



November 2021

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The November 2021 issue of Sterne Kessler's MarkIt to Market® newsletter discusses the emergence of trademark filings for NFTs and a recent ITC patent infringement case regarding imported oil-vape cartridges.

Sterne Kessler's [Trademark & Brand Protection practice](#) is designed to help meet the intellectual property needs of companies interested in developing and maintaining strong brands around the world. For more information, please contact [Monica Riva Talley](#) or [Tracy-Gene G. Durkin](#).

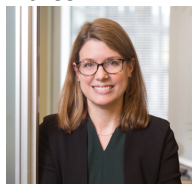
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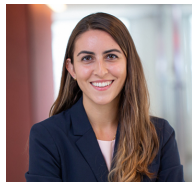
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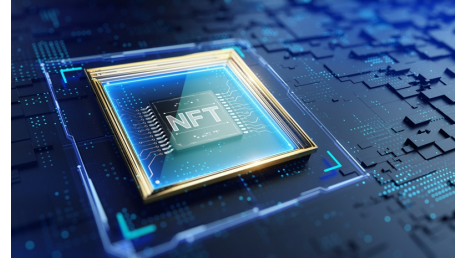
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**"SAY WHAT AGAIN?": PULP FICTION
SHOWS US WHERE NFTs MEET
TRADEMARK LAW**

By: [Kathleen Wills](#)

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ITC to Determine if Importing of Oil-Vape Cartridges to Go Up in Smoke

By: [Deborah Sterling, Ph.D.](#)

The ITC recently initiated an investigation into whether 38 manufacturers' imports of oil-vape cartridges used to smoke cannabis and THC infringe a series of utility and design patents held by Shenzhen Smoore Technology Limited.

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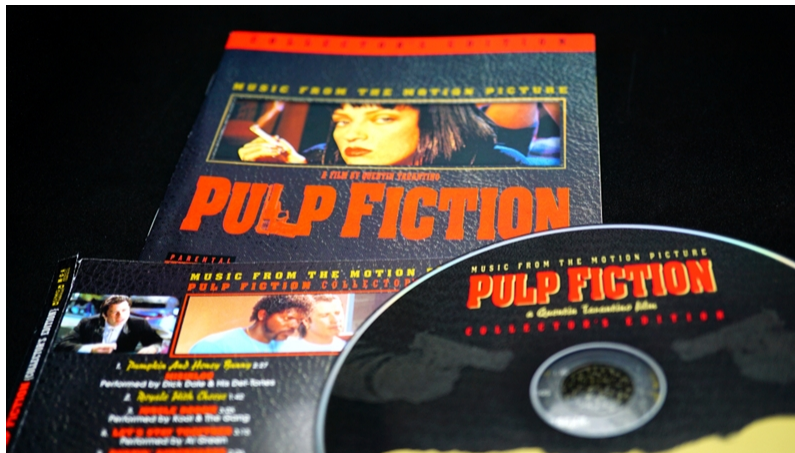
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"SAY WHAT AGAIN?": *PULP FICTION* SHOWS US WHERE NFTs MEET TRADEMARK LAW

By: [Kathleen Wills](#)

Quentin Tarantino, director of the 1994 *Pulp Fiction* movie, announced in a press release on November 2, 2021 that he was offering uncut, exclusive scenes to the movie as “secret NFTs.”¹ He and his organization launched a “Tarantino NFTs” Twitter account and website, <https://tarantinonfts.com/>, for the sale.²



That begs the question, what are NFTs?

I. NFTs and Secret NFTs

Non-fungible tokens (referred to as “NFTs”) are digital files that can represent art, audio, video, virtual gear, video game tokens, and other creative works which are purchased by blockchain technology. NFTs can be collected, displayed, and traded. “Minting” refers to the process of converting a digital file into a digital asset on blockchain, which allows NFTs to become unchangeable and, thus, readily authenticated with a recorded chain of title no matter how many times it is traded. With a plethora of online tutorials about creating NFTs and minting tools, individuals and entities can easily convert a file into an NFT.

In this case, Tarantino is offering these exclusive *Pulp Fiction* movie scenes as a specific type

of NFT – secret NFTs. Secret NFTs are a type of NFT with programmable privacy features that live on networks and are promoted by Secret Network. Secret Network is blockchain with data privacy by default (unlike typical public by default blockchain technology), where users can build applications with customized privacy settings. With these tokens, verifiability is not open to the public and creators can (1) choose who has full access to the content and (2) require purchase before viewing the full asset.³ Miramax, the producer of the movie that asserts ownership over the rights to the *Pulp Fiction* film, immediately filed suit against Tarantino, asserting claims for breach of contract, trademark infringement and unfair competition, and copyright infringement.⁴ According to the complaint, Tarantino granted Miramax all rights, including copyrights and trademarks to the film and stages of development and production, in exchange for valuable consideration. Tarantino reserved rights to the soundtrack album, music publishing, live performance, print publication, interactive media, theatrical and television sequel and remake rights, and television series and spinoff rights. Miramax argues that these *Pulp Fiction* NFTs do not count as publication (either printed or screenplay) and cannot be part of Tarantino's reserved rights because this sale is just a single transaction. Resolution of this case ultimately hinges on the question: who owns an NFT? That is a question that the District Court for the Central District of California will have the opportunity to answer (if the parties don't settle).

And this is likely just the first lawsuit regarding ownership over NFTs. NFTs are rising in popularity as artists are using this means to sell digital artwork. Artists like deadmau5 and Kings of Leon each released NFT packages branded under their trademarked artist names.⁵ Sales of NFTs exceeded \$2 billion in the first quarter of 2021, compared to a total of \$250 million in 2020.⁶ Fans are willing to pay millions of dollars for a single digital collectible. Christie's auction house sold Beeple's EVERYDAYS: THE FIRST 5000 DAYS for \$69 million. Other examples of these in-demand, high cost purchases include the famous "Charlie Bit My Finger" YouTube video, which sold for \$760,999, and the first ever tweet on Twitter, authored by Jack Dorsey, former CEO of Twitter, for \$2.5 million in a charity auction.

In the future of NFT litigation, retailers may be included as defendants, particularly if a creator is asking a court to order a permanent injunction to stop the sale of an infringing NFT. Various NFT platforms such as OpenSea and Auctionity operate as commercially operated online marketplaces for tokenized goods. On platforms like OpenSea, users can set up a wallet and create a collection of NFTs to allow for the purchase, bid, and offer for sale of NFTs. Although users can buy an NFT with any blockchain currency, Ethereum ("ETH") is currently the most popular choice, in part because purchase with it requires compliance with two standards: EIP-721 and EIP-1155, Ethereum Improvement Proposals, created in 2018.⁷ There are additional protections beyond the ETH proposals that creators and sellers can employ to better retain rights to their digital assets. Smart contracts can be embedded in an NFT that will automatically execute certain actions such as royalty payments with each subsequent sale. Language explicitly contemplating NFT use can also be incorporated in license agreements.

II. Takeaways

In addition to using smart contracts and licenses with NFTs, creators can protect qualifying digital assets with a trademark registration. Brand owners in the entertainment space are starting to think proactively about this new potential revenue stream, including filing new applications for marks covering NFTs. Trademark applications for NFTs typically fall under Classes 9 and 36 with a description for the goods and services using terms such as "Downloadable electronic data files," "non-fungible tokens," "digital art," and "Downloadable computer software or application software for blockchain-based platforms." In fact, entities have already begun to file separate trademark applications for their NFTs, including Mattel, Inc.; *Entertainment Weekly*; Legend Pictures, LLC; Lions Gate Entertainment Corp.; The Andy Warhol Foundation for the Visual Arts, Inc.; and Saks.com. Even OpeanSea, one of the NFT marketplaces described above, registered a trademark in Classes 35 and 42 for its services with NFTs and crypto collectibles.

Protecting an NFT with a trademark registration will better enable creators to enforce their rights against users who might be copying or selling without authorization, profiting off a brand's goodwill, and potentially weakening or diluting the marks. It also ensures that creators understand the scope of their rights *before* initiating a lawsuit. That way, creators can enforce their trademark against downstream traders for trademark infringement arguing that the sale or trade could deceive consumers as to the origin, source, sponsorship, or affiliation of the NFTs and cause consumers to believe that the NFTs are sold by the original creator.

For consumers of NFTs, don't be the next to ask, "Say What Again?" when intellectual property rights are mentioned in connection to these tokens. While NFTs are a new way of experiencing content, traditional trademark principles will likely continue to apply and govern the use and sale of NFTs. Before spending any Ethereum, consumers should be extra careful to determine whether their purchase of an NFT will confer any rights to them at all.

[1] *Quentin Tarantino Revealed as Iconic Artist Behind First-Ever Secret NFTs*, Secret Network, <https://scrt.network/blog/quentin-tarantino-revealed-as-iconic-artist-behind-first-ever-secret-nfts> (last accessed Nov. 19, 2021).

[2] *Miramax, LLC v. Tarantino*, Compl. at 14, ¶47 (C.D. Cal. 2021), referring to @TarantinoNFTs.

[3] *Secret NFTs*, Secret Network, <https://scrt.network/about/secret-nfts> (last accessed Nov. 19, 2021).

[4] *Supra* note 2 at 4-5, ¶¶20-21.

[5] *deadmau5 Releases Second Digital Blockchain Card Collection 'deadmau5: Series 2 Card Collection'*, GlobeNewswire, www.globenewswire.com/en/news-release/2021/08/30/2288106/0/en/deadmau5-Releases-Second-Digital-Blockchain-Card-Collection-deadmau5-Series-2-Card-Collection.html (Aug. 30, 2021); see also Samantha Hissong, *Kings of Leon Will Be the First Band to Release an Album as an NFT*, Rolling Stones, <https://www.rollingstone.com/pro/news/kings-of-leon-when-you-see-yourself-album-nft-crypto-1135192/> (last accessed Nov. 19, 2021).

[6] *USPTO trademarks on sale as NFTs; thousands of duplicate filings in China; Australia joins DesignView – news digest*, World Trademark Review, <https://www.worldtrademarkreview.com/anti-counterfeiting/uspto-trademarks-sale-nfts-thousands-of-duplicate-filings-in-china-australia-joins-designview-news-digest> (Sept. 14, 2021).

[7] EIP-721: Non-Fungible Token Standard, Ethereum Improvement Proposals, <https://eips.ethereum.org/EIPS/eip-721> (last accessed Nov. 19, 2021); EIP-1155: Multi Token Standard, Ethereum Improvement Proposals, <https://eips.ethereum.org/EIPS/eip-1155> (last accessed Nov. 19, 2021).

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The ITC is a powerful forum in which a patent owner can defend its domestic industry in the U.S. from infringing imported products. Investigations before the ITC are shorter and move faster than in other fora. An ITC action from complaint to resolution is typically completed within nine months, whereas it can take up to three years to complete a trial when a complaint is filed in district court. This speed often gives patent owners more leverage than they would have in district court proceedings.

Considered to typically be a complainant-friendly agency, the ITC cannot award money damages to patent owners, but can grant exclusion orders that ban products from entering the US, and cease-and-desist orders that prevent distribution of already-imported product inventories.

Shenzhen filed its complaint in October seeking a limited exclusion order and a cease and desist order prohibiting the entry of cannabis vaping cartridges and their components, such as atomizers and mouth pieces, into the U.S. Oil-vape cartridges are small units that are filled with oil and then attached to a battery component that heats up the oil and releases the active ingredients in a vapor form that users can inhale.

According to Shenzhen, its technology is commonly used in both medical and recreational cannabis in the states that authorize such use. Shenzhen expresses concern that the accused products “are usually low quality copies” of Shenzhen’s technology, the use of which poses “great risks to the health of the general public.” Shenzhen submits that it and its U.S. distributors have “more than adequate production capacity to meet any increase in demand of the [] vaping cartridges if the Requested Remedies were granted.”

As more U.S. states make medical and recreational cannabis products legal, we can expect a parallel increase in imported vape product components – infringing or otherwise. This case will be insightful for other patent owners having a domestic industry in the U.S. as to the likelihood of keeping infringing products at bay. We will keep you updated as the case proceeds.

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