo in order to achieve a transformative use.

Moreover, the court’s analysis of the “commercial” prong of the first factor seemed to implicitly focus on the public interest in the disputed use, noting the museum’s “cultural and academic reach” and accessibility to “millions of virtual visitors every year,” and explicitly characterizing the Met’s use as consistent with “copyright’s very purpose” of promoting the progress of science and useful arts.

While the *Marano* opinion was not entirely consistent with the *Goldsmith* concurrence’s admonition that the fair use analysis should not begin and end with transformativeness — indeed, in *Marano*, the 2nd Circuit reasoned that the finding of transformative use “is consistent with the remaining factors ... tipping in favor of fair use” — some commentators have observed that the Met’s use of Marano’s photo is much closer to the “classic” fair uses enumerated by Section 107, including “criticism, comment ... teaching, scholarship or research.” Taken together, the two 2nd Circuit fair use appeals decided just one week apart leave open important questions about the criteria for, and impact of, transformativeness.

Against this backdrop and just three days after the 2nd Circuit’s *Marano* opinion, the Supreme Court decided *Google*. Finding that the purpose of Google’s use of the disputed code was “to create a different task-related system for a different computing

environment ... and to create a platform ... that would help achieve and popularize that objective,” the Supreme Court decided the use was transformative and fair.

The *Google* opinion’s application of the fair use analysis to computer code (deemed by the court to be far from the creative “core” of copyright, unlike expressive visual artworks) makes it difficult to glean specific guidance for the appropriation art context, let alone to try to square the holdings directly. Thus far, however, commentators have generally perceived the Supreme Court’s view of transformativeness as applied in *Google* to be broad and expansive, unlike the retrenchment of the doctrine that the 2nd Circuit’s *Goldsmith* opinion represents.

It’s also possible to perceive the focus on the changed context of the secondary use (in the case of Google, its use of the disputed code in the context of smartphones, instead of on the desktop machines for which the code was originally authored) as being consistent with the 2nd Circuit’s analysis in the *Marano* opinion, but *not* with *Goldsmith* (in which opinion the 2nd Circuit noted that the context-shifting effected by creating a screenplay adaptation of a novel is paradigmatically derivative, but not sufficiently transformative to absolve the secondary user of the obligation to license the use of the underlying work).

And while the *Google* opinion undertakes the kind of analysis of each individual fair use factors for which the *Goldsmith* concurrence advocates, Justice [Stephen] Breyer’s discussion of the fourth factor adds another layer of complexity. Rather than considering just the economic impact on the markets of the primary and secondary users, the Supreme Court more broadly considers “the public benefits” likely to be produced by the copying at issue, i.e., the potential “market effect” of facilitating further creativity and development of new software applications.

The consideration of public benefit and fulfillment of the core purpose of the Copyright Act is consistent with *Marano* (and also with *Goldsmith*, although in the latter case, the tendency of the Prince Series to “produce an artistic value that serves the greater public interest” was effectively outweighed by the Foundation’s monetization of the artworks

through royalties). However, in *Goldsmith* and *Marano*, public benefit is analyzed as part of the discussion of the “purpose and character” of the secondary use under the *first* factor, rather than under the fourth factor.

TR: What should copyright practitioners be watching for in terms of continued jurisprudential developments in this arena?

MN: Under 17 U.S.C.A. § 106(2), an author of the exclusive right to prepare derivative works, which are defined by 17 U.S.C.A. § 101 as works “based upon one or more preexisting works” and taking “any ... form in which [the underlying work(s)] may be recast, transformed, or adapted” (emphasis added). This definition thus expressly recognizes transformativeness as a feature of derivativeness, which in turn means that reliance on a finding of transformativeness to determine fair use is actually somewhat conflated or circular. See *Kienitz v. Sconnie Nation LLC*, 766 F.3d 756 (7th Cir. 2014) (“To say that a new use transforms the work is precisely to say that it is derivative.”). Indeed, in the *Goldsmith* opinion, the 2nd Circuit recognized that “an overly liberal standard” for transformative use “risks crowding out statutory protections for [authors in relation to] derivative works.” Other commentators have gone further, suggesting that the transformative use test should be abandoned altogether, in favor of an analysis which primarily emphasizes market substitution.

With that criticism in mind, copyright practitioners should be watching to see how the different threads from these recent opinions continue to be pulled on or woven together. If the fourth factor is set to regain analytical prominence — including consideration of the “public benefit” inquiry now apparently displaced from the first factor — will we see a shift away from “transformativeness” language? How will the discussion of context-shifting develop? Are we to understand that a change to medium or platform (as between the original and secondary uses) is probative only for *certain* kinds of copyrighted works (e.g., software), but not others (e.g., photographs modified through a silkscreen printing process)? It’s clear that the fair use doctrine is actively in flux, and will continue to be thorny as applied specifically to appropriation art cases. **WJ**

Federal Circuit won't revive patent for improving data transmissions

By Patrick H.J. Hughes

A San Francisco technology company has failed to persuade the top patent appeals court to revive a patent that covered a way of improving wireless communications by sending the same data across multiple channels.

***INVT SPE LLC v. Apple Inc. et al.*, No. 2020-1881, 2021 WL 1307457 (Fed. Cir. Apr. 8, 2021).**

INVT SPE LLC's patent would have been obvious to a person having ordinary skill in the art at the time of invention, the U.S. Court of Appeals for the Federal Circuit ruled April 8.

INVT, also known as Inventergy Inc., had appealed a decision by the Patent Trial and Appeal Board to invalidate the patent. *Apple Inc. v. INVT SPE LLC*, No. IPR2018-01476, 2020 WL 1808193 (P.T.A.B. Apr. 8, 2020).

The Federal Circuit's per curiam opinion found no error in the PTAB's reasoning.

2 PRIOR PATENTS AND AN ARTICLE

INVT is the exclusive assignee of U.S. Patent No. 7,764,711, which was granted in 2010. It is one of numerous communications transmission patents that the company later accused Apple, HTC Corp. and ZTE (USA) Inc. of infringing.

Apple and the other international technology firms petitioned for the PTAB to review the '711 patent, saying it was invalid as obvious under Section 103(a) of the Patent Act, 35 U.S.C.A. § 103(a).

In 2019 the PTAB agreed to institute an inter partes review proceeding. *Apple Inc. v. INVT SPE LLC*, No. IPR2018-01476, 2019 WL 1581951 (P.T.A.B. Apr. 12, 2019).

The PTAB recognized that the '711 patent was designed to fix poor transmission quality by using multiple channels to transmit the same data, a process known as "transmit diversity."

This process involves "spatial multiplexing," a technique for transmitting wireless communications through independent channels separated in space.

INVT and Apple agreed that the technology used spatial multiplexing to achieve transmit diversity, but disagreed on whether the '711 patent required multiple versions of data to be sent simultaneously.

The PTAB found the '711 patent required simultaneity, in contrast to Apple's argument.

However, the board also found that the language of the patent described a tool for giving higher priority to data transmitted under poor channel quality conditions, rather than a method for simultaneously sending all versions of the data.

Under the PTAB's interpretation, the '711 patent merely recited a combination of two other patents, granted in 2000 and 2006, and information in an article that had appeared at a 1999 global telecommunications conference in Rio de Janeiro.

An ordinarily skilled artisan, who the parties agreed was someone with an electrical engineering degree and three years of experience working with "multi-antenna wireless communication systems," would

have thought to put the two patents together with the conference article, the PTAB said.

The Federal Circuit affirmed.

The '711 patent describes a way of prioritizing data based on the need for good channel quality conditions, the appellate panel said.

Finding the combination of the two prior patents and the 1999 article would also result in a method for using "transmit diversity on all data that is transmitted under poor channel conditions," the Federal Circuit said that substantial evidence supported the PTAB's obviousness determination.

John K. Harting of Robins Kaplan LLP represented INVT.

Paul R. Hart of Erise IP PA represented the appellees. [WJ](#)

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Related Filings:

Federal Circuit opinion: 2021 WL 1307457
2020 PTAB opinion (invalidation): 2020 WL 1808193

2019 PTAB opinion (institution of review):
2019 WL 1581951

Federal Circuit defines ‘person with ordinary skill’ for oil-pump patent invalidation

By Patrick H.J. Hughes

The inventor of an oil extraction mechanism has lost his appeal of a Patent Trial and Appeal Board decision that said his technology would have been obvious to a “person with ordinary skill in the art.”

McCoy v. HEAL Systems LLC, No. 2020-1484, 2021 WL 1235188 (Fed. Cir. Apr. 1, 2021).

The PTAB did not err in defining such a person as someone who is not an expert but would have access to an expert, the U.S. Court of Appeals for the Federal Circuit said April 1, affirming the invalidation of James N. McCoy’s patent.

The Federal Circuit’s decision marks a win for Texas oil-and-gas drilling equipment maker HEAL Systems LLC, a subsidiary of Schlumberger Ltd. that filed a petition in 2018 to have the PTAB institute an inter partes review of the patent.

The PTAB found every element of the patent was either anticipated by an oil-removal patent from 1928 or obvious to a person with ordinary skill in the art after consulting an expert in oil drilling.

“Even if we deem that the board’s POSA definition was erroneous, we see no indication that it affected the outcome as required to constitute reversible error,” U.S. Circuit Judge Jimmie V. Reyna wrote for the unanimous panel.

AT LEAST A BACHELOR’S DEGREE

McCoy was issued U.S. Patent No. 9,790,779 in 2017 for a “gas separator with inlet tail pipe.”

The patent describes a way of pairing a pump with a gas separator to allow wells to extract oil in low-pressure situations in which geologic conditions make it difficult for the oil to reach the surface.

In its decision to institute an inter partes review, the PTAB said it relied on HEAL’s expert, who said a POSA would have at least a bachelor’s degree in engineering and at least three or four years of experience with certain oil-well technologies. *HEAL Sys. LLC v. McCoy*, No. IPR2018-01409, 2018 WL 6843734 (P.T.A.B. Dec. 31, 2018).

McCoy said this definition was “blatantly erroneous,” because HEAL had also said that a POSA would consult “other technical experts,” implying that its definition of POSA was not someone with “ordinary skill” at all but an expert.

The PTAB said there was no evidence to support McCoy’s argument that a POSA would be someone with less education than a bachelor’s degree and no access to experts.

“On balance, we apply the level of ordinary skill proposed by petitioner when considering whether the prior art renders claims obvious,” the PTAB said in its 2019 decision to invalidate the patent.

APPROACHING AN EXPERT ‘APPEARS COMMON’

McCoy appealed, claiming the PTAB “improperly keyed its analysis to the skill of experts rather than ordinary skill, which allows for hindsight bias and improperly adds the insight of experts.”

The Federal Circuit said that since its ruling in *In re Rouffet*, 149 F.3d 1350 (Fed. Cir. 1998), the court has compared a POSA to a “reasonable person” in negligence determinations.

By contrast, an expert is someone who can give “an impartial opinion on a particular matter that is in dispute and within her expertise,” the panel said.

A POSA has to be defined differently in each scientific area, because there are some instances when a POSA might not be able to easily consult with an expert, the panel said.

But in oil drilling, an area in which someone might need to find optimal ways of “lifting” oil and gas from a well, approaching an expert to some extent “appears common,” the panel said.

Even if that were not the case, McCoy failed to provide evidence that a POSA under a different definition would have been unable to find the ‘779 patent obvious, the panel said.

Finding the PTAB’s obviousness determination was supported by substantial evidence, and McCoy did not offer persuasive evidence disputing the PTAB’s anticipation ruling, the Federal Circuit panel affirmed the invalidation of the ‘779 patent. [WJ](#)

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Related Filings:

Federal Circuit opinion: 2021 WL 1235188
PTAB decision to institute: 2018 WL 6843734
Petition for IPR: 2018 WL 3433240

Gibson Dunn attorneys ousted from helicopter design copyright dispute

By Patrick H.J. Hughes

Gibson, Dunn & Crutcher LLP cannot represent aircraft manufacturer MD Helicopters Inc. in a copyright suit against parts maker Aerometals Inc. because the law firm represented the defendant years earlier, a California federal judge has ruled.

MD Helicopters Inc. v. Aerometals Inc., No. 16-cv-2249, 2021 WL 1212718 (E.D. Cal. Mar. 31, 2021).

U.S. District Judge Troy L. Nunley of the Eastern District of California on March 31 granted Aerometals' motion to disqualify MD Helicopter's counsel from the dispute over allegedly copied original equipment manufacturer drawings.

Beginning nearly 20 years ago, Gibson Dunn represented Aerometals in four other matters, during which the law firm accumulated at least 16 boxes of materials and \$1.1 million in fees and costs, according to the judge's order.

Aerometals admitted that it believed most of the lawyers who worked on those matters had left Gibson Dunn before HD Helicopters retained the firm.

The judge, however, found it plausible that the few remaining lawyers have previously discussed legal issues with Aerometals that directly relate to the current dispute with MD Helicopters.

PROMISE OF 'AN ETHICAL WALL'

Both MD Helicopters and Aerometals are military contractors that also work with civilian aircraft.

MD Helicopters says it granted the government a limited license to use and reproduce copyrighted original equipment manufacturer drawings when replacement parts were needed for government helicopters the company had made.

As a government contractor, Aerometals had access to the drawings but was restricted to

using them for replacing parts on government aircraft, according to MD Helicopters.

After discovering the designs had been used for civilian aircraft, HD Helicopters filed a copyright infringement suit in 2016. It accused Aerometals of using the drawings to "compete unfairly in the civilian market."

HD Helicopters retained Gibson Dunn attorney Benjamin B. Wagner soon afterward.

Aerometals' counsel, Joshua M. Deitz and others from Rogers Joseph O'Donnell PC, contacted Gibson Dunn about the "apparent conflict of interest" that emanated from the four disputes the law firm handled for Aerometals.

Wagner said he was unaware of the previous relationship but promised to set up "an ethical wall," according to the judge's order.

'CONFIDENCES COULD HAVE BEEN EXCHANGED'

Aerometals said Gibson Dunn violated California Rule of Professional Conduct 1.9, which disqualifies attorneys whose previous work was "substantially related" to a current case if confidential information was communicated during the previous relationship.

Aerometals also complained that Gibson Dunn could not cure the conflict with an ethical wall because "the damage caused by [the firm's] clear breach of loyalty was already done."

Judge Nunley agreed that the nature of Gibson Dunn's representations of Aerometals, which also involved government contracts to replace parts for military aircraft,



was such that "confidences could have been exchanged."

While the Gibson Dunn attorneys claimed they could not recall the work they did more than 15 years ago, the judge found their limited memories to be of little consequence in light of the fact that the firm "clearly still possesses confidential and possibly privileged information from its prior representation of defendant."

The judge noted that the California Supreme Court has not yet considered whether screening procedures can adequately block communication of previous confidences.

As of now, however, such communications are presumed and disqualification is "mandatory," the judge said. [WJ](#)

Attorneys:

Plaintiff: Benjamin B. Wagner, Gibson, Dunn & Crutcher LLP, Palo Alto, CA; James P. Fogelman and Scott A. Edelman, Gibson, Dunn & Crutcher LLP, Los Angeles, CA

Defendant: Joshua M. Deitz, Merri A. Baldwin and Robert S. Metzger, Rogers Joseph O'Donnell PC, San Francisco, CA

Related Filings:

Order: 2021 WL 1212718

See Document Section A (P. 17) for the order.

Thomson Reuters jumps hurdle in copyright suit against ROSS Intelligence

By Patrick H.J. Hughes

West Publishing Corp. and its affiliate Thomson Reuters Enterprise Centre GmbH can continue to pursue their claim that legal research startup ROSS Intelligence Inc. violated copyright law by reproducing the Westlaw database, a Delaware federal judge has ruled.

Thomson Reuters Enterprise Centre GmbH et al. v. ROSS Intelligence Inc., No. 20-cv-613, 2021 WL 1174725 (D. Del. Mar. 29, 2021).

In a March 29 opinion, U.S. District Judge Leonard P. Stark of the District of Delaware denied ROSS' motion to dismiss the copyright infringement claim but said the startup posed "important and interesting questions" regarding the copyrightability of Westlaw content.

One aspect of the dispute that the judge found "particularly relevant" involves the Westlaw Key Number System, which organizes U.S. laws into a hierarchy that West Publishing attorney-editors continually update. ROSS claimed the system lacks the originality and creativity required to be protectible under copyright law.

Questions surrounding these issues will "almost certainly" be addressed later in the litigation, Judge Stark said.

"They do not, however, provide a basis for granting defendant's motion, as they do not support a conclusion that plaintiffs have failed to state a claim for copyright infringement," he said.

The judge also said Thomson Reuters and West can continue with their claim for tortious interference with contract.

SUIT CLAIMS COPYING OF 'VAST AMOUNTS' OF CONTENT

According to Judge Stark's opinion, ROSS' platform allows users to search for relevant law by posing questions in natural language, which is deciphered by the research firm's artificial intelligence.

In May 2020, Thomson Reuters and West sued ROSS, claiming it paid a third party to

copy "vast amounts" of copyrighted Westlaw content to build its AI platform.

The suit claims ROSS is liable not only for copying and reproducing the content, but also for interfering with the third party's contract with West, a limited license that allowed research but prohibited "selling, sublicensing, distributing, displaying, storing or transferring Westlaw information in bulk to third parties."

In July, ROSS moved to dismiss the suit pursuant to Federal Rule of Civil Procedure 12(b)(6).

PROOF OF OWNERSHIP

Judge Stark referred to *Feist Publications Inc. v Rural Telephone Service Co.*, 499 U.S. 340 (1991), the landmark case that established that a successful plaintiff in a copyright suit must prove ownership of a copyrighted work and the copying of "constituent elements of the work that are original."

To show ownership, Thomson Reuters and West provided 300 pages of certificates for the federal registration of the Westlaw database from 1981 through 2020, according to the opinion.

Rather than dispute the content's registration, ROSS argued that the database was not copyrightable under the government edicts doctrine and that the plaintiffs failed to specify what materials were allegedly copied.

Judge Stark said both concerns should be addressed later, but the ownership claim survived the pleading stage.

The judge also dismissed ROSS' argument that the suit failed to specify how ROSS' product could have committed the alleged infringement. Thomson Reuters and Westlaw

were not required to reverse engineer ROSS' platform, the judge said.

Finally, Judge Stark dismissed ROSS' claim that the suit was filed outside the time Delaware allows for contract claims. Certain factual disputes must be resolved before this statute-of-limitations issue can be addressed, the judge said.

The judge said the startup posed "important and interesting questions" regarding the copyrightability of Westlaw content.

Thomson Reuters, which is the parent company of both Reuters and Westlaw, publishes Westlaw Journals and Westlaw Daily Briefings.

Jack B. Blumenfeld III of Morris, Nichols, Arsht & Tunnell LLP is representing Thomson Reuters and West.

David E. Moore of Potter Anderson & Corroon LLP is representing ROSS. [WJ](#)

Attorneys:

Plaintiffs: Jack B. Blumenfeld and Michael J. Flynn, Morris, Nichols, Arsht & Tunnell LLP, Wilmington, DE; Dale M. Cendali, Joshua L. Simmons and Eric A. Loverro, Kirkland & Ellis LLP, New York, NY

Defendant: David E. Moore, Stephanie E. O'Byrne and Tracey E. Timlin, Potter Anderson & Corroon LLP, Wilmington, DE

Related Filings:

Opinion: 2021 WL 1174725
Memo opposing dismissal: 2020 WL 4670393
Complaint: 2020 WL 2213636

'Zoompay' too close to PayPal's Xoom trademark, TTAB says

By Kteba Dunlap, Esq.

PayPal Inc. has convinced the Trademark Trial and Appeal Board that a Florida company's "Zoompay" trademarks are unregistrable and that the world's largest online payment firm did not fraudulently register its own Xoom marks for its money transfer business.

PayPal Inc. v. ZT Holdings LLC, Opposition Nos. 91208416 & 91217374, 2021 WL 1221470 (T.T.A.B. Mar. 29, 2021).

PayPal, which filed an opposition to ZT Holdings LLC's two "Zoompay" registration applications, demonstrated that consumers would likely be confused by a Zoompay mark's similarity to registered Xoom marks, the TTAB said March 29.

Also, although PayPal's registration applications said Xoom was "solely" for money transfers despite some bill-paying services, there was no fraud because there was no evidence the company intended to deceive the U.S. Patent & Trademark Office, the board found.

PayPal was represented by Rochelle D. Alpert of Morgan Lewis & Bockius LLP, and Nathan B. Webb of Hahn Loeser & Parks LLP represented ZT Holdings.

REGISTRATION OPPOSED, FRAUD ALLEGED

ZT is a financial planning services company based in Naples, Florida.

Beginning in 2012, it filed two applications to register "Zoompay" marks on the principal register: one for secure electronic payment services using biometric technology and another for computer operating software.

In opposition to the applications, PayPal said it had previously registered a Xoom mark for electronic transfer services, its registration had priority, and "Zoompay" was likely to be confused with "Xoom."

ZT counterclaimed, saying five of PayPal's registrations should be canceled because they had been procured fraudulently.

NO INTENT TO DECEIVE

Fraud in the registration of a trademark occurs when an applicant knowingly makes a false, material representation of facts with intent to obtain a registration to which it is not entitled, the TTAB said, citing *In re Bose Corp.*, 580 F.3d 1240 (Fed. Cir. 2009).

ZT claimed that the first of PayPal's registration applications, filed in 2003, said it used its marks for electronic payment and bill remittance services when it engaged in only international money transfers prior to 2014.

The applicant also said PayPal's use of Xoom marks contradicted its SEC filings, which also claimed that Xoom was solely a money transfer business until a bill pay service was introduced in 2014.

However, Julian King, PayPal's general manager for Xoom, had testified and presented evidence that Xoom was available for consumers to use the platform in several ways to pay bills and that bill-pay was 10% of its business, the board said.

The TTAB concluded that, whether or not Xoom was solely for money transfers, PayPal did not have the requisite intent to misrepresent its business on its trademark applications.

Therefore, the board denied ZT's petition to cancel the Xoom marks for fraud.

LIKELIHOOD OF CONFUSION

Considering the factors listed in *In re E.I. DuPont de Nemours & Co.*, 476 F.2d 1357 (C.C.P.A. 1973), the TTAB evaluated PayPal's

claim that Xoom would likely be confused with Zoompay under Section 2(d) of the Lanham Act, 15 U.S.C.A. § 1052(d).

The board said the goods are "related inasmuch as both are software used to facilitate various types of payments" and "both parties provide overlapping electronic payment services."

Relatedly, the board found that the parties' services may be offered in the same trade channels to ordinary consumers.

The Xoom mark is inherently distinctive, has been in use for over 15 years and PayPal gave evidence of substantial sales and widespread recognition of the mark, the TTAB said, finding the mark to be commercially strong.

Also, the "Zoom" in Zoompay and "Xoom" have an identical pronunciation, lending support to the board's finding that the two marks are more similar than dissimilar.

While the board recognized the addition of the word "pay" distinguished the marks "somewhat visually and aurally," it also said this distinction "does not significantly diminish the similarities in appearance, sound and overall commercial impression engendered by these two marks." **WJ**

Attorneys:

Applicant: Nathan B. Webb, Hahn Loeser & Parks LLP, Cleveland, OH

Opposer: Rochelle D. Alpert and Sharon R. Smith, Morgan Lewis & Bockius LLP, San Francisco, CA

Related Filings:

Opinion: 2021 WL 1221470

See Document Section B (P. 26) for the opinion.

TTAB: ‘Loggerhead’ for distillery is too close to South Carolina bar’s mark

By Kteba Dunlap, Esq.

Loggerhead Distillery LLC has lost its bid to register its name as a trademark because of a likelihood it might be confused with Loggerhead Landing, a bar attached to a South Carolina Marriott resort.

In re Loggerhead Distillery, Nos. 88441155 & 88452674 (T.T.A.B. Mar. 24, 2021).

The Trademark Trial and Appeal Board on March 24 affirmed an examining attorney’s refusal to register the distillery’s mark, finding the manufacturing of spirits to be similar to the sale of alcohol at a bar.

The distillery applied to register the mark “Loggerhead Distillery” — disclaiming “distillery” — and an accompanying logo for its liquor manufacturing business.

The examining attorney refused under Section 2(d) of the Lanham Act, 15 U.S.C.A. § 1052(d), citing a likelihood of confusion with “Loggerhead Landing,” a registered mark for a bar at a Hilton Head, South Carolina, resort.

Under Section 2(d), a mark that so closely resembles an already registered mark cannot be registered if it is likely to confuse consumers.

Considering the factors described in *In re E.I. du Pont Nemours & Co.*, 476 F.2d 1357 (C.C.P.A. 1973), the TTAB affirmed the examining attorney’s refusal.

The goods and services offered by the applicant distillery and the registered bar are related enough to cause confusion about their source, the board found.

The board based its conclusion on research showing that it was commonplace for a single entity to provide distillery services and restaurant services under the same mark.

In fact, consumers have been exposed to the combination “on a widespread basis,” the board’s opinion said.

Likewise, Loggerhead Distillery goods and Loggerhead Landing’s services can be expected to flow through similar trade channels to the same classes of consumers — adult alcohol drinkers, according to the opinion.

Turning to the similarity of the marks themselves, the board considered their appearances, sounds, connotations and commercial impressions.

The distillery argued that the name Loggerhead Landing was suggestive of the bar’s location, as a loggerhead is a sea turtle that lands on beaches, so the name appeared to be intended to appeal to beachgoers.

In contrast, “loggerhead” in the distillery’s name was more arbitrary, as the company is inland, the applicant said.

The board rejected the argument, noting that the term was prominent in both marks, lending a similarity to the two companies’ commercial impressions.

The distillery argued that the term was commonly used in many registered marks, such as for coffee, but the board responded that the examples given were for goods and services unrelated to alcohol.

Ashley V. Brewer of BrewerLong PLLC represented the Florida distillery. **WJ**

Attorneys:
Applicant: Ashley V. Brewer, BrewerLong PLLC, Orlando, FL



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9th Circuit keeps Saudi delivery service's stolen app claim out of California

By Patrick H.J. Hughes

A Saudi Arabian food delivery service claiming the source code for its customer apps was stolen cannot pursue its claims in California because the alleged thieves lack sufficient contacts with the state, a federal appeals court has ruled.

***HungerStation LLC v. Fast Choice LLC et al.*, No. 20-15090, 2021 WL 963777 (9th Cir. Mar. 15, 2021).**

In a March 15 order, the 9th U.S. Circuit Court of Appeals said the accused thieves' use of servers in California was insufficient to convey personal jurisdiction over the claims filed by HungerStation LLC, which delivers groceries throughout Riyadh, Dammam and 80 other cities in the Arabian Peninsula.

The appellate panel decision affirms a trial court's dismissal of all trade-secret and copyright claims against Fast Choice LLC and Inspiring Trading Apps LLC, which develop mobile apps as Pace and Swyft, respectively.

'TOO FORTUITOUS'

HungerStation, which offers its customers three apps for ordering food from supermarkets and restaurants, filed its suit in September 2019 in the U.S. District Court for the Northern District of California.

It claimed Pace and Swyft had poached HungerStation's managers and software developers in an elaborate scheme to copy its source code and restaurant databases and "supplant" its online delivery business in Saudi Arabia.

In addition to trade-secret theft and copyright infringement claims, the suit alleged violations of the Computer Fraud and Abuse Act, 18 U.S.C.A. § 1030, and California's unfair-competition law, Cal. Bus. and Prof. Code § 17200.

The suit said that after Pace and Swyft accessed HungerStation's software, which it stored on Amazon Web Services Inc.'s California-based servers, they transmitted their "copycat source code" to Apple Inc. and Google LLC to be stored on their servers in California.

HungerStation said the dispute belongs in California because Pace and Swyft targeted information that was officially stored in the state.

U.S. District Judge Haywood S. Gilliam Jr. disagreed and dismissed the suit. *HungerStation LLC v. Fast Choice LLC*, No. 19-cv-5861, 2020 WL 137160 (N.D. Cal. Jan. 13, 2020).

The panel said it was relevant that the percipient witnesses were in Saudi Arabia and most documents were in Arabic.

The accused thieves' interactions with Amazon, Apple and Google were "too fortuitous" to establish jurisdiction, the judge said, noting that HungerStation failed to cite any case in which third-party servers established personal jurisdiction.

For defendants to avail themselves to the forum, they have to do "something more" than commit a "foreign act" that will have a foreseeable effect in California, the judge said, citing *Washington Shoe Co. v. A-Z Sporting Goods Inc.*, 704 F.3d 668 (9th Cir. 2012).

COPYRIGHT CLAIMS ON APPEAL

The 9th Circuit echoed Judge Gilliam's reasoning in dismissing the suit, adding that it was relevant that the percipient witnesses were in Saudi Arabia and most documents were in Arabic.

The panel also explained that while HungerStation registered its source code

with the U.S. Copyright Office, it did so only after the alleged theft occurred.

Even if the code had been registered beforehand, the panel noted, the *Washington Shoe Co.* decision established that a defendant in a copyright suit directs infringing conduct either where the economic loss occurs or where the holder of the copyrighted information is located. HungerStation's case met neither criterion, the panel said.

The fact that HungerStation registered the information after the alleged theft "diminished" the United States' interest in the case, U.S. Circuit Judge Morgan Christen wrote for the panel.

U.S. District Judge Gary Feinerman of the Northern District of Illinois, who was sitting by designation on the panel, wrote in a concurring opinion that he would have affirmed the District Court ruling solely because doing otherwise "would not comport with traditional notions of fair play and substantial justice."

Indra Neel Chatterjee of Goodwin Procter LLP represented HungerStation.

Robert M. DeWitty of DeWitty and Associates represented Pace. Seth A. Gold of Barnes & Thornburg LLP represented Swyft. [WJ](#)

Attorneys:

Appellant: Indra Neel Chatterjee, Lucas Dahlin and Daniel Mello, Goodwin Procter LLP, Redwood City, CA; Jaime A. Santos, Goodwin Procter LLP, Washington, DC

Appellees (Pace): Robert M. DeWitty, DeWitty and Associates, Washington, DC

Appellees (Swyft): Seth A. Gold and L. Rachel Lerman, Barnes & Thornburg LLP, Los Angeles, CA

Related Filings:

9th Circuit opinion: 2021 WL 963777

District Court order: 2020 WL 137160

Defendant's memo supporting motion to dismiss: 2019 WL 8353536

United Aeronautical's IP suit against government booted from district court

By Yvonne L. DeMarino, Esq.

United Aeronautical Corp. and Blue Aerospace LLC cannot litigate a proprietary data dispute with the government in California district court because it lacks jurisdiction to hear the case, a Los Angeles federal judge has ruled.

United Aeronautical Corp. et al. v. U.S. Air Force et al., No. 20-cv-1985, 2021 WL 794500 (C.D. Cal. Mar. 2, 2021).

U.S. District Judge Otis D. Wright II of the Central District of California granted the government's motion to dismiss, finding that the Tucker Act, 28 U.S.C.A. §§ 1346 and 1491, divests federal district courts of jurisdiction over "any civil action or claim against the United States founded upon any express or implied contract with the United States."

Such a claim is subject to the Contract Disputes Act, 41 U.S.C.A. § 7104(b)(1) and § 7107(a)(1), which gives exclusive jurisdiction to the U.S. Court of Federal Claims, according to the judge's March 2 order.

AERIAL FIREFIGHTING TECHNOLOGY

In 2000, now-defunct manufacturer Aero Union contracted with the U.S. Forest Service to develop new mobile airborne firefighting systems, or MAFFS II, according to the order.

Aero Union owned the rights to MAFFS II, subject to the Forest Service's use rights, the order said.

After Aero Union ceased business operations in 2012, United Aeronautical Corp. acquired the title to MAFFS II data rights in a foreclosure sale. In 2014, UAC and the Forest Service executed a data rights agreement for UAC to provide the agency with a hard drive containing a copy of the MAFFS II data.

The agreement specified that the technical data "produced or specifically used or related to" the MAFFS II "shall remain the property of UAC," and the Forest Service "shall have unlimited rights to view and use the data required for the continued operation and

maintenance of the [MAFFS II] product," according to the order.

HARD DRIVE MAKES ITS ROUNDS

UAC and Blue Aerospace, who are in a joint venture to develop, market and sell the systems, allege that the Forest Service conveyed the hard drive to the U.S. Air National Guard, which is funding a program to upgrade and replace the MAFFS II with a derivative product called "iMAFFS," according to the order.

The companies confirmed the Air Force was marketing iMAFFS internationally and in 2019 they submitted claims of unlawful action in violation of Air Force regulations and procurement law to the responsible Air Force divisions.

The Air Force issued its final decision several months later, finding that the government owned the MAFFS II proprietary data and held unlimited use rights in the data.

PROPRIETARY DATA DISPUTE

UAC and Blue Aerospace sued the government in the U.S. District Court for the Central District of California, asserting violations of the Administrative Procedure Act, 5 U.S.C.A. § 701, and the Trade Secrets Act, 18 U.S.C.A. § 1836. They sought a determination that the Air Force and Air National Guard have no ownership rights in, and may not use or disclose, the MAFFS II proprietary data to develop or market iMAFFS.

The government moved to dismiss the complaint for lack of subject matter jurisdiction.

In granting the motion, Judge Wright said the disputed rights relate entirely to government contracts and are contractually based.

The plaintiffs were only challenging the government's possession of intellectual property derived from the hard drive UAC delivered to the Forest Service under the 2000 contract, the order said.

Since the claims relate to a government contract, the Tucker Act applies and precludes the waiver of sovereign immunity in Section 702 of the APA, Judge Wright said. Jurisdiction lies exclusively with the U.S. Court of Federal Claims, he said.

The judge provided plaintiffs with leave to amend their complaint, saying it is "possible" they could allege facts showing that the proprietary data "was developed privately, outside of the government contracts."

David M. Almaraz of Alpert Barr & Grant APLC represented the plaintiffs. Assistant U.S. Attorney Paul B. Green represented the government.

(*Editor's note:* After this story was published the plaintiffs filed an amended complaint and the defendants on April 6 moved to dismiss.) [WJ](#)

Attorneys:

Plaintiffs: David M. Almaraz and Adam D.H. Grant, Alpert Barr & Grant APLC, Encino, CA; Jonathan R. Hickman, Esquire Corporate Services LC, Encino, CA

Defendants: Paul B. Green, U.S. Attorney's Office, Los Angeles, CA

Related Filings:

Order: 2021 WL 794500

ATTORNEY REACTIONS

Attorneys not involved in the dispute commented on the effects the decision could have on the software industry.

J. Michael Keyes of Dorsey & Whitney LLP said it was "hard to overstate the significance of this decision."

"We will see more copying, more cases and more claims of fair use," Dorsey & Whitney LLP attorney J. Michael Keyes said.



"The court's decision wiped away a massive claim for damages (many billions) against Google," he said. But that was not the only reason for calling it "the biggest copyright decision in a generation."

It also "will unlock many future arguments and claims regarding the application of fair use to software-related claims," he said.

Keyes predicts an impact from the justices' ruling on how to review fair use questions. "The ultimate question of whether the facts rise to the level of fair use is reviewed de novo," he said. "This means that there will always be room to argue on appeal that the jury or trial judge got it 'wrong.'"

"We will see more copying, more cases and more claims of fair use," he said.

Jason Bloom of Haynes and Boone LLP said, "By avoiding the thorny copyrightability question and focusing on the fair use defense, which is fact-intensive by nature, the court effectively minimized the impact of the decision."

"The court also explicitly stated that it was not modifying its existing fair use precedent," he said. "That being said, I think the opinion will have the effect of making fair use a more viable defense in the software context going forward, especially as applied to declaring code."

'STRONG COPYRIGHT PROTECTION ... WOULD STIFLE INNOVATION'

The Supreme Court explained that Oracle's source code included both declaring code and implementing code, but Google copied only the declaring code — the structure and sequence of the computer language — of the application programming interfaces, or APIs.

Susan Okin Goldsmith of McCarter & English LLP explained that the copying of APIs is so integral to the interoperability of software that the court had to recognize that "giving very strong copyright protection to APIs would stifle innovation."

Jason Bloom of Haynes and Boone LLP said, "I think the opinion will have the effect of making fair use a more viable defense in the software context."



"However, this ruling is also cautionary in that Oracle was in many ways the victim of its own success by making a system that was so widely known as to become a de facto standard available to programmers working on a different class of devices," she said.

Brian Michalek of Saul Ewing Arnstein & Lehr LLP said the court's ruling "potentially paves a path for programmers to have more leeway to borrow portions of other third-party code under appropriate circumstances through the reliance of fair use."

"Programmers have used other entities' APIs in their projects for years before," he said. "This ruling will certainly protect that status quo and serve to likely increase such practices."

Bryan Mechell of Robins Kaplan LLP said the decision could signify a "heightened risk of software license disputes in the industry."

"Oracle was in many ways the victim of its own success," Susan Okin Goldsmith of McCarter & English LLP said.



"Although this ruling appears specific to the API 'declaring code' at issue in the case and 'does not overturn or modify ... earlier cases involving fair use,' it may well inspire increased reliance on fair use arguments in software copyright infringement disputes involving other types of code."

FAIR USE FACTORS

Justice Breyer's opinion recounted the dispute's "complex and lengthy history" going back to 2005, when Google acquired Android Inc. with plans to develop smartphone software.

After unsuccessfully seeking a license to use Java code, Google copied 37 API packages anyway. When confronted during litigation over the issue, Google offered several explanations, including that the code was not copyright protected and, even if it had been, the copying was a fair use.

In evaluating Google's fair use argument, the justices reviewed each of the four "fair use factors" from Section 107 of the Copyright Act, 17 U.S.C.A. § 107.

These factors include the “purpose and character of the use,” which requires consideration of whether a use is commercial, and “the amount and substantiality of the portion used,” which the court said was minimal when considering the number of copied lines of code, even though the qualitative amount of copied code was arguably great.

Brian Michalek of Saul Ewing Arnstein & Lehr LLP said the Supreme Court’s ruling “potentially paves a path for programmers to have more leeway.”



Victor Johnson of Dykema said, “Historically, courts have given little weight to the ‘nature’ of the work when analyzing the fair use factors.”

In this case, however, the justices, who went to great lengths to explain the functionality of declaring code, gave the most weight to this factor, he said. “As a result, courts and litigants in future software cases will pay special attention to the nature of the copied software at issue and its functional use.”

For the fourth factor, “the effect of the use upon the potential market,” the court considered the licensing negotiations that took place before Google started using the code, as licenses are often used to measure the value of copyrighted works.

“But those licensing negotiations concerned much more than 37 packages of declaring code, covering topics like ‘the implementation of [Java’s] code’ and ‘branding and cooperation’ between the firms,” the majority said, finding this factor weighed in Google’s favor.

The dissent, written by Justice Clarence Thomas, who was joined by Justice Samuel Alito, found the market effect of Google’s actions to be especially important.

Bryan Mechell of Robins Kaplan LLP said the decision could signify a “heightened risk of software license disputes in the industry.”



“By copying Oracle’s work, Google decimated Oracle’s market and created a mobile operating system now in over 2.5 billion actively used devices, earning tens of billions

of dollars every year,” the dissent said. “If these effects on Oracle’s potential market favor Google, something is very wrong with our fair use analysis.”

Thomas C. Goldstein of Goldstein & Russell PC represented Google.

“Courts and litigants in future software cases will pay special attention to the nature of the copied software at issue,” Dykema attorney Victor Johnson said.



E. Joshua Rosenkranz of Orrick, Herrington & Sutcliffe LLP represented Oracle. [WJ](#)

Attorneys:

Petitioner: Thomas C. Goldstein, Goldstein & Russell PC, Bethesda, MD

Respondent: E. Joshua Rosenkranz, Orrick, Herrington & Sutcliffe LLP, New York, NY

Related Filings:

Opinion: 141 S. Ct. 1183

Reply brief: 2019 WL 2024847

Opposition brief: 2019 WL 1418530

Certiorari petition: 2019 WL 338902

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MD HELICOPTERS

2021 WL 1212718

Only the Westlaw citation is currently available.

United States District Court, E.D. California.

MD HELICOPTERS, INC., Plaintiff,

v.

AEROMETALS, INC., Defendant.

No. 2:16-cv-02249-TLN-AC

|

03/31/2021

Troy L. Nunley, United States District Judge

ORDER

*1 This matter is before the Court on Defendant Aerometals, Inc.'s ("Defendant") Motion to Disqualify Gibson, Dunn & Crutcher ("Gibson Dunn") as Plaintiff's Counsel. (ECF No. 177.) Plaintiff MD Helicopters, Inc. ("Plaintiff") has filed an opposition (ECF No. 183), and Defendant has filed a reply (ECF No. 199). For the reasons set forth below, Defendant's Motion is GRANTED. (ECF No. 177.)

I. FACTUAL AND PROCEDURAL BACKGROUND

From 2002 to 2005, Gibson Dunn represented Defendant extensively in four matters related to the instant case. (ECF No. 177-1 at 6.) The matters involved approximately 12 Gibson Dunn attorneys and 10 other timekeepers, and Gibson Dunn billed Defendant over \$1.1 million in fees and costs. (*Id.* at 6-7.)

First, in the early 2000s, Defendant "entered into three contracts with the Army Special Operations Command ("SOCOM") to supply spare parts for the MD 500 Series helicopter and one of its military variants, the Mission Enhanced Little Bird ("MELB")." (*Id.* at 7.) An investigation by the Army's Criminal Investigative Division ("CID") into an allegation that Defendant was supplying counterfeit parts led the Army to terminate the contracts with Defendant for default on February 5, 2002. (*Id.*) The Army alleged Defendant did not satisfy a contractual requirement that spare parts be certified by the Federal Aviation Administration ("FAA") or Aircraft Manufacturer approved. (*Id.*) The Army maintained Defendant's spare parts manufactured based on the Original Equipment Manufacturer ("OEM") drawings failed to meet the definition of "Aircraft Manufacturer approved" if there was no "contemporaneous, affirmative act" of approval from Plaintiff. (*Id.* (quotations omitted).) Relatedly, Plaintiff is a manufacturer of helicopters alleging in the instant action that it maintains intellectual property rights in the OEM drawings for MD 500 Series spare and replacement parts. (*See* ECF No. 1.)

Second, Defendant retained Gibson Dunn on February 11, 2002 to represent it in appealing the Default Notice to the Armed Services Board of Contract Appeals ("ASBCA"). (*Id.*) The "central issue" in the appeal turned on whether Defendant complied with the SOCOM contracts in its use of Plaintiff's drawings to manufacture spare parts for the MD 500 Series and the MELB. (*Id.* at 8.) On March 26, 2002, Gibson Dunn sent a letter to Army counsel about Defendant's use of OEM drawings to manufacture spare parts, the drafting of which entailed the communication of "extensive confidential information" by Defendant to its counsel, "including about how and from whom it acquired MD 500 data, including [Plaintiff] as a source." (*Id.*) The ASBCA denied the parties' cross-motions for partial summary judgment regarding the proper interpretation of the contractual requirement that all spare parts are required to be "FAA certified or Aircraft Manufacturer approved," but noted that Defendant had "approximately 3,000 [OEM] drawings for parts for the

variants of the MD 500 Series from Government and commercial sources" used to manufacture spare parts under the SOCOM contracts. (*Id.* at 8–9.) Plaintiff was involved in the appeal, as it "reviewed documents and parts to determine whether [a part made by Defendant is] in 'strict accordance' with [Plaintiff's] drawings and technical specifications." (*Id.* at 9.)

***2** Third, the United States indicted Defendant and its then-owners Rex Kamphefner ("Kamphefner") and Guy Icenogle on fraud charges in May 2003, alleging they "sought to defraud the United States" by supplying "surplus and used parts to be used on military versions of the MD 500" that they "allegedly knew did not comply with contractual requirements." (*Id.*) Gibson Dunn attorneys, including Metzger and Newman, "were active" in Defendant's defense prior to trial, as Gibson Dunn "appeared on pleadings on [Defendant's] behalf." (*Id.*) Gibson Dunn "obtained highly confidential information from [Defendant] which contributed to the company's successful defense against the federal charges," such as "how, over a period of years, [Defendant] obtained thousands of OEM documents, including MD 500 drawings and data." (*Id.* at 9–10.)

Fourth, Gibson Dunn represented Defendant in its defense of a civil False Claims Act ("FCA") lawsuit initiated by Defendant's former employee, who alleged Defendant "falsely represented under government contracts that certain components were made by the original manufacturer." (*Id.* at 10.) Gibson Dunn "engaged in lengthy settlement negotiations" from October 2003 to January 2005 on Defendant's behalf and asserted Defendant "was permitted to build parts to OEM prints it had obtained." (*Id.*) Gibson Dunn relied upon privileged information from Defendant about "how and from whom [Defendant] obtained OEM data and why and in what way [Defendant] used OEM data to build MD 500 parts." (*Id.*)

In the instant action, Plaintiff alleges Defendant used its OEM drawings, in which it claims intellectual property rights, to compete in the civilian market for MD 500 Series spare and replacement parts.² (ECF No. 1 at ¶ 38.) Plaintiff's first discovery request served in February 2017 specifically sought "All DOCUMENTS relating to [ASBCA] Case No. 53688 including the declaration of [Kamphefner]." (ECF No. 177-1 at 11.) Defendant objected and Plaintiff moved to compel, arguing the "documents are relevant to determine whether [Defendant] lawfully acquired [Plaintiff's] OEM drawings." (*Id.* (citing ECF No. 45 at 52).) The magistrate judge found Kamphefner's declaration relevant to Plaintiff's Complaint and ordered its production. (*Id.* (citing ECF No. 63 at 10).)

On February 13, 2019, Gibson Dunn identified Metzger as the attorney responsible for the firm's prior matters for Defendant and contacted Metzger to inform him Defendant's files were "eligible for destruction." (*Id.* at 12 (internal quotations omitted).) On July 8, 2019, Gibson Dunn filed to associate as co-counsel for Plaintiff in the instant action, and on July 11, 2019, Gibson Dunn filed the opposition to Defendant's Motion for Leave to File an Amended Answer. (*Id.* (citing ECF No. 169).) Gibson Dunn noted in this brief that "this is not the first case in which [Defendant] and Kamphefner have been suspected of fraud," citing the prior criminal and civil fraud actions where Gibson [Dunn] had represented [Defendant]." (*Id.*)

On July 12, 2019, Defendant's counsel emailed Gibson Dunn regarding "a serious issue of an apparent conflict of interest" from the firm's prior representation of Defendant, to which Benjamin Wagner ("Wagner") emailed back in disagreement that there was any conflict as the matters were "unrelated." (*Id.* at 13 (internal quotations omitted).) Wagner stated he had not realized Gibson Dunn was involved in the prior matters and informed Defendant that Gibson Dunn "had implemented an ethical wall since receiving [Defendant's] objection." (*Id.*)

On July 18, 2019, Defendant's counsel sent a letter "setting forth the facts that create a substantial relationship to the prior matters, and objecting to the 'serious breach of Gibson Dunn's duty of loyalty to its former client.'" (*Id.*) Defendant's counsel also requested copies of any of Defendant's documents remaining at Gibson Dunn. (*Id.*) On July 23, 2019, Gibson Dunn filed an amended opposition to Defendant's Motion for Leave to File an Amended Answer that omitted "all references to the prior actions in which Gibson [Dunn] had defended the company." (*Id.*) Scott Edelman ("Edelman") subsequently responded to the July 18 letter stating that it was "an error" to reference the prior matters in which the firm had represented Defendant. (*Id.*) Edelman also informed Defendant's counsel that Gibson Dunn "had performed a conflict check" prior to representing Plaintiff, and none of the attorneys involved in the representation of Plaintiff in the instant case were familiar with the firm's prior representation of Defendant. (*Id.*)

***3** On July 29, 2019, Gibson Dunn's assistant general counsel Richard Dudley ("Dudley") emailed Defendant's counsel to inform them the firm "had implemented an ethical wall on July 15, preventing any firm lawyers or staff who had worked on the prior matters from communicating with the firm lawyers working on [Plaintiff's] matter, and preventing those attorneys from accessing materials from the representation of [Defendant]." (*Id.* at 14.) Dudley sent a second email on August 9, 2019, stating Gibson Dunn "still had in its possession certain 'hard-copy working papers' and '[s]ome electronic work product...stored on the [f]irm's electronic document management system," but that the firm had not "searched the archives of attorney emails to see if any relate to these matters" because they were not available to attorneys representing Plaintiff and would be expensive to search. (*Id.*)

On August 12, 2019, Gibson Dunn served Defendant with extensive discovery requests concerning the "Halder letter," a document regarding which Defendant filed a Notice of Intent to Withdraw Evidence (see ECF No. 166) as the letter "was not authentic." (*Id.* at 12, 14.) One request "seeks all communications concerning any visit by Albert Halder to [Defendant]" — such a visit occurred

while Gibson Dunn represented Defendant and Defendant “shared confidential and privileged information with its Gibson [Dunn] attorneys about the visit.” (*Id.* at 14.)

In August 2019, Defendant’s counsel received sixteen boxes of documents that Gibson Dunn “had created or acquired” during its prior representation of Defendant, as well as “certain electronic records...which included over 400 pages of invoices,...detailed descriptions of the work Gibson [Dunn] performed for [Defendant], and showed total fees and costs incurred of over \$1.1 million.” (*Id.*) In September 2019, Defendant’s counsel reiterated its concern about the conflict of interest, notifying Gibson Dunn that “documents responsive to its recent discovery requests included privileged email communications” between Defendant and Gibson Dunn. (*Id.*) Gibson Dunn responded by stating that “the firm had not searched its archived emails,” but that the emails were not available to any of the attorneys representing Plaintiff. (*Id.*)

II. STANDARD OF LAW

The Eastern District “has adopted the Rules of Professional Conduct of the State Bar of California, and any applicable state court decisions, as its own standards of professional conduct.” *Lennar Mare Island, LLC v. Steadfast Insurance Co.*, 105 F. Supp. 3d 1100, 1007 (E.D. Cal. 2014) (citing E.D. Cal. L.R. 180(e)). Thus, all attorneys practicing before this Court are required to “become familiar with and comply with the standards of professional conduct required of members of the State Bar of California.” L.R. 180(e). The Ninth Circuit has also confirmed state law applies in determining whether to disqualify counsel. *In re Cnty. of Los Angeles*, 223 F.3d 990, 995 (9th Cir. 2000). A party may move for disqualification of counsel “[i]f an attorney or firm takes on a representation in violation of these rules.” *Lennar Mare Island, LLC*, 105 F. Supp. 3d at 1107. “[T]he decision to disqualify counsel for conflict of interest is within the trial court’s discretion.” *Hitachi, Ltd. v. Tatung Co.*, 419 F. Supp. 2d 1158, 1160 (N.D. Cal. 2006) (citing *Trone v. Smith*, 621 F.2d 994, 999 (9th Cir. 1980)). The party seeking disqualification bears the burden of establishing by a preponderance of the evidence the existence of a disqualifying prior representation. *Guifu Li v. A Perfect Day Franchise, Inc.*, No. 11-CV-01189-LHK, 2011 WL 4635176, at *3 (N.D. Cal. Oct. 5, 2011).

A trial court’s decision on a motion for disqualification is reviewed for abuse of discretion. *People ex rel. Dept. of Corp. v. Speedee Oil Change Systems, Inc. (Speedee Oil)*, 20 Cal. 4th 1135, 1143 (1999). “The paramount concern must be to preserve public trust in the scrupulous administration of justice and the integrity of the bar” and “[t]he important right to counsel of one’s choice must yield to ethical considerations that affect the fundamental principles of our judicial process.” *Id.* at 1145. The decision to disqualify counsel for conflict of interest requires the careful balancing of a number of factors including “a party’s right to chosen counsel, the interest in representing a client, the burden placed on a client to find new counsel, and the possibility that ‘tactical abuse underlies the disqualification motion.’” *Kelly v. Roker*, No. C 11-05822 JSW, 2012 WL 851558 at *2 (Mar. 13, 2012) (citing *Speedee Oil*, 20 Cal. 4th at 1145).

*4 Disqualification is “warranted only after a clear showing of conflict.” *Lennar Mare Island, LLC*, 105 F. Supp. 3d at 1007. It is “generally disfavored and should only be imposed when absolutely necessary.” *Id.*; *Koloff v. Metropolitan Life Ins. Co.*, No. 1:13-cv-02060-LJO-JLT, 2014 WL 2590209, at *3 (E.D. Cal. Jun. 10, 2014) (internal quotations omitted).

III. ANALYSIS

Defendant requests the Court disqualify Gibson Dunn for two reasons. First, Defendant argues Gibson Dunn’s representation of Plaintiff violates California Rule of Professional Conduct (“Rule”) 1.9, as Gibson Dunn’s prior representation of Defendant is substantially related to the instant matter and Gibson Dunn acquired Defendant’s confidential information during its representation of Defendant. (ECF No. 177-1 at 16–20.) Second, Defendant maintains the belated measures Gibson Dunn took after it learned of a possible conflict can neither cure the conflict nor avert disqualification. (*Id.* at 21–24.)

In opposition, Plaintiff asserts Defendant’s invocation of Rule 1.9 is incorrect, as Rule 1.10(b) applies in the instant case and permits Gibson Dunn’s representation of Plaintiff. (ECF No. 183 at 19–23.) Plaintiff further argues vicarious disqualification is not warranted because confidences have not been nor will be disclosed, and disqualifying Gibson Dunn would be inequitable and prejudicial.³ (*Id.* at 23–25.) The Court will address each of Defendant’s arguments in turn.

A. Violation of the California Rules of Professional Conduct

Rule 1.9, which governs duties to former clients, provides: “A lawyer who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter in which that person’s interests are materially

adverse to the interests of the former client unless the former client gives informed written consent.” Cal. R. Prof'l Conduct 1.9(a). Rule 1.10(b), which governs imputation of conflicts of interest, provides:

When a lawyer has terminated an association with a firm, the firm is not prohibited from thereafter representing a person with interests materially adverse to those of a client represented by the formerly associated lawyer and not currently represented by the firm, unless:

(1) the matter is the same or substantially related to that in which the formerly associated lawyer represented the client; and

(2) any lawyer remaining in the firm has information protected by Business and Professions Code section 6068, subdivision (e) and rules 1.6 and 1.9(c) that is material to the matter.

Cal. R. Prof'l Conduct 1.10(b).

California courts have distinguished between successive and simultaneous representations in their application of Rule 1.9. *WhatsApp Inc. v. NSO Group Tech. Ltd.*, No. 19-cv-07123-PJH, 2020 WL 7133773, at *3 (N.D. Cal. Jun. 16, 2020) (citing *Flatt v. Superior Ct.*, 9 Cal. 4th 275, 283–84 (1994)). If the potential conflict arises from successive representation of clients with adverse interests, client confidentiality is jeopardized. *Id.* (citing *Flatt*, 9 Cal. 4th at 283). “The test used for disqualification in those instances is whether there is a ‘substantial relationship’ between the subjects of the former and current representations.” *Id.* (citing *Flatt*, 9 Cal. 4th at 283–84). When a “substantial relationship” exists, “actual possession of confidential information need not be proved in order to disqualify the former attorney.” *H.F. Ahmanson & Co. v. Salomon Bros., Inc.*, 229 Cal. App. 3d 1445, 1452 (1991). “[A]ccess to confidential information by the attorney in the course of the first representation is presumed and disqualification of the attorney’s representation of the second client is required.” *WhatsApp Inc.*, 2020 WL 7133773, at *3 (citing *Flatt*, 9 Cal. 4th at 283; *SpeeDee Oil*, 20 Cal. 4th at 1139 (“When a conflict of interest requires an attorney’s disqualification from a matter, the disqualification normally extends vicariously to the attorney’s entire law firm.”)). Courts have articulated three guiding principles regarding successive representation of clients:

***5** First, if the nature of the representation is such that confidences could have been exchanged between the lawyer and the client, courts will conclusively presume they were exchanged, and disqualification will be required. Second, there is a limited exception to this conclusive presumption in the rare instance where the lawyer can show that there was no opportunity for confidential information to be divulged. Third, the limited exception is not available when the lawyer’s former and current employment are on opposite sides of the very same matter or the current matter involves the work the lawyer performed for the former client.

Davis v. EMI Grp. Ltd., No. 12-CV-1602 YGR, 2013 WL 75781, at *3 (N.D. Cal. Jan. 4, 2013) (citing *City National Bank v. Adams*, 96 Cal. App. 4th 315 (2002)) (emphasis omitted).

Here, the parties disagree over whether Rule 1.9 or Rule 1.10 is applicable to govern the possible conflict of interest arising from Gibson Dunn’s representation of Plaintiff. However, like other courts, this Court declines to resolve whether Rule 1.9 or Rule 1.10 is applicable because both “require an analysis into whether the prior and current representations are substantially related.” *WhatsApp Inc.*, 2020 WL 7133773, at *3. If they are substantially related, then Rule 1.10(b)’s exception as well as Rule 1.9(a)’s prohibition on successive representation both apply to disqualify Gibson Dunn. *Id.* If not, “then Rule 1.9’s prohibition does not apply and there is no basis” for disqualification. *Id.* As such, the Court will turn to an examination into whether the two representations are substantially related, which will include whether Gibson Dunn retains material confidential information.

i. Whether the Representations are “Substantially Related”

Evaluation of the substantial relationship test “turns on two variables: (1) the relationship between the legal problem involved in the former representation and the legal problem involved in the current representation[;] and (2) the relationship between the attorney and the former client with respect to the legal problem involved in the former representation.” *Jessen v. Hartford Cas. Ins. Co.*, 111 Cal. App. 4th 698, 709 (2003). The California Supreme Court emphasized the significance of the second variable:

To determine whether there is a substantial relationship between successive representations, a court must first determine whether the attorney had a direct professional relationship with the former client in which the attorney personally provided legal advice

and services on a legal issue that is closely related to the legal issue in the present representation. If the former representation involved such a direct relationship with the client, the former client need not prove that the attorney possesses actual confidential information. Instead, the attorney is presumed to possess confidential information if the subject of the prior representation put the attorney in a position in which confidences material to the current representation would normally have been imparted to counsel.

City & Cnty. of San Francisco v. Cobra Sols., Inc. (Cobra Sols.), 38 Cal. 4th 839, 847 (2006) (internal citations omitted); see also *Jessen*, 111 Cal. App. 4th at 709–10.

Applying the substantial relationship test, the Court will first address the relationship between Gibson Dunn and Defendant, then turn to the relationship between the legal problems involved in the former and current representations.

a) Relationship Between Gibson Dunn and Defendant

Although not required, some courts analyze the relationship between an attorney and former client by reviewing “(1) the nature and extent of counsel’s involvement; (2) the time counsel spent on the prior matter; (3) the type of work performed; and (4) the potential that counsel was exposed to formulations of policy or strategy.” *H.F. Ahmanson & Co.*, 229 Cal. App. 3d at 1454–55.

***6** Defendant anticipates Plaintiff’s argument that most attorneys who worked on the prior matters have left the firm, but maintains this is irrelevant, as Gibson Dunn’s “representation was extensive, involved numerous lawyers — including several who are still at the firm — and where the firm likely continues to possess [Defendant’s] confidential information.” (ECF No. 177-1 at 22.) Defendant cites a litany of case law in support of this proposition, which the Court agrees is relevant to the instant matter. (*Id.* (citing *Davis*, 2013 WL 75781; *Elan Transdermal Ltd. v. Cygnus Therapeutic Systems*, 809 F. Supp. 1383, 1390–91 (N.D. Cal. Nov. 17, 1992); *Western Sugar Coop. v. Archer-Daniels-Midland Co.*, 98 F. Supp. 3d 1074 (C.D. Cal. Feb. 13, 2015)).)

Plaintiff indeed argues in opposition that almost all of the attorneys identified by Defendant have left Gibson Dunn and only three attorneys who worked on the prior matters remain — Michael Murphy (“Murphy”), Scott Kruse (“Kruse”), and Tim Hatch (“Hatch”). (ECF No. 183 at 20.) Kruse and Hatch have retired, and Murphy is a partner in Gibson Dunn’s Washington, D.C. office practicing environmental law. (*Id.*) The total number of hours billed by these three attorneys to the prior matters are few — 2.75 hours for Murphy, 4.80 hours for Kruse, and 18.25 hours for Hatch. (*Id.* (citing ECF Nos. 190, 191, 192).) Regarding the prior matters, Hatch specifically writes in his declaration:

I do not remember performing this work, having done any work for Aerometals at any time, or anything about the matter on which I billed time. Simply put, I have no memory of Aerometals or MD Helicopters. I do, however, have a general recollection that Mr. Metzger would occasionally ask me for general advice on discrete matters because of my experience with government contracts work...Before submitting this declaration, I searched my active and accessible emails and ran a Google search for [Defendant]. Neither of these searches refreshed my recollection of having done any work for [Defendant]. Nor was I able to find any emails, folders, or other documents related to [Defendant] in my active emails account...While I cannot recall discussing [Defendant] or [Plaintiff] with anyone at Gibson Dunn at any time, I can say with certainty that I have not spoken to anyone at the [f]irm about [Defendant] or [Plaintiff] in the past year (or beyond), aside from my work in preparing this declaration. Indeed, in the past year, I have not spoken with any of the attorneys representing [Plaintiff] in the above-captioned matter about any subject.

(ECF No. 192 at 2–3.) Murphy and Kruse also state they “do not remember performing this work” or “having done any work for [Defendant] at any time.” (ECF No. 190 at 2; ECF No. 191 at 2.) Plaintiff maintains neither Murphy, Kruse, nor Hatch have “confidential or privileged information” from the prior matters, as they “do not even recall the client or the work that they did over 15 years ago” and “have no files from those matters.” (ECF No. 183 at 20 (citing ECF Nos. 190, 191, 192).) Indeed, the declarations for these attorneys all state that they do not remember the work performed for Defendant. (ECF No. 190 at 2; ECF No. 191 at 2–3; ECF No. 192 at 2–3.)

In its reply, Defendant concedes “most of the individual lawyers who worked on the matters have apparently left the firm,” but argues Hatch, Murphy, and Kruse’s declarations “are more nuanced” than how Plaintiff portrays them in its opposition. (ECF No. 199 at 7–8.) Murphy does not explicitly state he has no documents or emails related to Defendant and “merely states that he has not spoken to anyone regarding [Defendant] or [Plaintiff] in the past year.” (*Id.* (citing ECF Nos. 190, 191, 192).) Defendant notes neither Hatch, Murphy, nor Kruse categorically state “that they do not have or at least do not recall any confidential or privileged information pertaining to [Defendant].” (*Id.*)

***7** It is important to note that the fact Hatch, Murphy, and Kruse “billed only a short period of time does not preclude their work from being substantially related to the present litigation.” *Elan Transdermal Ltd.*, 809 F. Supp. at 1388 (citing *Novo Therapeutisk Lab. A/S v. Baxter Travenol Lab.*, 607 F.2d 186 (7th Cir. 1979) (2.25 hours of work sufficient to disqualify former counsel)). Additionally, courts

have found that “whether the attorneys actually possessed or conveyed confidential information is not the [substantial relationship] test.” *Western Sugar Coop.*, 98 F. Supp. at 1088 (disqualifying plaintiff’s counsel’s firm for its previous representation of defendants “in matters substantially related to the present action,” despite declarations from attorneys that they never received any information from other attorneys about defendants and they had not performed work on any matter for defendants after the firm’s merger). Courts have also held that even where the staff remaining at a firm worked only on “unrelated matters” or “corporate tasks” for a former client, the lead counsel for the new client’s assurances that “he and the 58 other [firm] employees with whom he conferred ‘never received any confidential information’” about the former client was insufficient “to overcome the presumption that attorneys in the same firm share a ‘close, fluid and continuing relationship, with its attending exchanges of information, advice, and opinions’ that create ample opportunity for imparting confidential information and impressions from one to another.” *Davis*, 2013 WL 75781, at *4 (citing *SpeeDee Oil*, 20 Cal. 4th at 1154).

Defendant continues to emphasize Gibson Dunn’s retention of files with confidential information related to the previous matters creates a “substantial relationship.” (See generally ECF Nos. 177-1, 199.) Courts have disqualified counsel where a firm retained “several boxes worth of [the former client’s] files in storage per their own document custodian” or where there was “a ‘reasonable possibility’ that [the lawyer] acquired confidential information regarding [the former client’s] business and marketing practices, its litigation and settlement strategies...[that if] imparted to [p]laintiff, would confer a significant advantage to [p]laintiff in this lawsuit.” *Davis*, 2013 WL 75781, at *4; *Beltran v. Avon Products, Inc.*, 867 F. Supp. 2d 1068, 1082 (C.D. Cal. 2012). The Court agrees with Defendant that “[i]t is at least likely that Gibson [Dunn] continues to possess [confidential] information.” (ECF No. 177-1 at 20.) Dudley emailed Merri Baldwin (“Baldwin”), a counsel for Defendant, noting Gibson Dunn still had “certain hard-copy working papers and [s]ome electronic work product,” as well as “administrative files.” (*Id.*; ECF No. 177-6 at 3 (internal citations omitted).) Dudley’s email to Baldwin noted staff at Gibson Dunn “‘obviously have not searched archives of attorney emails to see if any relate to these matters,’ on the grounds that these are not available to any attorneys representing [Plaintiff] and would be expensive to search.” (ECF No. 177-6 at 3 (citing ECF No. 177-12).) Dudley’s declaration notes these files have “not been accessed by any attorneys or [f]irm personnel representing [Plaintiff]” and they have “been stored in off-site locations (i.e., not in any Gibson Dunn office).” (ECF No. 183 at 11 (citing ECF No. 194 at 4–6).) However, whether the email archives have been searched or whether the files have been accessed is irrelevant, as Gibson Dunn clearly still possesses confidential and possibly privileged information from its prior representation of Defendant.

Based on the foregoing, the Court finds the “nature of the representation” between Defendant and Gibson Dunn “is such that confidences could have been exchanged between the lawyer and the client,” and therefore the Court “will conclusively presume they were exchanged.” *Davis*, 2013 WL 75781, at *3. This presumption may be rebutted. *Elan*, 809 F. Supp. at 1389 (citing *Merle Norman Cosmetics, Inc. v. United States District Ct.*, 856 F.2d 98, 101 (9th Cir. 1988)). This presumption of a substantial relationship is rebutted by the declarations of Hatch, Murphy, and Kruse that they received no confidential or privileged information. However, “to allow this presumption to be rebutted by declarations by self-interested parties” would be improper. *Elan*, 809 F. Supp. at 1390. The Court therefore finds it is possible the attorneys remaining at Gibson Dunn had a “direct professional relationship” with Defendant such that they “personally provided legal advice and services on a legal issue that is closely related to” the instant case. See *Cobra Sols.*, 38 Cal. 4th at 847.

b) Relationship Between the Legal Problems Involved in

Defendant’s Former and Current Representations

***8** The *Jessen* court provided that successive representations are substantially related when “the evidence before the trial court supports a rational conclusion that information material to the evaluation, prosecution, settlement or accomplishment of the former representation given its factual and legal issues is also material to the evaluation, prosecution, settlement or accomplishment of the current representation given its factual and legal issues.” *Jessen*, 111 Cal. App. 4th at 713; see also *Foster Poultry Farms v. Conagra Foods Refrigerated Foods Co., Inc.*, No. F 04-5810 AWI LJO, 2005 WL 2319186, at *5 (E.D. Cal. Sept. 22, 2005) (evaluation of relationship must be “wide ranging and flexible”). “Material” means “the information acquired during the first representation...must be found to be directly at issue in, or have some critical importance to, the second representation.” *Fremont Indem. Co. v. Fremont Gen. Corp.* (*Fremont*), 143 Cal. App. 4th 50, 69 (2006) (citations omitted).

Defendant makes two main arguments here. First, “there is substantive overlap in the factual and legal issues involved in the prior matters handled by Gibson [Dunn] and the present matter,” as Plaintiff’s current lawsuit turns on whether Defendant infringed its copyrights “by improperly using OEM drawings and [Plaintiff’s] technical manuals.” (ECF No. 177-1 at 18.) Defendant notes the issue of Defendant’s “possession and use of [Plaintiff’s] OEM drawings was a central issue in the ASBCA case and figured also in the federal criminal case and the civil FCA cases,” and Gibson Dunn obtained “significant confidential information about the OEM drawings then in [Defendant’s] possession and how those materials were acquired and used.” (*Id.*) Second, the close connection between Gibson

Dunn's prior representation of Defendant and its current representation of Plaintiff is apparent from the discovery the firm seeks, as "the firm's requests...seek at least one category of documents that include privileged communications between its former client, [Defendant], and itself." (*Id.* at 19.) Defendant notes that Gibson Dunn may still have those privileged emails its archives, which "is plainly troubling and further supports disqualification." (*Id.*)

Plaintiff maintains there is no substantial relationship between the prior matters and the instant action because Defendant never filed a Notice of Related Case and Defendant refused to produce documents related to the prior matters, "claiming they were irrelevant and unrelated to the instant action." (ECF No. 183 at 20–21.) Plaintiff contends the prior matters turned on "whether [Defendant] breached its contracts with the Government, whether [Defendant] delivered new or used parts, or what 'Aircraft Manufacturer approved' means in the SOCOM contract," and none of those issues are relevant in the instant action. (*Id.* at 21.) Plaintiff insists the two representations "involve different claims, different legal theories, and different factual allegations," and there is no risk of Metzger inadvertently passing confidential information to anyone at Gibson Dunn because he no longer works at the firm and the firm is not seeking to depose him now. (*Id.* at 21–22.)

Defendant makes several persuasive arguments in reply. First, Defendant argues shared factual issues establish a substantial relationship, as both representations "center on [Defendant's] acquisition and use of MD 500 drawings, an issue Gibson [Dunn] raised with [Defendant] and advised the company on, and which is now central to both the claims and the defenses raised here." (ECF No. 199 at 3–4.) This relationship is demonstrated by Plaintiff's discovery requests seeking documents that include privileged emails between Defendant and Gibson Dunn. (*Id.* at 4.) Relatedly, the Court agrees with Defendant that Gibson Dunn impliedly concedes a substantial relationship between the prior matters and the instant action when it argued the Halder letter "appears to be a troubling pattern of fraud and deceit by [Defendant] and Kamphefner" in its first opposition to Defendant's Motion for Leave to Amend the Answer, despite its attempt to file an amended opposition omitting this reference. (*Id.* at 4 fn.1; ECF No. 169 at 8 (emphasis added); see also ECF No. 172.)

***9** Second, Defendant contends its discovery of additional facts (which include Gibson Dunn's delivery "of dozens of boxes" to Defendant's counsel), along with Plaintiff's proposed amended claims, has changed the relevance of the ASBCA case. (ECF No. 199 at 5.) Defendant notes Plaintiff initially argued the ASBCA matter was related, as it requested "All DOCUMENTS relating to [ASBCA] Case No. 53688" in February 2017. (*Id.*) Defendants objected to the Plaintiff's motion to compel production of these documents at the time as overbroad, but discovery it has obtained from Plaintiff since such time has shown Plaintiff's involvement "in the initiation of the ASBCA matter, information that was not available to [Defendant] at the time it opposed [Plaintiff's] discovery motion." (*Id.*) Specifically, the new information supports Defendant's defense that Plaintiff "has known of [its] possession and use of the MD 500 drawings for some time, yet long failed to bring any action against the company." (*Id.*) The fact that Plaintiff has further sought to expand the claims in the instant action to add claims of misappropriation of trade secrets and a violation of the RICO Act "will also involve factual issues of how [Defendant] obtained [Plaintiff's] drawings and how the company used those drawings, information obtained by Gibson [Dunn] in the context of its representation of [Defendant] in the prior matters." (*Id.* at 6 (citing ECF No. 177-2 at 3–5).)

Accordingly, the Court finds "the information acquired during the first representation...ha[s] some critical importance to[] the second representation." *Fremont*, 143 Cal. App. 4th at 69.

B. Adequacy of Gibson Dunn's Measures to Cure or Avert a Conflict

Defendant contends Gibson Dunn's "remedial acts" of "fil[ing] an amended opposition omitting offending references to [the] prior matters" and "establish[ing] an ethical wall" fail to cure the conflict of interest. (ECF No. 177-1 at 21.) Defendant maintains "the damage caused by [Gibson Dunn's] clear breach of loyalty was already done" when it filed an amended opposition, as it was "a public document castigating its former client about matters where Gibson [Dunn] represented the client." (*Id.*) Defendant finally notes Gibson Dunn's ethical wall is untimely because it was implemented after the firm filed its notice of association in the instant case and participated in Plaintiff's opposition to Defendant's Motion for Leave to File an Amended Answer (that cited the previous matters in which Gibson Dunn successfully defended Defendant). (*Id.* at 23.)

Plaintiff maintains vicarious disqualification is a rebuttable presumption that "can be refuted by evidence that ethical screening will effectively prevent the sharing of confidences." (ECF No. 183 at 23 (citing *In re Cnty. of Los Angeles*, 223 F.3d at 995–96).) Plaintiff notes its ethical screen between the attorneys who worked on the prior matters and the attorneys representing Plaintiff "effectively prevent[s] the sharing of confidences obtained from Gibson Dunn's prior representation of [Defendant]...making disqualification unnecessary." (ECF No. 183 at 24 (citing *Kirk*, 183 Cal. App. 4th at 800–01) (internal quotations omitted).) However, Defendant is correct that *Kirk* is distinguishable from the facts of the instant case. (ECF No. 177-1 at 21 n.9.) The *Kirk* court concluded that "when a tainted attorney moves from one private law firm to another, the law gives rise to a rebuttable presumption of imputed knowledge to the law firm, which may be rebutted by evidence of effective ethical screening." 183 Cal. App. 4th at 814. Here, Gibson Dunn

directly represented Defendant and therefore *Kirk* does not apply. The *Kirk* court further acknowledged “the issue of whether attorney screening can overcome vicarious disqualification in the context of an attorney moving between private law firms is not clearly settled in California law.” *Id.* at 805. *In re Cnty. of Los Angeles* is also distinguishable from the facts of the instant case, as it involved a motion to disqualify the law firm of a retired U.S. magistrate judge on the grounds that he “had access to confidential information” regarding defendants when he presided over settlement negotiations in an unrelated case involving those defendants. 223 F.3d at 992.

The California Supreme Court has not considered “whether an attorney can rebut a presumption of shared confidences, and avoid disqualification, by establishing that the firm imposed effective screening procedures.” *SpeeDee Oil*, 20 Cal. 4th at 1151. The Court has stated, however, that:

***10** Where the requisite substantial relationship between the subjects of the prior and the current representations can be demonstrated, access to confidential information by the attorney in the course of the first representation (relevant, by definition, to the second representation) is presumed and disqualification of the attorney’s representation of the second client is mandatory; indeed, the disqualification extends vicariously to the entire firm.

Flatt, 9 Cal. 4th at 283. A number of California courts have found vicarious disqualification of a firm to be required where a substantial relationship is proven, “ even if the firm erects an ethical wall around the attorney who possesses the opponent’s confidences.” *SC Innovations, Inc. v. Uber Techs., Inc.*, No. 18-CV-07440-JCS, 2019 WL 1959493, at *5 (N.D. Cal. May 2, 2019) (citing *Pound v. DeMera Cameron*, 135 Cal. App. 4th 70 (2005); *Henriksen v. Great Am. Savings & Loan*, 11 Cal. App. 4th 109 (1992); *Genentech, Inc. v. Sanofi-Aventis Deutschland GMBH*, No. C. 08-04909 SI, 2010 WL 1136478, at *7 (N.D. Cal. Mar. 20, 2010); *Meza v. H. Muehlstein & Co.*, 176 Cal. App. 4th 969, 978 (2009)). Accordingly, this Court too finds Gibson Dunn’s ethical wall insufficient to prevent the firm from vicarious disqualification.

IV. CONCLUSION

For the foregoing reasons, the Court hereby GRANTS Defendant’s Motion to Disqualify Gibson, Dunn & Crutcher as Plaintiff’s Counsel. (ECF No. 177.) Plaintiff is ordered to file a notice of substitution of counsel — or if such a substitution is not possible — file a status report not more than thirty (30) days from the date of electronic filing of this Order.⁴

IT IS SO ORDERED.

DATED: March 30, 2021

Troy L. Nunley

United States District Judge

All Citations

Slip Copy, 2021 WL 1212718

Footnotes

¹ Robert Metzger (“Metzger”), Tim Hatch, Bryan Arnold, and Sam Newman (“Newman”) were the attorneys at Gibson Dunn who represented Defendant in this matter. (*Id.* at 8 (citing 177-2 at ¶ 2).) Of note, Robert Metzger “is currently a shareholder at Rogers Joseph O’Donnell and lead counsel for [Defendant] in this dispute.” (*Id.*)

- ² The Court need not recount all background facts of the instant case here, as they are set forth fully in the Court's November 30, 2018 Order denying Defendant's Motion to Dismiss and Special Motion to Strike. (ECF No. 95.)
- ³ The Court does not address Plaintiff's argument regarding prejudice, as it finds there is a substantial relationship between Gibson Dunn's prior representation of Defendant and its current representation of Plaintiff that requires the firm's disqualification. As previously noted, this Court is charged with "preserv[ing] public trust in the scrupulous administration of justice and the integrity of the bar," which weighs heavily in this case. *SpeeDee Oil*, 20 Cal. 4th at 1145.
- ⁴ The parties are additionally reminded that any corporation or entity cannot represent itself *pro se* and must be represented by counsel pursuant to Local Rule 183(a).

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PAYPAL

2021 WL 1221470 (Trademark Tr. & App. Bd.)

THIS OPINION IS NOT A PRECEDENT OF THE TTAB

Trademark Trial and Appeal Board

Patent and Trademark Office (P.T.O.)

PAYPAL, INC.¹

v.

ZT HOLDINGS, LLC²

Opposition Nos. 91208416 and 91217374³

March 29, 2021

*1 Rochelle D. Alpert and Sharon R. Smith of Morgan Lewis & Bockius LLP, for PayPal, Inc.

Nathan B. Webb of Hahn Loeser & Parks LLP for ZT Holdings, LLC

Before Cataldo, Goodman and Larkin

Administrative Trademark Judges

Opinion by Cataldo

Administrative Trademark Judge:

Applicant, ZT Holdings, LLC, filed two applications seeking registration on the Principal Register of the mark ZOOMPAY, in standard characters, identifying “Financial transaction services, namely, providing secure commercial transactions through the use of biometric technology; electronic payment services by which customers may apply money from various sources through the use of biometric technology,” in International Class 36;⁴ and “Computer operating software for point of sale system,” in International Class 9.⁵

Opposer, PayPal, Inc., opposes registration under Trademark Act Section 2(d), 15 U.S.C. § 1052(d), asserting in its notices of opposition⁶ priority and a likelihood of confusion with its XOOM and XOOM-formative marks, previously issued on the Principal Register, including:

- XOOM in typed form,⁷ identifying “Providing business information, namely on, money transfer services,” in International Class 35, and “Money transfer services; electronic funds transfer services; bill payment remittance services; electronic payment, namely, electronic processing and transmission of bill payment data” in International Class 36;⁸
- XOOM in standard characters, identifying “Providing a web site featuring temporary use of non-downloadable software for providing information on money transfers, and for facilitating money transfers, electronic funds transfers, bill payment remittances and electronic processing and transmission of bill payment data,” in International Class 42;⁹ and
- XOOM in standard characters, identifying “Computer software for facilitating money transfer services, electronic funds transfer services, bill payment remittance services, electronic processing and transmission of payments and payment data,” in International Class 9.¹⁰

***2** In addition, Opposer asserts that application Serial No. 86192659 is void ab initio because, as of the application filing date, Applicant lacked the requisite bona fide intent to use the ZOOMPAY mark in commerce in connection with the goods identified therein.¹¹

In its answers, Applicant denied the salient allegations in the notices of opposition.¹² In addition, Applicant asserted a counterclaim to cancel five of Opposer's pleaded Registrations, i.e., Reg. Nos. 2909931, 4012377, 4226418, 4232742 and 4232741, on the ground that each of the registrations was procured by fraud.¹³

I. Record¹⁴

The record comprises the pleadings and, without any action by the parties, the files of the involved applications.¹⁵ Trademark Rule 2.122(b)(1), 37 C.F.R. § 2.122(b)(1).

Opposer submitted the following evidence by notice of reliance:

Status and title copies of its pleaded registrations and copies of the specimens of use from the file histories thereof; (35 TTABVUE 21-43; 86 TTABVUE 49-71, 131-203)

Third-party registrations; (35 TTABVUE 44-72; 86 TTABVUE 72-130)

Printouts from Opposer's website; (35 TTABVUE 73-174; 86 TTABVUE 204-366, 403-421)

Printouts from the parties' social media; (35 TTABVUE 175-855, 940-941; 36 TTABVUE 2-12, 55-57, 70-71, 283-289; 86 TTABVUE 367-402; 87 TTABVUE 157-162, 172-173, 385-391)

Printouts from Opposer's channel on youtube.com and Opposer's pages on itunes.apple.com, google.com, amazon.com, wikipedia.org, finance.yahoo.com; (35 TTABVUE 856-939; 36 TTABVUE 41-49, 58-60; 86 TTABVUE 458-1102; 87 TTABVUE 3-90, 143-151, 174-182; 91 TTABVUE 5-9)

Articles from third-party websites concerning Opposer; (36 TTABVUE 61-69, 72-128, 131-282, 290-293, 311-322; 86 TTABVUE 422-433; 87 TTABVUE 163-171, 183-384, 413-424, 431-448; 88 TTABVUE 3-42, 91-462)

Articles from third-party websites concerning Applicant; (36 TTABVUE 323-328; 86 TTABVUE 434-457, 392-395; 87 TTABVUE 425-430)

Articles from Lexis-Nexis concerning Opposer; (36 TTABVUE 294-310; 87 TTABVUE 396-412)

Reviews of Applicant's activities under its involved mark on bbb.org; (36 TTABVUE 50-54; 87 TTABVUE 150-156)

Portions of the file history of Applicant's involved application Serial No. 85578671; (87 TTABVUE 91-99)

Printouts from Applicant's website; (87 TTABVUE 100-116)

Documents from Opposition No. 91206548 involving Opposer and a third party; (36 TTABVUE 13-40; 87 TTABVUE 117-142)

Opposer's business records; (36 TTABVUE 384-599)

Government records; (88 TTABVUE 480-483)

A copy of Applicant's testimony deposition of its President, Mr. Anthony Toepfer, with exhibits; (88 TTABVUE 503-588)

Applicant's responses to Opposer's discovery requests; (88 TTABVUE 589-601)

***3** Portions of the pleadings and file history of these oppositions; (36 TTABVUE 329-374; 88 TTABVUE 43-89) and

Dictionary definitions. (36 TTABVUE 375-382; 88 TTABVUE 463-479, 484-502)

Opposer also submitted the following testimony:

The declaration of Mr. Julian King, Opposer's General Manager of Xoom, a service of Opposer, and exhibits thereto (85 TTABVUE 2-605; 89 TTABVUE 2-605; 91 TTABVUE 11-14; 93 TTABVUE 2-486; 94 TTABVUE 2-126).

Applicant submitted the following evidence by notice of reliance:

Status and title copies of five of its registrations as well as an application not subject to this proceeding; (41 TTABVUE 20-39, 44-47; 98 TTABVUE 50-89)

A status and title copy of its involved application Serial No. 86192659 and portions of the file history of its involved application Serial No. 85578671; (41 TTABVUE 40-43, 48-56; 98 TTABVUE 90-101)

Copies of third-party registrations and applications; (41 TTABVUE 57-80; 98 TTABVUE 102-106)

Printouts from Opposer's website; (41 TTABVUE 81-149; 98 TTABVUE 459-950)

USPTO records and printouts from websites regarding third-party ZOOM and XOOM formative marks; (41 TTABVUE 150-215; 98 TTABVUE 107-450; 100 TTABVUE 154-157, 167-255)

Printouts from third-party websites regarding third-party use of the terms ZOOM and XOOM; (41 TTABVUE 168-215; 98 TTABVUE 107-112, 117-129, 133-134, 145-158, 166-171, 176-177, 181-183, 188-195)

Printouts from a third-party website regarding business names beginning with the letter X; (41 TTABVUE 216-219)

Printouts from a third-party website regarding biometrics; (41 TTABVUE 221-232)

Opposer's responses to Applicant's discovery requests; (100 TTABVUE 6-139)

A copy of the testimony deposition of Mr. King, with exhibits; (100 TTABVUE 601-1211)

Portions of the file histories of these proceedings and communications between the parties; (41 TTABVUE 233-280; 98 TTABVUE 451-458; 100 TTABVUE 140-153) and

Dictionary definitions. (41 TTABVUE 281-287; 98 TTABVUE 951-986; 99 TTABVUE 2-5; 100 TTABVUE 2-5, 158-166, 256-260)

Applicant also submitted the following testimony:

Testimony deposition of Mr. Toepfer, with exhibits. (45 TTABVUE 2-345; 97 TTABVUE 2-88; 100 TTABVUE 261-600)

Opposer submitted the following evidence in rebuttal:

Printouts from Opposer's website; (47 TTABVUE 6-42, 74-76, 85-91; 56 TTABVUE 5-14)

Printouts from Applicant's website; (56 TTABVUE 24-35)

Printouts from the parties' social media pages; (47 TTABVUE 43-62; 56 TTABVUE 15-22) and

Printouts from third-party websites. (47 TTABVUE 63-73, 77-84, 92-105; 56 TTABVUE 36-53; 105 TTABVUE 6-17)

Portions of the record have been designated confidential pursuant to the Board's Standard Protective Order automatically in place for all inter partes proceedings. The majority of citations to the record refer to the redacted, publicly available versions of each submission on TTABVUE, the Board's online docketing system. The number preceding "TTABVUE" corresponds to the docket entry number; the number(s) following "TTABVUE" refer to the page number(s) of that particular docket entry. *See Turdin v. Trilobite, Ltd.*, 109 USPQ2d 1473, 1476 n.6 (TTAB 2014). Only the docket entry number is provided for portions of the record designated confidential. In this decision we will reference confidential testimony and evidence as needed in general terms.

II. Objections¹⁶

***4** Both parties raised numerous objections to their adversary's testimony and evidence.¹⁷ Many of the objections go to the weight to be accorded the testimony and evidence under consideration, rather than its admissibility. The Board is "capable of weighing the relevance and strength or weakness of the objected-to testimony and evidence, including any inherent limitations," *Hanscomb Consulting, Inc. v. Hanscomb Ltd.*, 2020 USPQ2d 10085, at *3 (TTAB 2020), and this precludes the need to strike the objected-to testimony and evidence. See *Real Foods Pty Ltd. v. Frito-Lay N. Am., Inc.*, 906 F.3d 965, 128 USPQ2d 1370, 1378 (Fed. Cir. 2018) ("The TTAB is entitled to weigh the evidence ...") (citing *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 856, 214 USPQ 1, 7 (1982) ("Determining the weight and credibility of the evidence is the special province of the trier of fact.")).

Given the circumstances herein, we exercise our discretion not to make specific rulings on each and every objection. As necessary and appropriate, we will point out in this decision any limitations applied to the evidence or otherwise note that the evidence cannot be relied upon in the manner sought. See, e.g., *Spiritline Cruises LLC v. Tour Mgmt. Servs., Inc.*, 2020 USPQ2d 48324, at *2 (TTAB 2020) ("Board proceedings are heard by Administrative Trademark Judges, not lay jurors who might easily be misled, confused, or prejudiced by irrelevant evidence"); *Pierce-Arrow Soc'y v. Spintek Filtration, Inc.*, 2019 USPQ2d 471774, at *3 (TTAB 2019) (Board saw no compelling reason to individually address the objections of hearsay, lack of personal knowledge, lack of authentication, irrelevance, and lack of foundation but kept the objections in mind when considering the testimony and evidence, and according appropriate value to the testimony and evidence according to its merits).

We have considered the entire record in making our decision, keeping in mind the parties' various objections, and have accorded whatever probative value the subject testimony and evidence merit. See *Krause v. Krause Publ'ns Inc.*, 76 USPQ2d 1904, 1907 (TTAB 2005) ("[w]here we have relied on testimony to which respondent objected, it should be apparent to the parties that we have deemed the material both admissible and probative to the extent indicated in the opinion.").

III. Entitlement to a Statutory Cause of Action¹⁸

"To establish entitlement to a statutory cause of action, a plaintiff must demonstrate: (i) an interest falling within the zone of interests protected by the statute and (ii) a reasonable belief in damage proximately caused by registration of the mark." *Corcamore, LLC v. SFM, LLC*, 2020 USPQ2d 11277, *4-6 (Fed. Cir. 2020); 15 U.S.C. Sections 1063-64. See also *Australian Therapeutic Supplies Pty. Ltd. v. Naked TM, LLC*, 965 F.3d 1370, 2020 USPQ2d 10837, *3 (Fed. Cir. 2020); *Empresa Cubana Del Tabaco v. Gen. Cigar Co.*, 753 F.3d 1270, 111 USPQ2d 1058 (Fed. Cir. 2014); *Coach Servs., Inc. v. Triumph Learning LLC*, 668 F.3d 1356, 101 USPQ2d 1713, 1727 (Fed. Cir. 2012); *Ritchie v. Simpson*, 170 F.3d 1092, 50 USPQ2d 1023, 1025 (Fed. Cir. 1999).

***5** Here, Opposer's entitlement to a statutory cause of action to oppose registration of the marks in Applicant's involved applications is supported by its pleaded registrations, which the record shows are valid, subsisting and owned by Opposer.¹⁹ See, e.g., *Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 55 USPQ2d 1842, 1844 (Fed. Cir. 2000); *N.Y. Yankees P'ship v. IET Prods. & Servs., Inc.*, 114 USPQ2d 1497, 1501 (TTAB 2015). Its entitlement to a statutory cause of action is further supported by its assertion of a claim of likelihood of confusion that is plausible on its face.²⁰ As such, Opposer has established that it has a direct and personal stake in this proceeding and a reasonable basis for its belief of damage stemming from registration of a confusingly similar mark for assertedly related goods services. See *Luxco, Inc. v. Consejo Regulador del Tequila, A.C.*, 121 USPQ2d 1477, 1480-81 (TTAB 2017).

Having established its entitlement to a statutory cause of action with respect to the pleaded ground of likelihood of confusion, Opposer has the right to assert any other ground as well, that also has a reasonable basis in fact, in this case, that application Serial No. 86192659 is void ab initio because, as of the application filing date, Applicant lacked the requisite bona fide intent to use the ZOOMPAY mark in commerce in connection with the goods identified therein.²¹ See *Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185, 188 (CCPA 1982).

Applicant's entitlement to a statutory cause of action as counterclaim plaintiff is inherent in its position as defendant in the underlying opposition. *Finanz St. Honore B.V. v. Johnson & Johnson*, 85 USPQ2d 1478, 1479 (TTAB 2007). See also, e.g., *Carefirst of Md., Inc. v. FirstHealth of the Carolinas Inc.*, 77 USPQ2d 1492, 1502 (TTAB 2005) ("Applicant, by virtue of its position as defendant in the opposition, has standing to seek cancellation of the pleaded registrations", citing *Ohio State Univ. v. Ohio Univ.*, 51 USPQ2d 1289, 1293 (TTAB 1999)).

IV. Fraud Counterclaim

Although Opposer's registrations are of record,²² Applicant has filed a counterclaim to cancel five of them, so priority is an issue in the opposition as to those registrations. *See Massey Junior Coll., Inc. v. Fashion Inst. of Tech.*, 492 F.2d 1399, 181 USPQ 272, 275 n.6 (CCPA 1974) ("prior use need not be shown by a plaintiff relying on a registered mark unless the defendant counterclaims for cancellation"). For this reason, we turn first to Applicant's counterclaim to cancel five of Opposer's pleaded registrations based on fraud.

***6** Fraud in procuring a trademark registration occurs when an applicant for registration knowingly makes a false, material representation of fact in connection with an application to register with the intent of obtaining a registration to which it is otherwise not entitled. *In re Bose Corp.*, 580 F.3d 1240, 1245, 91 USPQ2d 1938, 1939-40 (Fed. Cir. 2009); *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 1 USPQ2d 1483, 1484 (Fed. Cir. 1986); *Embarcadero Techs., Inc. v. Delphix Corp.*, 117 USPQ2d 1518 (TTAB 2016); *ShutEmDown Sports Inc. v. Lacy*, 102 USPQ2d 1036, 1044 (TTAB 2012).

A party alleging fraud in the procurement of a registration bears the heavy burden of proving fraud with clear and convincing evidence. *Bose*, 91 USPQ2d at 1943 (quoting *Smith Int'l, Inc. v. Olin Corp.*, 209 USPQ 1033, 1044 (TTAB 1981)). The Board will not find fraud if the evidence shows that a false statement was made with a reasonable and honest belief that it was true, rather than an intent to mislead the USPTO into issuing a registration to which the applicant was not otherwise entitled. *See id.*; *see also Woodstock's Enters. Inc. (Cal.) v. Woodstock's Enters. Inc. (Or.)*, 43 USPQ2d 1440, 1443 (TTAB 1997), *aff'd (unpub'd)*, Appeal No. 97-1580 (Fed. Cir. Mar. 5, 1998). The standard for finding intent to deceive is stricter than the standard for negligence or gross negligence, and evidence of deceptive intent must be clear and convincing. *Id.*

To carry its burden, the party alleging fraud must prove that: (1) the applicant made a false representation to the USPTO; (2) the false representation was material to the registrability of the mark; (3) the applicant had knowledge of the falsity of the representation; and (4) the applicant made the representation with the intent to deceive the USPTO. *Bose*, 91 USPQ2d at 1941, *cited in ShutEmDown Sports*, 102 USPQ2d at 1044. With regard to intent, the Board has stated:

Fraud implies some intentional deceitful practice or act designed to obtain something to which the person practicing such deceit would not otherwise be entitled. Specifically, it involves a willful withholding from the Patent and Trademark Office by an applicant or registrant of material information or fact, which, if disclosed to the Office, would have resulted in the disallowance of the registration sought or to be maintained. Intent to deceive must be "willful". If it can be shown that the statement was a "false misrepresentation" (sic) occasioned by an "honest" misunderstanding, inadvertence, negligent omission or the like rather than one made with a willful intent to deceive, fraud will not be found. Fraud, moreover, will not lie if it can be proven that the statement, though false, was made with a reasonable and honest belief that it was true or that the false statement is not material to the issuance or maintenance of the registration. It thus appears that the very nature of the charge of fraud requires that it be proven "to the hilt" with clear and convincing evidence. There is no room for speculation, inference or surmise and, obviously, any doubt must be resolved against the charging party.

***7** *First Int'l Svcs. Corp. v. Chuckles Inc.*, 5 USPQ2d 1628, 1634 (TTAB 1988), *citing Smith v. Olin*, 209 USPQ at 1043-44; *see also Bose*, 91 USPQ2d at 1940 (emphasizing that fraud requires the intent to mislead the PTO).

Applicant's fraud claim rests on allegations that Opposer intentionally represented to the USPTO, for purposes of securing its challenged registrations, that it used its marks in connection with electronic payment and bill payment remittance services when it was engaged exclusively in international money transfers prior to 2014. Averments and evidence of use of a mark for the goods or services identified in a use-based application are critical to its approval, and if it had been disclosed to the examining attorney that the mark was not in use for the identified services (or that the specimen of use was fabricated), registration would have been refused. *Nationstar Mortg. LLC v. Ahmad*, 112 USPQ2d 1361, 1365 (TTAB 2014). Thus, any misrepresentations in this regard are considered material. *Id.*

A. Commercial Transactions

Applicant argues that Opposer's terms of service prohibit rendition of the services under the XOOM -- formative marks for commercial transactions and, therefore, prohibit their use for bill payment.

Although the oldest of Xoom's trademark registrations claim use of electronic and bill payment remittance services since May of 2003, the earliest Terms of Service document in the record was effective October 1, 2004. [98 TTABVUE 459-468]. This Xoom customer contract describes a service wherein the customer initiates a transaction that includes transfer of money from the customer's

authorized credit or debit card to a designated recipient, but also clarifies that “Xoom is not a bank and neither holds nor transfers Sender’s funds of its own accord,” that “use of the Service for Commercial Transactions is at your own risk,” and still further that customers agree that the Service is not to be “exploit[ed] for any commercial purposes.” [98 TTABVUE 460-462, 464]. Xoom’s next Terms of Service contract, effective, May 19, 2005, contained the same relevant language and conditions. [98 TTABVUE 483-501].²³

Xoom’s February 2006 Terms of Service contract truncated its “Overview of Service” section and included claims that “the Service enables you to send money and make payments to designated recipients,” but continued to dissuade customers from use of the Service to pay for goods and services, which occurred at the customer’s “own risk,” and included a customer provision wherein they “agree to hold Providers harmless for any loss or expense they incur as a result of a Commercial Transaction.” [98 TTABVUE 503, 505, 511]. The Xoom Website Frequently Asked Questions” section explains, perhaps, the addition of payment language by asserting, in response to the question “Can I use Xoom to pay for goods and services?”, that “[y]ou may only use Xoom to pay for commercial transactions in the Philippines...[y]ou can pay utility bills directly in Jamaica.” [98 TTABVUE 521]. The problem is that Xoom didn’t launch its Jamaican bill pay service until August 28, 2003, nor expand its money transfer services into the Philippines until April 2, 2014--both dates coming well after Xoom’s claimed date of first use for electronic and bill payment remittance services of May 2003. [98 TTABVUE 476, 479].²⁴

***8** The next Xoom customer contract of record is the October 2011 User Agreement, and it tellingly removed the claim from the 2006 Terms of Service overview section asserting that payments could be made, instead replacing that language with a simple description that “[t]he Service was created to help our customers send money transfers to family and friends.” [98 TTABVUE 543]. The User Agreement makes no mention of electronic payments or bill payment remittance services and, in fact, includes a “Restrictions” subsection on “Commercial Transactions” that appears to preclude such use by admonishing customers that “[y]ou should not use the Service to send money except to people that you know personally...[i]f Xoom discovers you are using the Service to purchase goods or services, we reserve the right to cancel your transactions.” [98 TTABVUE 544].²⁵

Opposer, on the other hand, presents the testimony declaration of its General Manager, Julian King, with accompanying exhibits, and additional evidence demonstrating that consumers could always, from its inception in 2003 to the present, use XOOM to pay bills in several ways.²⁶

A customer engages with Xoom and requests that Xoom move money on their behalf. Xoom debits money electronically from a payment instrument and makes it available for disbursement in many ways.

[W]e allow customers to send monies to multiple endpoints. Those could be cash, to pay bills, to bank accounts. We offer delivery of money to people’s homes. We enable and facilitate charitable transactions and donations. The payments of mortgages and other directed -- we call them “directed payments.” [89 TTABVUE 18, 141; 100 TTABVUE 602-803]

Q. In your position at Xoom, have you been aware of various types of ways that Xoom’s customers can facilitate or pay bills?

A. Yes.

Q. Would you describe all of those different ways for us, that you’re aware of, that have been offered by Xoom?

**

THE WITNESS: As of 2003, consumers could pay bills in multiple countries using the Xoom service as a product type for the entire -- from the same time consumers could pay bills directly into bank accounts, and they could pay bills in other countries using our delivery and cash pick up services. I personally witnessed these occur.

**

A. In addition to that, we launched a productized version of our Bill Pay service, a revised productized version of our Bill Pay service in 2014 that allowed customers to retrieve the balance of bill, have that presented to them on a continuous basis, and pay the bills on behalf of their loved ones and for themselves.

Q. Can Xoom’s services be used at any time to pay, for example, an individual in another country that you might owe a bill to?

A. Yes. I personally have used the Xoom services to do that.

Q. Tell us about that.

A. I have paid for accommodations, a bill for accommodations on multiple accommodations. I have also witnessed bills being paid in Vietnam, for example, and other countries.

***9** Q. And when you used Xoom to pay a bill for accommodations, how did you do that?

A. I asked the merchant for his bank account number, and I sent money directly to his bank account. [100 TTABVUE 602-803]

B. SEC Filings

Applicant argues that Opposer's claim of use of the XOOM marks directly contradicts its filings before the Securities and Exchange Commission.²⁷

Moreover, Xoom's sworn statements to U.S. government agencies confirm that Xoom was, at all times relevant to the fraud counterclaims, solely a money transfer business. When Xoom became a publicly traded company in 2013, it was obligated to file a Form 10-K Annual Report, sworn and attested to under penalty of perjury, with the SEC. Xoom's Form 10-K Annual Report, for the year ending 2013, contained a number of admissions that conclusively demonstrate that the business was solely a money transfer company:

- "Xoom is a leader in the digital consumer-to-consumer international money transfer industry. Our customers use Xoom to send money to family and friends in 31 countries"; [98 TTABVUE 576]
- "Since our inception we have provided digital consumer-to-consumer money transfers. From 2003 to 2005, we also offered other services within the money transfer business. In 2006, we chose to focus solely on our current business model, providing digital consumer-to-consumer international money transfers"; [98 TTABVUE 584]
- "In January 2014, we acquired all of the outstanding equity of BlueKite, LTD, a BVI business company, which is a Guatemala-based developer of solutions and applications for cross-border bill pay and cell phone top up services...[w]e believe that expanding our products and features to include bill pay and cell phone top up services in the same convenient, fast and cost-effective manner in which we provide our money transfer services will broaden our relationship with our customers and increase customer loyalty." [98 TTABVUE 578] and
- The "Industry Overview" section was devoted exclusively to describing global money transfer; the "Competition" section says "person-to-person money transfer service providers" are its competitors; no mention of electronic payments or bill payment remittance services are to be found. [98 TTABVUE 578, 583].²⁸

The Form 10-K Annual Report Xoom filed in 2015 further supports the conclusion that bill pay was a new service offered starting in 2014, stating, *inter alia*, that:

- "From 2006 to 2014, we chose to focus solely on providing digital consumer-to-consumer international money transfers. In 2014, we introduced our cross-border bill payment service."; [98 TTAVUE 744]
- "During 2014, we enhanced our customer experience and expanded our reach in the communities we serve, including with the following initiatives: New Product Expansion--We introduced Xoom Bill Pay"; [98 TTABVEU 737] and

***10** • "As we launch new products and services, such as Xoom Bill Pay..."; [98 TTABVUE 738]

In short, these sworn statements do nothing but reinforce the conclusion-- based on Xoom's Terms of Service and User Agreements--that Xoom had made materially false misrepresentations to the USPTO about its claimed bill and electronic payment services in conjunction with its Xoom trademark registrations.²⁹

Opposer argues that notwithstanding its determination to "focus solely" on consumer to consumer money transfers, XOOM users have always been able to use XOOM to make electronic payments and bill payments of the types discussed above, and that such payments consistently accounted for 10% of its business. [110 TABVUE 33-34; 89 TTABVUE 7, 11-12] Opposer further argues that Form 10-K requires the filer to disclose material information to investors, focusing on the filer's dominant segment, the principal products

produced and services rendered and the principal markets therefor. [110 TTABVUE 33] 17 C.F.R. §229.101, applicable to such filings, provides as follows:

(c) Description of business.

(1) Describe the business done and intended to be done by the registrant and its subsidiaries, focusing upon the registrant's dominant segment or each reportable segment about which financial information is presented in the financial statements. When describing each segment, only information material to an understanding of the business taken as a whole is required.

Opposer argues that its statements to the SEC are accurate inasmuch as 90% of its business involved person to person money transfers, but do not preclude use of XOOM for bill payments or electronic remittance, which accounts for the remaining 10%.

C. Statements to Consumers

Applicant argues that Opposer's representations to its consumers indicate that Opposer did not provide bill payment or electronic remittance services prior to 2014.

Xoom's own Vice President of Bill Pay, Bobby Aitkenhead, was quoted in a November 2014 article from Globe Newswire--announcing that Xoom "a leading digital money transfer provider, has officially launched Xoom Bill Pay"-- saying:

"We believe Xoom Bill Pay is revolutionary for paying bills in developing countries...[i]n the past, money transfer recipients had to spend hours out of their day travelling to a bill pay retailer, just to stand in line, fill out forms and hand cash over the counter to pay for telephone usage or electricity. This is now a thing of the past as we have transformed the process by allowing customers to pay the bills cross-border on behalf of their family in an easy and efficient way." [98 TTABVUE 909]

A November 24, 2014 Xoom press release entitled "Xoom Launches Cross Border Bill Pay--Pay Bills Online, in Your Home Country, From U.S.," explained that "Xoom, a leading digital money transfer provider, has officially launched Xoom Bill Pay" which "allows customers to pay electricity, telephone, internet, cable, water and gas bills, from their mobile phone or tablet," and that "[i]n 2015, Xoom plans to roll out bill pay services to other Xoom countries, including the Philippines." [98 TTABVUE 892] An October 2014 article from Seeking Alpha, entitled "Xoom and PayPal Out To Disrupt Payments Industry," observed that "Xoom's new cross border bill pay service will take customers from wire transfer companies." [98 TTABVUE 905³⁰]

***11** The claimed addition of bill payment capabilities to the Xoom mobile software application was closely followed by changes to Opposer's User Agreement, which by June of 2015 had added language about the ability to pay bills and softened its "Commercial Transactions" provision to restrict transfers to only "[b]eneficiaries that you know personally and for personal reasons" and further that use of the Service for commercial purposes must be limited to "payments made to Service Companies specifically provided for by the Service." [98 TABVUE 694, 696, 701³¹]

Opposer argues that the 2014 launch of XOOM Bill Pay introduced a new and enhanced way to use XOOM to make electronic remittances and bill payments, to complement the previously available methods.

Q. Is it your position that Xoom was offering bill payment services prior to 2014?

A. Absolutely.

Q. Okay. Help me to understand that, because you're saying it's a new service in 2015. You just told me that your own user agreement prohibits the use of the service for anything other than a consumer-to-consumer transfer; that it prohibits the use of the service for payment of goods or services of any kind.

**

THE WITNESS: As I tried to state, the user agreement gives us discretion to cancel transactions.

Today, for example, we allow payments for goods and services in China. But if we see a merchant we don't like, we are able to cite our user agreement and restrict transactions that we don't like. It's a very powerful tool, which is why we use it, because we're in a business where we have to be able to stop traffic through our service that we deem risky.

As I've said multiple times in the past, people can and do pay and have always, prior to today's date and prior to 2014, paid bills using the Xoom service. I described exactly how they did them. [100 TTABVUE 602-803]

According to Opposer, the "evidence shows that as of 2003 and continuing to the present, the XOOM Platform has allowed consumers to pay bills or make electronic payments to a recipient who is owed payment on a bill or on behalf of a recipient whose bills need to be paid." [110 TTABVUE 38]

D. Applicant's Inspection of Opposer's Website and App

Finally, based on Mr. Toepfer's [Applicant's Manager and Managing Member] personal inspection of the Xoom Website and Xoom App (and the software functionality associated therewith), further informed by his 30 years of experience as a software engineer and business owner in the commercial transactions software industry, Opposer Xoom Corporation did not offer point-of-sale commercial transaction services, or "bill payment remittance services," "electronic payments," or "electronic payment, namely, electronic processing and transmission of bill payment data" services during, at least, the summer and fall of 2014. [97 TTABVUE 19; 100 TTABVUE 320-325]. More specifically, Mr. Toepfer's informed opinion is that Xoom Website and Xoom App were incapable of effectuating "bill payment remittance services" (defined as "payment of an obligation associated with a written instrument presented to the Xoom customer by the third-party provider of the goods or services rendered") an electronic payment for a commercial transaction (defined as "electronic payment for goods or services rendered"). [*Id.*].³²

***12** Opposer counters that it has introduced evidence in the form of, inter alia, customer reviews for bill payment remittances from 2007 through the date of trial, including summer and autumn of 2014. [89 TTABVUE 150-442]

E. Analysis

"[A]bsent the requisite intent to mislead the PTO, even a material misrepresentation would not qualify as fraud under the Lanham Act warranting cancellation."³³ *Bose*, 91 USPQ2d at 1940. Applicant argues that Opposer's testimony and evidence "simply lack credibility in the face of three facts:

- 1) Xoom represented itself to the SEC as "solely" a money transfer company during the time period where the XOOM Marks were applied for, maintained, and renewed (and still further stated that its bill pay service was new in 2014);
- 2) Xoom's User Agreement and Terms of Service prove the truthfulness of this SEC statement because they explicitly forbid use of the service for payments for goods or services of any kind; and
- 3) Xoom has failed to provide a single page of admissible financial transactions evidence--in the face of clear and repeated discovery requests--that would conclusively prove that electronic payment and bill remittance services were actually rendered, instead of just advertised, before 2015." [109 TTABVUE 36]

According to the U.S. Court of Appeals for the Federal Circuit, subjective intent to deceive, however difficult it may be to prove, is an indispensable element in the fraud analysis. In most cases, "because direct evidence of deceptive intent is rarely available, such intent can be inferred from indirect and circumstantial evidence. But such evidence must still be clear and convincing, and inferences drawn from lesser evidence cannot satisfy the deceptive intent requirement." *Bose*, 91 USPQ2d at 1941 (citation omitted). When drawing an inference of intent, "the involved conduct, viewed in light of all the evidence ... must indicate sufficient culpability to require a finding of intent to deceive." *Id.*

Testimony and evidence reflect that Applicant construes the language used to recite the services at issue in a way that differs from the meanings advocated by Opposer. The parties appear to agree that the term "commercial transaction" involves making payment for goods and services. [109 TTABVUE 21; 110 TTABVUE 34] The parties' dispute largely centers on differing characterizations of what is encompassed by the term "commercial transaction." The parties have introduced the following definitions into the record:

"pay" -- "to give money in return for goods or services rendered," "to discharge an indebtedness," or "to discharge or settle (a debt or an obligation);" [36 TTABVUE 376-382; 88 TTABVUE 464-470]

***13** "payment" -- "the act of paying, something that is paid" [100 TTABVUE 257]

"remittance" -- "a sum of money or (formerly) a quantity of an item transferred from one place or person to another. Also: the action of transferring money, etc., to another place or person, transmittal of money (as to a distant place);" [41 TTABVUE 286-287; 100 TTABVUE 258] and

“bill” -- “documents evidencing a debtor’s obligation to a creditor, an invoice for charges for goods or services.” [98 TTABVUE 983-986; 99 TTABVUE 3-5; 100 TTABVUE 3-5]

Based upon these definitions, a payment may be made in return for goods or services rendered, i.e., in a commercial transaction, or may be made to discharge or settle a debt or obligation. Applicant takes the position that Opposer’s various terms of service either dissuade or prohibit users from making commercial transactions, thus precluding use of XOOM for bill payment remittance services. However, there is no evidence of record that bill payment remittance is necessarily a commercial transaction. To the contrary, Opposer asserts that its services provide electronic payment and bill payment for, inter alia, personal loans, mortgages, utilities, rent, credit cards, caretakers and contractors. [89 TTABVUE 6-13, 147-8] The evidence of record does not support a finding that these types of payments are all commercial transactions or otherwise restricted by Opposer’s terms of service. Opposer further asserts that notwithstanding periodic changes to the language of its terms of service and user agreements, users of its XOOM services have always been able to pay bills and make payments, with Opposer reserving the right to cancel transactions found to be in violation of applicable laws or that place Opposer at risk for certain types of disputed transactions. [89 TTABVUE 7-8]

While Applicant argues that Opposer represented to the SEC that it is “solely” engaged in money transfers, Opposer argues that it is, and has always been, primarily engaged in money transfers -- accounting for 90% of its business -- and that its SEC filings accurately reflect this. Opposer further argues that its terms of service and customer agreements discourage use of XOOM for commercial transactions, but do not prohibit or discourage users from paying bills or making electronic payments. Opposer argues in addition that since 2003, it has provided two different methods for using XOOM to make various payments, and added a third, “productized” and dedicated method for doing so in 2014.

Considering all the testimony and evidence, particularly the testimony and evidence discussed above, even if we assume that Opposer’s allegations as to its bill payment remittance and electronic payment services were false, we find no direct evidence of an intent to deceive the USPTO, and no clear and convincing evidence to warrant the inference of an intent to deceive. Mr. King testified that at all relevant times he believed, and still believes, the truth of the statements about ongoing use of the marks in the pleaded registrations for all the listed services. He explained the basis of his belief, as described above. *See Bose*, 91 USPQ2d at 1942 (“Sullivan testified under oath that he believed the statement was true at the time he signed the renewal application. Unless the challenger can point to evidence to support an inference of deceptive intent, it has failed to satisfy the clear and convincing evidence standard required to establish a fraud claim.”). In the context of the record as a whole, neither Opposer’s statements to the SEC or its customers regarding Opposer’s use of its XOOM marks, Mr. Toepfer’s observations regarding the asserted unavailability of Opposer’s bill and electronic payment services during the summer and fall of 2014, nor the evidence in support thereof create or support an inference of Opposer’s intent to deceive.

***14** With regard to the bill payment and electronic payment services at issue, Opposer has articulated a belief that it has used the mark in connection with such services, based on its interpretation of what the services encompass and the manner in which its consumers have used its services. “We do not need to resolve the issue of the reasonableness [of this belief] as it is not part of the analysis.” *Id.* at 1942. In any event, none of Opposer’s interpretations are so insupportable as to give rise to an inference of deceptive intent. Even assuming that that these interpretations were incorrect, based on the totality of the record, we cannot infer that any misrepresentations were made knowingly and with an intent to deceive. The evidence does not “indicate sufficient culpability.” *Id.* at 1941; *Maids to Order of Ohio Inc. v. Maid-to-Order Inc.*, 78 USPQ2d 1899, 1907 (TTAB 2006) (not unreasonable for the applicant’s principal to believe applicant’s activities constituted use of its mark in interstate commerce). *Cf. Nationstar Mortg.*, 112 USPQ2d at 1375 (applicant made false statements regarding his activities, knowing what he was allowed to do and prohibited from doing in the absence of the proper licenses).

While false statements regarding use of a mark are material, *see Nationstar*, 112 USPQ2d at 1365 (citing *Hachette Filipacchi Presse v. Elle Belle LLC*, 85 USPQ2d 1090, 1093 (TTAB 2007)), “[t]here is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive.” *Bose*, 91 USPQ2d at 1942; *Knorr-Nahrungsmittel Akg. v. Havland Int’l, Inc.*, 206 USPQ 827, 834 (TTAB 1980) (“The claim of fraud will not be sustained if it can be proven that the statement, though false, was made with a reasonable and honest belief that it was true.”). “[A]bsent the requisite intent to mislead the PTO, even a material misrepresentation would not qualify as fraud under the Lanham Act . . .” *Bose*, 91 USPQ2d at 1940 (citing *King Auto., Inc. v. Speedy Muffler King, Inc.*, 667 F.2d 1008, 212 USPQ 801, 803 n.4 (CCPA 1981)). Considering the testimony and evidence in its entirety, we do not find that it supports an inference of deceptive intent regarding Opposer’s use of its marks.

Because Applicant has failed to establish fraud with clear and convincing evidence, we deny the counterclaim petition to cancel Opposer's pleaded Reg. Nos. 2909931, 4012377, 4226418, 4232742 and 4232741.

V. Priority

***15** Applicant's counterclaim to cancel five of Opposer's pleaded registrations is denied and the registrations survive. Opposer introduced into the record copies of its six pleaded registrations,³⁴ thus establishing Opposer's priority as to the marks and the goods and services covered by the registrations.³⁵ See *Contour Chair-Lounge Co. v. Englander Co.*, 324 F.2d 186, 139 USPQ 285, 286 (CCPA 1963) (as long as a registration relied on by an opposer remains uncanceled, it will be treated as valid and entitled to all statutory presumptions; having dismissed petition to cancel pleaded registrations, Board was obligated to treat opposer's registrations as valid and as though no such petition had been filed); see also *King Candy, Co. v. Eunice King's Kitchen, Inc.*, 496 F.2d 1400, 82 USPQ 108 (CCPA 1974); *Top Tobacco LP v. N. Atl. Op. Co.*, 101 USPQ2d 1163, 1169 (TTAB 2011).

VI. Likelihood of Confusion

The determination under Section 2(d) involves an analysis of all of the probative evidence of record bearing on a likelihood of confusion.³⁶ *In re E.I. DuPont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563, 567 (CCPA 1973) (setting forth factors to be considered, hereinafter referred to as "DuPont factors"); see also *In re Majestic Distilling Co.*, 315 F.3d 1311, 65 USPQ2d 1201, 1203 (Fed. Cir. 2003). "Not all of the DuPont factors are relevant to every case, and only factors of significance to the particular mark need be considered." See *Cai v. Diamond Hong, Inc.*, 901 F.3d 1367, 127 USPQ2d 1797, 1800 (Fed. Cir. 2018) (quoting *In re Mighty Leaf Tea*, 601 F.3d 1342, 94 USPQ2d 1257, 1259 (Fed. Cir. 2010)); *M2 Software, Inc. v. M2 Commc'ns, Inc.*, 450 F.3d 1378, 78 USPQ2d 1944, 1947 (Fed. Cir. 2006) (even within DuPont list, only factors that are "relevant and of record" need be considered). Two key considerations are the similarities between the marks and the similarities between the goods and/or services. See *In re i.am.symbolic, llc*, 866 F.3d 1315, 123 USPQ2d 1744, 1747 (Fed. Cir. 2017) (quoting *Herbko Int'l, Inc. v. Kappa Books, Inc.*, 308 F.3d 1156, 64 USPQ2d 1375, 1380 (Fed. Cir. 2002)); *Federated Foods, Inc. v. Fort Howard Paper Co.*, 544 F.2d 1098, 192 USPQ 24, 29 (CCPA 1976); *In re FabFitFun, Inc.*, 127 USPQ2d 1670, 1672 (TTAB 2018).

A. Our Focus on Opposer's XOOM Mark

***16** For purposes of the DuPont factors that are relevant to this opposition we will consider Applicant's involved mark and identified goods and services and Opposer's XOOM mark in its pleaded Reg. Nos. 2909931 and 4226418. If likelihood of confusion is found as to this mark, and the identified goods and services, it is unnecessary to consider Opposer's other pleaded registrations. Conversely, if likelihood of confusion is not found as to this mark and the identified goods and services, we would not find likelihood of confusion as to the marks and goods or services in the remaining pleaded registrations. See, e.g., *In re Max Capital Grp. Ltd.*, 93 USPQ2d 1243, 1245 (TTAB 2010).

B. Relatedness of the Goods and Services

This DuPont factor concerns the "similarity or dissimilarity and nature of the goods or services as described in an application or registration . . ." *Stone Lion Capital Partners, LP v. Lion Capital LLP*, 746 F.3d 1317, 110 USPQ2d 1157, 1159 (Fed. Cir. 2014). The analysis of this factor is premised on the identifications of goods and services in Applicant's involved applications and Opposer's pleaded registrations. *Id.* at 1161-63; *Octocom Sys., Inc. v. Hous. Comput. Servs. Inc.*, 918 F.2d 937, 16 USPQ2d 1783, 1787 (Fed. Cir. 1990). Relatedness may be shown on the basis of those identifications alone, without resort to extrinsic evidence. *Hewlett-Packard Co. v. Packard Press Inc.*, 281 F.3d 1261, 62 USPQ2d 1001, 1004-05 (Fed. Cir. 2002). It is further established that "likelihood of confusion can be found 'if the respective products [or services] are related in some manner and/or if the circumstances surrounding their marketing are such that they could give rise to the mistaken belief that they emanate from the same source.'" *Coach Servs.*, 101 USPQ2d at 1722 (quoting *7-Eleven Inc. v. Wechsler*, 83 USPQ2d 1715, 1724 (TTAB 2007)).

Applicant's services are identified as "Financial transaction services, namely, providing secure commercial transactions through the use of biometric technology; electronic payment services by which customers may apply money from various sources through the use of biometric technology." Opposer's services include "Money transfer services; electronic funds transfer services; bill payment remittance services; electronic payment, namely, electronic processing and transmission of bill payment data." As identified, the parties' services overlap to the extent that both provide "electronic payment" services, with Applicant's services more specifically utilizing biometric technology to process and transmit payments. In addition, Opposer introduced into the record copies of sixteen use-based third-party registrations showing the same marks used to identify services of the type recited in the involved application

Serial No. 85578671 and pleaded Reg. No. 2909931,³⁷ of which the following are illustrative: [35 TTABVUE 45-72; 86 TTABVUE 73-130]

***17** Reg. No. 4570568 for “providing secure commercial transactions and payment options using a mobile device at a point of sale; electronic money transfer;”

Reg. No. 3869379 for “financial transaction services, namely, providing secure commercial transactions and payment options via mobile devices, electronic networks, or at a point of sale; electronic funds transfers;” and

Reg. No. 3610959 for “financial transaction services, namely, providing secure commercial transactions and payment options using a mobile device at a point of sale; financial transaction processing and information management services, namely, electronic payment processing; money transfer services and electronic transfers of money.”

Applicant’s goods are identified as “Computer operating software for point of sale system.” Opposer’s goods are identified as “Computer software for facilitating money transfer services, electronic funds transfer services, bill payment remittance services, electronic processing and transmission of payments and payment data.” As identified, the parties’ goods are related inasmuch as both are software used to facilitate various types of payments. In addition, Opposer introduced into the record copies of six use-based third-party registrations showing the same marks used to identify goods of the type recited in the involved application Serial No. 86192659 and pleaded Reg. No. 4226418, of which the following are illustrative: [35 TTABVUE 45-72; 86 TTABVUE 73-130]

Reg. No. 5138011 for “electronic equipment for point-of-sale systems, namely...computer hardware and computer operating software; computer software, namely, electronic financial platform that accommodates multiple types of payment and debt transactions in an integrated mobile phone, PDA, and web based environment;”

Reg. No. 4597599 for “hardware and software for making and processing payment transactions with credit cards, debit cards, gift cards, cash, and other payment forms; financial software and accessories, namely, card readers, point of sale terminals, hardware and software, all for accepting, effecting, enabling, facilitating, processing, operating and managing payment transactions on mobile devices, cash registers, and other point of sale systems;” and

Reg. No. 5207874 for “downloadable software in the nature of a mobile application for users to store and retrieve customer account information at retail or wholesale locations or virtual points of sale; downloadable computer software allowing for merchants to process customer payment transactions via a mobile telecommunications device by means of a one-time electronic security token as a substitute for the customer’s credit, payment or debit card information.”

These registrations suggest, in general, that point of sale software and software for money transfers and bill payment are related and that the services of providing secure commercial transactions and money transfer and bill payment services are also related. *See In re Infinity Broad. Corp. of Dall.*, 60 USPQ2d 1214, 1217-18 (TTAB 2001) (“The registrations show that entities have registered their marks for both television and radio broadcasting services. Although these registrations are not evidence that the marks shown therein are in use or that the public is familiar with them, they nevertheless have probative value to the extent that they serve to suggest that the [goods and] services listed therein ... are of a kind which may emanate from a single source”); *see also, e.g., Mighty Leaf Tea*, 94 USPQ2d at 1259; *In re Albert Trostel & Sons Co.*, 29 USPQ2d 1783, 1785-86 (TTAB 1993); *In re Mucky Duck Mustard Co. Inc.*, 6 USPQ2d 1467, 1470 at n. 6 (TTAB 1988).³⁸

***18** Based upon the identification of the respective goods and services, both parties provide overlapping electronic payment services, and both also provide software used to facilitate various types of payments, including point-of-sale payments and electronic processing and transmission of payments. Further, the evidence discussed above suggests that third parties have registered marks identifying the parties’ goods and remaining services. Accordingly, this *DuPont* factor weighs in favor of finding that there is a likelihood of confusion.

C. Channels of Trade

There are no restrictions in either party’s identification of goods or services as to their channels of trade. *See Hewlett-Packard*, 62 USPQ2d at 1005 (“[A]bsent restrictions in the application and registration, goods and services are presumed to travel in the same channels of trade to the same class of purchasers.”); *Octocom*, 16 USPQ2d at 1787 (“The authority is legion that the question of registrability of an applicant’s mark must be decided on the basis of the identification of goods set forth in the application regardless of what the record may reveal as to the particular nature of an applicant’s goods, the particular channels of trade or the class of

purchasers to which the sales of goods are directed.”) (citations omitted). As a result, the parties’ goods and services are presumed to move in all trade channels customary therefor, and to be available to all classes of consumers. We thus presume that the parties’ overlapping services will be offered in overlapping trade channels to overlapping classes of consumers.

With regard to the remaining goods and services, the parties present arguments, but relatively little evidence, regarding the channels of trade in which they may be encountered and by whom. [107 TTABVUE; 109 TTABVUE 47-48] Applicant has submitted testimony that the goods and services under its ZOOMPAY mark are available only to customers of its Zoom Tan tanning salons. [100 TTABVUE 309] However, Applicant’s identification of goods and services contain no such restrictions, and we may not impose any grounded upon arguments or extrinsic evidence. *Octocom*, 16 USPQ2d at 1787. Further, based upon our findings above with regard to Applicant’s fraud counterclaim, we find that Opposer’s channels of trade are not restricted to exclude commercial transactions in a manner that would create a trade channel distinction between the parties’ goods and services. [109 TTABVUE 47-48]

As identified, Applicant’s software may be used by anyone seeking a point-of-sale transaction, and Opposer’s software may be used by anyone seeking to transfer funds, pay bills and transmit payment data. Similarly, Applicant’s services may be used by anyone seeking to make a secure commercial transaction and Opposer’s services may be used by anyone seeking to transfer funds, pay bills or make electronic payments. Given the relatedness of the goods and the overlapping or otherwise related nature of the services, we find, in the absence of any trade channel limitations, that these goods and services may be offered in the same trade channels to the same classes of purchasers, namely, ordinary consumers. This *DuPont* factor also weighs in favor of finding that there is a likelihood of confusion.

D. Strength of Opposer’s XOOM Mark

***19** We next evaluate the strength of Opposer’s XOOM mark and the scope of protection to which it is entitled. The fifth *DuPont* factor is the fame of the prior mark, and the sixth factor is the number and nature of similar marks in use for similar goods or services. *DuPont*, 177 USPQ at 567. In determining strength of a mark, we consider both inherent strength, based on the nature of the mark itself, and commercial strength or recognition. *Bell’s Brewery, Inc. v. Innovation Brewing*, 125 USPQ2d 1340, 1345 (TTAB 2017); *see also In re Chippendales USA Inc.*, 622 F.3d 1346, 96 USPQ2d 1681, 1686 (Fed. Cir. 2010) (“A mark’s strength is measured both by its conceptual strength (distinctiveness) and its marketplace strength (secondary meaning).”); *Tea Bd. of India v. Republic of Tea Inc.*, 80 USPQ2d 1881, 1899 (TTAB 2006) (same). Commercial strength may be measured indirectly, by volume of sales and advertising expenditures and factors such as length of use of the mark, widespread critical assessments, notice by independent sources of the goods or services identified by the mark, and general reputation of the goods or services. *Weider Publ’ns, LLC v. D&D Beauty Care Co.*, 109 USPQ2d 1347, 1354 (TTAB 2014).

Turning first to conceptual strength, we begin by noting that Opposer’s XOOM marks were registered on the Principal Register without a showing of acquired distinctiveness. Further, there is no evidence that XOOM possesses any significance in relation to the identified goods or services. The mark thus is inherently distinctive. *Tea Bd. of India*, 80 USPQ2d at 1899.

With regard to commercial strength, Opposer argues that its XOOM marks have been in use for over 15 years at the time of trial. Opposer has introduced testimony and evidence establishing: since 2003, it has spent over \$250 million advertising goods and services under the XOOM marks, including \$40 million in 2017; [100 TTABVUE 794-796] in 2017 XOOM products and services had 1.562 million unique users in the United States; [*id.*] and that in 2017 users of XOOM products and services sent or paid more than \$7.1 billion, an increase from \$ 6 billion in 2016. [*id.*] Opposer has also introduced testimony and evidence of recognition from such publications as the Wall Street Journal and Consumer Reports, along with customer testimonials regarding the goods and services under the XOOM mark. [100 TTABVUE 796-798; 88 TTABVUE 17-42; 91-462]

We note that Opposer has not placed its sales and marketing figures and advertising efforts in a context that would establish the strength of its mark relative to other marks for the same goods. *See Bose Corp. v. QSC Audio Prods.*, 63 USPQ2d 1303, 1309 (Fed. Cir. 2002). However and as noted above, Opposer does not rely upon raw numbers alone, but has provided additional contextual evidence of the consumer and media recognition of the goods and services under its XOOM mark. *See Omaha Steaks Int’l, Inc. v. Greater Omaha Packing Co.*, 908 F.3d 1315, 128 USPQ2d 1686, 1690 (Fed. Cir. 2018). These raw numbers of product sales and advertising expenditures, consumer reviews and assertions of media exposure demonstrate that Opposer has enjoyed substantial sales of goods and services under its XOOM mark, and further suggest that such sales and media exposure translate into widespread recognition of the XOOM mark among consumers of its involved goods and services, which appear to be the general public. *Joseph Phelps Vineyards, LLC v. Fairmont Holdings, LLC*, 857 F.3d 1323, 122 USPQ2d 1733, 1734 (Fed. Cir. 2017).

***20** Applicant argues that Opposer's XOOM mark is weak as a result of extensive third-party use and registration of similar terms. In support of this position, applicant has submitted approximately thirty third-party registrations for various forms of the mark XOOM. [98 TTABVUE 103-450] The most probative of these registrations are reproduced below. (All marks appear in typed or standard characters unless otherwise noted.)

No. 1861688 QUICKZOOM for computer software for use in the field of personal and business finance and accounting and user manuals for use therewith sold as a unit;

No. 3922346 ZOOM for mobile computer hardware and software development platform comprised of a software application framework and software development tools;

No. 2675838 ZOOM for computer hardware, peripherals and software for transmitting and receiving data over a wireless network, creating local area networks and networks of electronic devices, and connecting with peripherals;

Nos. 3489836 and 3941742 MAZOOMA and


 The logo for 'mazooma' is displayed in a light blue, lowercase, sans-serif font. The letter 'o' at the end of the word is a solid blue circle.

, both for financial information provided by electronic means; electronic funds transfer; electronic funds transfer by telecommunication; (same owner)

No. 5344426


 The logo for 'PayZoom' features a stylized icon of a document with a checkmark on the left, followed by the word 'PayZoom' in a bold, black, sans-serif font.

for providing an internet website portal featuring technology for conducting business transactions that allows users to allocate tasks, track time and expenses, invoice, manage human resources, record financial transactions, and establish terms of dealing between business entities;

No. 5071226 ZOOM CREDIT for financing services for retail merchants, namely, submitting customer applications for financing purchases of consumer goods and consumer services to multiple financial institutions, expressly excluding software and services relating to money transfers, bill payment remittances, electronic processing and transmission of payments and payments data, and electronic funds transfer services; financial services, namely, arranging in store sales finance services for merchants; and

No. 5071227


 The logo for 'ZOOM CREDIT' is displayed in a bold, black, sans-serif font. The word 'ZOOM' is on the top line and 'CREDIT' is on the bottom line. A solid black circle is positioned to the right of the 'O' in 'ZOOM'.

for financing services for retail merchants, namely, submitting customer applications for financing purchases of consumer goods and consumer services to multiple financial institutions, expressly excluding software and services relating to money transfers, bill payment remittances, electronic processing and transmission of payments and payments data, and electronic funds transfer services; (same owner) and

No. 5071256 ZOOM LOANS for "electronic loan origination services."

We note that the "existence of [third party] registrations is not evidence of what happens in the market place or that customers are familiar with them." *AMF Inc. v. Am. Leisure Prods., Inc.*, 474 F.2d 1403, 177 USPQ 268, 269 (CCPA 1973). The two third-party registrations for marks closest to Opposer's XOOM mark, i.e., ZOOM alone, recite computer software applications used for purposes

unrelated to Opposer's goods and services. The mark QUICK ZOOM similarly identifies computer software that is only tangentially related to Opposer's goods and services under its XOOM mark. Similarly, the MAZOOMA marks are less similar to Opposer's marks than Applicant's marks. The ZOOM CREDIT marks identify services that specifically exclude Opposer's services. That leaves the marks



*21 and ZOOM LOANS that identify services related to Opposer's services.

In addition, even if the goods or services in the remaining registrations were closer to the goods and services in Opposer's pleaded registrations, these third-party registrations may be used to demonstrate that a mark or a portion of a mark is suggestive or descriptive, but they cannot be used to justify the registration of another confusingly similar mark. *Plus Prods. v. Star-Kist Foods, Inc.*, 220 USPQ 541, 544 (TTAB 1983).

The vast majority of the registrations that Applicant has made of record recite goods or services that are unrelated to those at issue and, therefore, they do not support Applicant's argument that Opposer's XOOM mark is entitled to a narrow scope of protection. See *Nat'l Cable Television Ass'n, Inc. v. Am. Cinema Editors, Inc.*, 937 F.2d 1572, 1579-80 (Fed. Cir. 1991) (third party marks for unrelated goods and services are not probative to determination of the strength of a mark); *SBS Prods. Inc. v. Sterling Plastic & Rubber Prods. Inc.*, 8 USPQ2d 1147, 1149 n.6 (TTAB 1988) ("[E]ven if evidence of such third-party use were submitted, it would be of no aid to respondent herein where the third-party usage was for goods unrelated to either petitioner's skin care products or respondent's stuffing box sealant"); *Anderson, Clayton & Co. v. Christie Food Prods. Inc.*, 4 USPQ2d 1555, 1557 n.7 (TTAB 1987) ("The other third-party registrations relating to marks in unrelated fields are of no probative value").

These registrations³⁹ include:

No. 4524196 DATAZOOM (connecting wireless service providers with wireless data consumers);

No. 4676780 FOCUS ZOOM (cameras);

No. 3969055 GAZOOM (non-metallic building materials);

No. 4974740 SOFTZOOM (computer software consulting; programming of computer software for others);

No. 4680102 TOUCH ZOOM (mobile phones and computer application software for mobile phones);

No. 4736857 TRACKING ZOOM (mobile phones and computer application software for mobile phones);

No. 4860258 VELOCITY ZOOM (business data analysis; application service provider and related computer services);

No. 5196123 XOME ZOOM (downloadable mobile application feature for locating real estate information, specifically excluding software for money transfers, bill payment, mortgage payment and electronic transmission of payments);

No. 4754651 XZOOM PRO (various cell phone accessories);

No. 4325920 BLOOM ZOOM and book design (software for use in literacy games and entertainment in the nature of stories, games, puzzles and reading activities);

Nos. 3149281 and 3139651 ZOOM INFORMATION and ZOOM INFO (software for accessing, extracting and organizing information from various sources regarding people, companies, products, markets and industries to develop databases and enable search thereof);

- *22 No. 5347151 ZOOM LISTING (database software to facilitate residential, commercial and investment real estate purchases);
- No. 5283345 ZOOM MEDIA (various advertising and marketing services);
- No. 5330360 ZOOM NOTIFY (computer network maintenance, integration, managing and security services);
- No. 4736856 ZOOM TO TRACK (mobile phones and software therefor);
- No. 4554891 ZOOMDATA (business information management, consulting, business and market research analysis);
- No. 4792136 AREA ZOOM (mobile phones, software therefor, various cameras);
- No. 4833849 ZOOMIN (electronic message management software);
- No. 2672446 ZOOMTOWN (electronic mail and messaging services);
- No. 4243967 ZOOMUMBA (computers, game software);
- No. 4522439 ZOOMWARE (medical software);
- No. 2675171 ZOOM-ZOOM (automobile dealerships, automobile financing and warranty services);
- No. 2037278 ZZOOM and design (financial services, namely, bonding services); and
- No. 4441873 ZOOMLOOKER (stock and commodity brokerage, among numerous services in several classes unrelated to the goods and services at issue).

Certainly, even if there were evidence that third parties were using the term XOOM on such items and services as computer games, automobile dealerships and cell phone accessories, it would not affect the scope of protection that we would give to Opposer's XOOM mark for the identified goods and services. Considering the record as a whole, we find that Opposer's XOOM mark is inherently distinctive and enjoys a degree of commercial strength. Further, the record does not establish that the XOOM mark is entitled to only a narrowed scope of protection due to third-party use or registration of confusingly similar marks for similar or related goods or services. We therefore accord Opposer's XOOM mark the stronger scope of protection to which inherently distinctive marks with a certain degree of commercial strength are entitled. *See Joseph Phelps Vineyards*, 122 USPQ2d at 1734 (stating that likelihood of confusion fame varies along a spectrum from very strong to very weak).

E. Similarity of the Marks

The first *DuPont* factor is the similarity or dissimilarity of the parties' marks. In a likelihood of confusion analysis, we compare the marks in their entireties for similarities and dissimilarities in appearance, sound, connotation and commercial impression. *Stone Lion*, 110 USPQ2d at 1160. "Similarity in any one of these elements may be sufficient to find the marks confusingly similar." *In re Davia*, 110 USPQ2d 1810, 1812 (TTAB 2014); *accord Krim-Ko Corp. v. Coca-Cola Co.*, 390 F.2d 728, 156 USPQ 523, 526 (CCPA 1968) ("It is sufficient if the similarity in either form, spelling or sound alone is likely to cause confusion.") (citation omitted). "The proper test is not a side-by-side comparison of the marks, but instead 'whether the marks are sufficiently similar in terms of their commercial impression' such that persons who encounter the marks would be likely to assume a connection between the parties." *Cai*, 127 USPQ2d at 1801 (quoting *Coach Servs.*, 101 USPQ2d at 1721).

*23 Applicant's mark ZOOMPAY in standard characters, consists of the recognized terms "ZOOM" and "PAY." Applicant acknowledges that "PAY" "describes the pay method" for Applicant's services. [100 TTABVUE 335] The marks are similar in appearance to the extent that the first syllable of Applicant's ZOOMPAY mark and Opposer's XOOM mark both are "-OOM" formatives following a single letter. They differ in their first letter and the addition of "PAY" to Applicant's mark.

Inasmuch as Applicant's mark consists of two recognized terms, ZOOMPAY would likely be pronounced by consumers as "zoom pay." Neither party disputes this pronunciation. In addition, Opposer has introduced copies of printed advertisements in which it instructs consumers on the pronunciation of its mark: "Xoom (pronounced "zoom") enables its customers to send money internationally online, anytime." [89 TTABVUE 133] Further, in written consumer reviews, Opposer's customers refer to Opposer's goods and services under its XOOM mark as "zoom." [88 TTABVUE 385-462].

Applicant points to an acknowledgment by Opposer's Manager Julian King that many of Opposer's consumers do not speak English as a first language, and that Spanish speakers using Opposer's goods and services under its XOOM mark may not pronounce XOOM as "zoom." [100 TTABVUE 690-713] Mr. King further testified that Opposer's customers speak more than 20 different languages and that XOOM may be pronounced differently by different consumers. [*Id.*] Applicant further introduced Spanish-language dictionaries indicating that the letter "Z" is pronounced in Spanish as the letters "H," "S," "SH," or "KS." [98 TTABVUE 951-981]

"[I]t is well-settled that there is no single 'correct' pronunciation of a trademark that is not a common English word because it is impossible to predict how the public will pronounce a particular mark." *Edwards Lifesciences Corp.*, 94 U.S.P.Q.2d 1399, 1401-1402 (TTAB 2010). However, as the Federal Circuit held in *Stoncor Grp., Inc. v. Specialty Coatings, Inc.*, 759 F.3d 1327, 1331-32, 111 USPQ2d 1649, 1651 (Fed. Cir. 2014):

The Board erred by failing to credit StonCor's evidence that consumers would pronounce "STON" as "stone." There is no correct pronunciation of a trademark that is not a recognized word. *See In re Belgrade Shoe Co.*, 56 C.C.P.A. 1298, 411 F.2d 1352, 1353 (1969). "STON" is not a word in English. Neither party argues that "STON" is a word in any other language. Where a trademark is not a recognized word and the weight of the evidence suggests that potential consumers would pronounce the mark in a particular way, it is error for the Board to ignore this evidence entirely and supply its own pronunciation.

***24** In this case, Opposer has introduced evidence that it promotes the pronunciation of XOOM as "zoom". Applicant, while arguing that XOOM would not normally be pronounced "zoom" by a Spanish speaker, has not introduced any evidence of different pronunciations aside from theoretical ones derived from dictionaries. Opposer, on the other hand, has introduced evidence that its consumers refer to its products and services as "zoom" in writing and when spoken. We thus find, on this record, that ZOOMPAY and XOOM would be pronounced highly similarly as to the first syllable of Applicant's mark.

Opposer's mark XOOM is a coined term having no known meaning. Applicant's mark suggests a quick or speedy method of payment. As a result, the marks differ in connotation except to the extent that Opposer's mark is perceived as indicating the term "zoom," in which case it also connotes speed.

We acknowledge that the presence of PAY as the trailing term in Applicant's mark distinguishes it somewhat visually and aurally from Opposer's mark. This point of distinction, however, does not significantly diminish the similarities in appearance, sound and overall commercial impression engendered by these two marks. As stated, similarity in any one of the elements of sound, appearance, meaning, or commercial impression is sufficient to support a determination of likelihood of confusion. *Krim-Ko*, 156 USPQ at 526 ("It is sufficient if the similarity in either form, spelling or sound alone is likely to cause confusion"); *In re White Swan Ltd.*, 8 USPQ2d 1534, 1535 (TTAB 1988) ("In appropriate cases, a finding of similarity as to any one factor (sight, sound or meaning) alone 'may be sufficient to support a holding that the marks are confusingly similar'") (citations omitted)). Therefore, even if the marks had different meanings, it would not necessarily mean there was no likelihood of confusion.

We find that the marks are more similar than dissimilar, and that the first *DuPont* factor weighs in favor of a finding that confusion is likely.

F. Actual Confusion

Applicant argues that after at least six years of concurrent use there have been no reported instances of actual confusion. [97 TTABVUE 15-16; 109 TTABVUE 48] Opposer argues that due to very limited evidence of use by Applicant of the ZOOMPAY marks since 2012 there has been very little opportunity for actual confusion to have occurred. [87 TTABVUE 100 TTABVUE 515; 107 TTABVUE 45-46]

The absence of any reported instances of confusion is meaningful only if the record indicates appreciable and continuous use by Opposer of its XOOM mark for a significant period of time in the same markets as those served by Applicant under its ZOOMPAY mark. *Citigroup Inc. v. Capital City Bank Grp., Inc.*, 94 USPQ2d 1645, 1660 (TTAB 2010), *aff'd*, 637 F.3d 1344, 98 USPQ2d 1253 (Fed. Cir. 2011); *Gillette Canada Inc. v. Ranir Corp.*, 23 USPQ2d 1768, 1774 (TTAB 1992). In other words, for the absence of actual confusion to be probative, there must have been a reasonable opportunity for confusion to occur. *Barbara's Bakery Inc. v. Landesman*, 82 USPQ2d 1283, 1287 (TTAB 2007) (the probative value of the absence of actual confusion depends upon there being a significant opportunity for actual confusion to have occurred); *Red Carpet Corp. v. Johnstown Am. Enters. Inc.*, 7 USPQ2d 1404, 1406-1407 (TTAB 1988) (same); *Central Soya Co., Inc. v. N. Am. Plant Breeders*, 212 USPQ 37, 48 (TTAB 1981) ("the absence of actual confusion over a

reasonable period of time might well suggest that the likelihood of confusion is only a remote possibility with little probability of occurring”).

***25** Given the very limited evidence regarding the extent of Applicant’s use of its ZOOMPAY mark, we find this *DuPont* factor to be neutral.

G. Applicant’s Intent in Adopting Its Mark

Opposer asserts that Applicant had actual notice of Opposer prior to filing the involved application Serial No. 86192659 inasmuch as the parties were engaged in settlement negotiations at the time with regard to Applicant’s earlier-filed application Serial No. 85578671, and that Applicant proceeded with these applications after authorizing a proposed settlement agreement. [107 TTABVUE 46] Applicant counters that it had no knowledge of Opposer when filing the first of its involved applications, had no intention of copying Opposer’s marks or suggesting any affiliation with Opposer, and filed its second involved application when negotiations broke down. [109 TTABVUE 49-50] The record in this case, viewed as a whole, falls short of establishing that Applicant intended to create confusion with Opposer and its marks.

We will not infer bad faith under circumstances in which the party asserting it has submitted insufficient evidence thereof. *Cf. L.C. Licensing Inc. v. Berman*, 86 USPQ2d 183, 1891 (TTAB 2008) (bad faith adoption of a mark is strong evidence that confusion is likely because an inference may be drawn from the imitator’s expectation of confusion); *Broadway Catering Corp. v. Carla Inc.*, 215 USPQ 462, 465 (TTAB 1982) (“One’s wrongful intent to trade on the trademark or trade name of another is strong evidence that confusion is likely. Such inference is drawn from the imitator’s own expectation of confusion as to the source of his product”).

This *DuPont* factor is neutral.

H. Conclusion on Likelihood of Confusion

We have carefully considered all arguments and evidence of record. Based thereupon, we find that Applicant’s mark is similar to Opposer’s strong and distinctive mark; that Applicant’s goods are related to those of Opposer; and that Applicant’s services are overlapping and otherwise related to those of Opposer and may be encountered in the same channels of trade by common classes of consumers. The rest of the *DuPont* factors are neutral. Accordingly, we find that Opposer has carried its burden to establish by a preponderance of the evidence priority and likelihood of confusion, and that Applicant’s mark is likely to cause consumer confusion when used in association with the identified goods and services.

Decision: The opposition to registration of application Serial Nos. 85578671 and 85192659 is sustained on the ground of priority and likelihood of confusion.⁴⁰

Applicant’s counterclaim for cancellation of Opposer’s pleaded registrations on the ground of fraud is denied.

Footnotes

¹ In the Board’s September 1, 2017 order denying Opposer’s motion for summary judgment in Opposition No. 91217374, PayPal, Inc. was substituted for the original opposer Xoom Corp. on the basis of merger and assignment of its pleaded registrations, recorded on October 27, 2016 in the USPTO Assignment Recordation Branch at Reel/Frame 5910/0264. 80 TTABVUE 5.

² Prior to commencement of these proceedings, the involved applications were assigned from original Applicant Zoom Tan, LLC to ZT Holdings, LLC and the assignments were respectively recorded with the USPTO Assignment Recordation Branch at Reel/Frame 5280/0223 and 5281/0421. 61 TTABVUE 1, fn. 1.

³ These proceedings were consolidated in a July 15, 2016 Board order. 61 TTABVUE 5-6. Citations to the relevant pleadings, file history, evidentiary record and briefs are to the docket for the parent case, Opposition No. 91217374, unless otherwise noted.

⁴ Application Serial No. 85578671, filed March 23, 2012 pursuant to Trademark Act Section 1(a), 15 U.S.C. § 1051(a), based upon Applicant's assertion of January 15, 2012 as a date of first use of the mark in commerce in connection with the services.

⁵ Application Serial No. 86192659, filed February 13, 2014 pursuant to Trademark Act Section 1(b), 15 U.S.C. § 1051(b), based upon Applicant's assertion of a bona fide intent to use the mark in commerce in connection with the goods.

⁶ 1 TTABVUE.

⁷ Effective November 2, 2003, Trademark Rule 2.52, 37 C.F.R. §2.52, was amended to replace the term "typed" drawing with "standard character" drawing. A mark depicted as a typed drawing is the legal equivalent of a standard character mark.

⁸ Registration No. 2909931, issued December 14, 2004. Section 8 affidavit accepted; Section 15 affidavit acknowledged. First Renewal.

⁹ Registration No. 4012377, issued August 16, 2011. Section 8 affidavit accepted.

¹⁰ Registration No. 4226418, issued October 16, 2012. Section 8 affidavit accepted.

¹¹ 16 TTABVUE 73-75 (in Opposition No. 91217374).

¹² 4 TTABVUE; (9 TTABVUE in 91217374). Applicant also asserted as affirmative defenses various matters that it did not pursue by motion or at trial. Accordingly, they are deemed forfeited. *See Harry Winston, Inc. v. Bruce Winston Gem Corp.*, 111 USPQ2d 1419, 1422 (TTAB 2014) (pleaded affirmative defenses not pursued in the brief considered waived); *Research in Motion Ltd. v. Defining Presence Marketing Group Inc.*, 102 USPQ2d 1187, 1189-90 (TTAB 2012) (affirmative defenses not pursued at trial considered waived). Applicant further asserted as "affirmative defenses" matters that are more in the nature of amplifications of its denials and have been so construed.

¹³ 9 TTABVUE (in 91217374).

In Opposition No. 91217374, Opposer pleaded an additional registration (Reg. No. 4407099) that is not subject to Applicant's counterclaim.

¹⁴ Both parties presented arguments in their briefs directed toward the merits of the case in their respective descriptions of the record. While not prohibited by the Trademark Rules of Practice, we find these arguments to be redundant and unnecessary. See 37 C.F.R. § 2.126; see also TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE (TBMP) § 801.03 (2020) and authorities cited therein.

Citations in this opinion will be to the TTABVUE docket entry number and the electronic page number where the document or testimony appears. Because the Board primarily uses TTABVUE in reviewing evidence, the Board prefers that citations to non-confidential parts of the record include the TTABVUE docket entry number and the TTABVUE page number. Cf. TBMP § 801.01 (parties should cite to the record by referring to the TTABVUE entry and page number). We note that neither party cited to TTABVUE in its briefs.

¹⁵ The parties' submission during trial of portions of the records of the involved applications thus was duplicative and unnecessary.

¹⁶ We observe that the parties, Applicant in particular, presented arguments directed toward the merits of the case in the appendices to their briefs asserting objections to their adversary's testimony and evidence. While we do not view these arguments as a subterfuge to circumvent the page limits on briefs, see *Alcatraz Media, Inc. v. Chesapeake Marine Tours Inc.*, 107 USPQ2d 1750, 1753-54 (TTAB 2013) (appendices may not be used as a subterfuge to avoid the page limitation), *aff'd*, 565 F. App'x 900 (Fed. Cir. 2014) (mem.); *Harjo v. Pro-Football Inc.*, 45 USPQ2d 1789, 1792 (TTAB 1998) (same), we nonetheless find such arguments to be an unnecessary distraction from the evidentiary issues argued in the appendices.

¹⁷ 107 TTABVUE 56-94, Opposer's brief; 109 TTABVUE 55-83, Applicant's brief; 110 TTABVUE 55-70, Opposer's rebuttal brief.

¹⁸ Our decisions have previously analyzed the requirements of Sections 13 and 14 of the Trademark Act, 15 U.S.C. §§ 1063-64, under the rubric of "standing." Mindful of the Supreme Court's direction in *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 125-26 (2014), we now refer to this inquiry as entitlement to a statutory cause of action. Despite the change in nomenclature, our prior decisions and those of the Federal Circuit interpreting Sections 13 and 14 remain equally applicable.

¹⁹ 35 TTABVUE 21-43.

²⁰ 1 TTABVUE 32-34.

²¹ 16 TTABVUE 73-75 (in Opposition No. 91217374).

²² 86 TTABVUE 49-71.

²³ 109 TTABVUE 20-21.

²⁴ 109 TTABVUE 21.

25 109 TTABVUE 21-22.

26 We find that Mr. King has established a proper foundation for his testimony regarding his knowledge of events at Opposer and its predecessor prior to his hiring in 2005 as a result of his review of business records and familiarity with all aspects of Opposer's operations in his various executive positions with Opposer. 85 TTABVUE 2-4. *See, e.g., Ava Ruha Corp. v. Mother's Nutritional Ctr., Inc.*, 113 USPQ2d 1575, 1579 (TTAB 2015).

27 Because the TTAB is an administrative tribunal authorized solely to determine questions of trademark registrability, we consider Applicant's assertions solely as they apply to its claim of fraud, and do not otherwise opine on any of Opposer's asserted misrepresentations before the SEC.

28 109 TTABVUE 23-24.

29 109 TTABVUE 24.

30 109 TTABVUE 25.

31 109 TTABVUE 26.

32 109 TTABVUE 26.

33 In its brief, [109 TTABVUE 42 n.19] Applicant opines that "Xoom's goods and services related to electronic payments and bill payment remittance services may be cancelled merely for nonuse rather than deceptive intent." Applicant is mistaken. Deceptive intent is a crucial element of any fraud determination, and non-use is not before us as a separate ground for cancellation.

34 86 TTABVUE 49-71.

35 As a result, we need not consider the parties' arguments regarding Opposer's assertion of common law rights in its XOOM formative marks.

36 In its brief, Applicant asserts that it owns a "family of federal trademark registrations." [109 TTABVUE 14] However, Applicant has failed to establish, beyond mere assertion of ownership of a number of trademark registrations, existence of a family of ZOOM-formative marks. *Cf., e.g., Nike, Inc. v. WNBA Enterprises, LLC*, 85 USPQ2d 1187 (TTAB 2007). Applicant's assertions in this regard have otherwise been given no consideration.

³⁷ Because we find that Applicant's "electronic payment services by which customers may apply money from various sources through the use of biometric technology" at least overlaps, and may be legally identical to, the "electronic payment, namely, electronic processing and transmission of bill payment data" identified in Opposer's pleaded registration, we need not also determine the similarity or dissimilarity of the parties' remaining services. Similarity as to any of the goods or services identified in the application and registration will suffice as a basis for finding the respective goods to be similar for purposes of the second *DuPont* factor. See *Tuxedo Monopoly, Inc. v. Gen. Mills Fun Grp.*, 648 F.2d 1335, 209 USPQ 986, 988 (CCPA 1981); *In re Jump Designs LLC*, 80 USPQ2d 1370, 1374 (TTAB 2006). Nonetheless, we consider the parties' evidence on the remaining services for the sake of completeness.

³⁸ In light of the cited decisional law, Applicant is incorrect in its assertion that these thirdparty registrations have no probative value in the absence of "supporting evidence actually showing use of these marks in commerce." [109 TTABVUE 44]

³⁹ Applicant has included several pending applications for marks that have not registered. These applications are irrelevant. *In re Phillips-Van Heusen Corp.*, 63 USPQ2d 1047, 1049 n.4 (TTAB 2002) ("While applicant also submitted a copy of a third-party application ..., such has no probative value other than as evidence that the application was filed"); *Olin Corp. v. Hydrotreat, Inc.*, 210 USPQ 62, 65 n.5 (TTAB 1981) ("Introduction of the record of a pending application is competent to prove only the filing thereof").

Similarly, a cancelled registration "is evidence only of the fact that it previously existed." *UMG Recordings Inc. v. Mattel Inc.*, 100 USPQ2d 1868, 1872 n.2 (TTAB 2011). Any benefits conferred by the registration, including the evidentiary presumptions afforded by Section 7(b) of the Trademark Act, were lost when the registration expired; see also, e.g., *In re Inn at St. John's, LLC*, 126 USPQ2d 1742, 1745 (TTAB 2018) ("The existence of a cancelled registration--particularly one cancelled for failure to provide a declaration of continued use--does not tend to show that the cited mark is weak due to third-party use."). Finally, Applicant introduced a listing of live and dead registrations and pending applications from the Trademark Electronic Search System (TESS). [41 TTABVUE 151-167] In addition to the deficiencies discussed above, mere listings of or references to registrations are not sufficient to make the registrations of record. *In re Compania de Licores Internacionales S.A.*, 102 USPQ2d 1841, 1843 (TTAB 2012); *In re Hoefflin*, 97 USPQ2d 1174, 1177 (TTAB 2010). As a result, the list has no probative value.

⁴⁰ We do not reach the other ground for opposition, namely, that application Serial No. 86192659 is void ab initio because, as of the application filing date, Applicant lacked the requisite bona fide intent to use the ZOOMPAY mark in commerce in connection with the goods identified therein. "Like the federal courts, the Board has generally used its discretion to decide only those claims necessary to enter judgment and dispose of the case. . . [T]he Board's determination of registrability does not require, in every instance, decision on every pleaded claim." *Multisorb Tech., Inc. v. Pactiv Corp.*, 109 USPQ2d 1170, 1171 (TTAB 2013).

2021 WL 1221470 (Trademark Tr. & App. Bd.)

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