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15 **UNITED STATES DISTRICT COURT**
16 **CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION**

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18 SHO PRODUCTS, LLC, a New York
limited liability company,

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Plaintiff,

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v.

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PUFF CORP., a Delaware corporation,

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Defendant.

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25 Plaintiff SHO Products, LLC (“SHO” or “Plaintiff”) files this First Amended
26 Complaint for Patent Infringement and Jury Demand against Defendant Puff Corp.
27 (“Puffco” or “Defendant”) and alleges as follows:
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Case No. 2:22-cv-06709-GW-KS

**FIRST AMENDED COMPLAINT
FOR PATENT INFRINGEMENT**

DEMAND FOR JURY TRIAL

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NATURE OF SUIT

1. This is an action for patent infringement under the Patent Laws of the United States of America, 35 U.S.C. §§ 101 et seq. Defendant has engaged in deliberate, willful, and ongoing infringement of U.S. Patent 10,271,579, titled “Removable Cup Atomizer” the “’579 Patent”), including by marketing, selling, offering for sale, and/or importing into the United States the an atomizer covered by one or more claims of the ’579 Patent (the “Peak atomizer”), either alone or as a component of the Peak vaporizer.

THE PARTIES

2. Plaintiff SHO is a New York limited liability company with its principal place of business at 1602 Lockness Place, Torrance, California 90501.
3. On information and belief, Defendant Puffco is a Delaware corporation with its principal place of business at 1201 West 5th Street, Suite 800, Los Angeles, California 90017.

JURISDICTION AND VENUE

4. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331 and 1338(a) because these claims arise under the patent laws of the United States, as enacted under Title 35 of the United States Code.
5. Venue is proper in this district under 28 U.S.C. § 1400(b) because, on information and belief, Defendant resides in this District, and/or because Defendant committed acts of infringement in this District and has a regular and established place of business in this District.
6. The Court has personal jurisdiction over Defendant because, on information and belief, its principal place of business is located in this District, it committed acts of infringement in this District, and it marketed and sold the infringing products to consumers in this District.

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THE '579 PATENT

7. The '579 Patent, titled "Removable Cup Atomizer," duly and lawfully issued on April 30, 2019. The '579 Patent is generally directed towards a removable cup atomizer that is configured to accept an amount of matter that is heated by a vaporizer device, vaporized, and may be inhaled by a user. A true and correct copy of the '579 Patent is attached hereto as Exhibit A and incorporated by reference. The '579 Patent is valid and enforceable.

8. The '579 Patent was originally assigned to DC8 Distribution Inc. On or about July 8, 2019, DC8 assigned all rights, title, and interest in the '579 Patent to New Method Group, LLC ("NMG").

9. At that time, SHO had already begun discussing with NMG the possibility of entering into an exclusive license agreement.

10. On June 1, 2019, SHO entered into a Distribution Rights and Option Agreement with Focus V, LLC, an affiliate of NMG, under which SHO took control of and operated the Focus V Instagram account.

11. On July 16, 2019, the Focus V Instagram, operated by SHO, account posted a picture including the abstract and patent number of the '579 Patent, with the caption, "Remember it's not how you start it's how you finish." A copy of that Instagram post is attached hereto as Exhibit B.

12. In or around August of 2019, SHO negotiated an exclusive license agreement with NMG for the '579 Patent.

13. On August 18, 2019, with SHO having reached agreement with NMG on the terms of the exclusive license agreement and anticipating closing in a few days, SHO posted on the Focus V Instagram account the same image of the '579 Patent, this time with a caption consisting of three "wide-eyes" emojis and including the hashtag #puffpuffcopass. A copy of that Instagram post is attached hereto as Exhibit C.

1 14. On or about August 20, 2019, NMG entered an exclusive license
2 agreement granting SHO, *inter alia*, “an irrevocable exclusive (including as to
3 Licensor) world-wide sublicensable ... license” to the ’579 Patent. A copy of this
4 agreement (the “License Agreement”) is attached hereto as Exhibit D.

5 15. The License Agreement includes an anti-assignment provision, Section
6 5.1, that reads as follows:

7 5.1 Anti-Assignment of Licensor’s Patents. Licensor may not assign
8 or otherwise transfer any rights or title to U.S. Patent No. 10,271,579
9 (the “’579 Patent”) or any patent or patent application claiming priority
10 to the ’579 Patent during the Term, without the prior written consent of
11 Licensee (which consent may be withheld, including to prevent
12 material harm to Licensee’s (a) business interests and (b) interests in
13 the Patent Rights under this Agreement). Any purported assignment or
14 transfer of the rights to the ’579 Patent (or any patent or patent
15 application claiming priority to the ’579 Patent) to a third party without
16 Licensee’s prior written consent in violation of this Section 5.1 shall be
17 void or invalid and have no force or effect.

18 16. The License Agreement includes a provision, Section 6.1(a), requiring
19 NMG, as the patent’s owner and “Licensor”, to “prepare, file, prosecute, and
20 maintain such Patent Rights at its sole cost and expense using reasonable care and
21 skill and using counsel reasonably acceptable to Licensee.”

22 17. The License Agreement includes a provision, Section 7.2, granting
23 SHO “the first right, but not the obligation, to bring an infringement action to
24 enforce any Patent Rights, to defend any declaratory judgment action concerning
25 any Patent Rights, and take any other lawful action reasonably necessary to protect,
26 enforce, or defend any Patent Rights, and to control the conduct thereof.

27 18. The License Agreement includes a provision, Section 7.3(b), stating
28 that in the event SHO as Licensee undertakes the enforcement or defense of any

1 Patent Rights, “any recovery, damages, or settlement derived from such suit, action,
2 or other proceeding will be applied first in satisfaction of any costs and expenses,
3 including all attorneys’ fees, of Licensee, with any remaining amounts shared fifty
4 percent (50%) Licensor and fifty percent (50%) Licensee.

5 19. The License Agreement includes a severability provision, Section
6 14.11, that reads as follows, in relevant part:

7 14.11 Severability. If any term or provision of this Agreement is
8 invalid, illegal, or unenforceable in any jurisdiction, such invalidity,
9 illegality, or unenforceability will not affect any other term or provision
10 of this Agreement or invalidate or render unenforceable such term or
11 provision in any other jurisdiction.

12 20. On information and belief, discovery will confirm that at all relevant
13 times, Puffco regularly and continually reviewed the social media accounts and
14 other internet presences of its direct competitors in the electronic vaporizer field,
15 including Focus V.

16 21. On information and belief, discovery will confirm that at all relevant
17 times, Puffco regularly and continuously monitored social media, and the internet in
18 general, for hashtags and other references to it, its products, and/or its competitors.

19 22. On information and belief, NMG informed Puffco no later than January
20 2020 that the Focus V Instagram Account was operated by SHO.

21 23. On February 17, 2022, Puffco sent SHO a cease-and-desist letter
22 alleging infringement of U.S. Patent No. 10,517,334 (“the ’334 Patent”) by SHO’s
23 Carta 2 vaporizer. In that cease-and-desist letter, Puffco included a screenshot of a
24 Focus V Instagram post, confirming that Puffco (1) is aware of and reviews SHO’s
25 Focus V Instagram posts, and (2) is aware that the Focus V Instagram is operated by
26 SHO. A copy of this cease-and-desist letter is attached hereto as Exhibit E.

27 24. In its complaint against SHO for infringement of U.S. Patent No.
28 10,517,334 (“the ’334 Patent”) in related Case No. 2:22-cv-2008 (C.D. Cal.) (“the

1 '334 Litigation”), Puffco alleged on information and belief that SHO is “involved
2 with operating, managing, and/or controlling several website and distribution
3 channels, including ... the brand “Focus V” and related website <https://focusv.com/>,
4 among others.”

5 25. On information and belief, discovery will confirm that Puffco, through
6 its regular review of social media accounts and the internet, knew or should have
7 known that as of August 2019, the '579 Patent was associated with the Focus V
8 Instagram account, and that the Focus V Instagram account was associated with
9 SHO.

10 26. On information and belief, discovery will confirm that Puffco
11 employees viewed the Instagram posts attached hereto as Exhibits B and C, and
12 based on that information, either knew or should have known that Focus V, and by
13 extension SHO, had obtained an interest in the '579 Patent.

14 27. From the date of the exclusive license agreement through March 2,
15 2022, SHO and Focus V made, had made, imported, and/or sold atomizers for
16 electronic vaporizers covered by the '579 Patent. These atomizers included at least
17 the atomizer for the Carta OG vaporizer that Puffco alleges to infringe the '334
18 Patent in the '334 Litigation.

19 28. On information and belief, discovery will confirm that Puffco regularly
20 and continually reviews and analyzes electronic vaporizer products made by its
21 competitors, including SHO and Focus V.

22 29. On information and belief, Puffco received a notice of infringement of
23 the '579 Patent from NMG on or around October 22, 2019, putting Puffco on notice
24 of the '579 Patent at least as early as that date.

25 30. On information and belief, discovery will show that based on Puffco’s
26 knowledge of the '579 Patent and of SHO’s sales of atomizers covered by the '579
27 Patent, Puffco either knew or should have known prior to March 1, 2022, that SHO
28 had obtained an interest in the '579 Patent.

1 31. On information and belief, on or around March 1, 2022, NMG executed
2 a contract with Puffco (the “Patent Purchase Agreement”) purporting to sell the ’579
3 Patent to Puffco.

4 32. On information and belief, for at least the reasons stated in this
5 Amended Complaint, as of March 1, 2022, Puffco either knew or should have
6 known of NMG’s licensing of the ’579 Patent to SHO.

7 33. On March 2, 2022, Puffco recorded the purported assignment of the
8 ’579 Patent from NMG to Puffco. That assignment was previously filed on the
9 docket in this lawsuit at Dkt. 16-3.

10 34. On information and belief, on March 4, 2022, NMG manager Christina
11 Massaro informed Puffco that it has an active license agreement for the ’579 Patent,
12 and informed Puffco that NMG would be voiding the sale of the ’579 Patent to
13 NMG.

14 35. Because, on information and belief, Puffco had actual, constructive, or
15 inquiry notice of SHO’s interest in the ’579 Patent, Puffco was not a “subsequent
16 purchaser or mortgagee for a valuable consideration, without notice [of SHO’s
17 interest]” of the ’579 Patent.

18 36. In the alternative, if Puffco is found to be a “subsequent purchaser or
19 mortgagee for a valuable consideration, without notice,” the anti-assignment
20 provision of the License Agreement is severable from SHO’s interest in the ’579
21 Patent, remains enforceable, and renders the purported March 2, 2022 assignment to
22 PuffCo void.¹

23 _____
24 ¹ SHO recognizes that this position may be inconsistent with the Court’s Order
25 regarding the effect of the bona fide purchaser defense on the anti-assignment clause
26 as set forth at Dkt. 37 at 9. SHO respectfully intends to seek reconsideration on this
27 issue based on the factual allegations of severability and issues of statutory
28 interpretation not addressed by the Court on Defendant’s previous motion to
dismiss, and intends to fully brief this issue in its opposition to Defendant’s
anticipated renewed motion to dismiss.

1 37. On March 12, 2022, Randall Elkins, a manager of NMG, filed with the
2 Patent Office a “Declaration of Patent Application Owner Under MPEP S323.01(c)
3 Regarding Assignment Improperly Recorded By Another Person Against Owner’s
4 Patent” stating that the March 2, 2022 assignment recorded by Puffco is invalid and
5 was improperly recorded. That document was previously filed on the docket in this
6 lawsuit at Dkt. 28-4.

7 38. On information and belief, on June 2, 2022, the Assignment
8 Recordation Branch of the U.S. Patent and Trademark Office found the March 12,
9 2022 Declaration unrecordable for failure to follow certain formal requirements.

10 39. On July 9, 2022, Randall Elkins filed a second Declaration of Patent
11 Owner Under MPEP §323.01(c) Regarding Improperly Recorded Assignment
12 Against Owner’s Interest, stating again that the March 2, 2022 assignment to PuffCo
13 was invalid and erroneously recorded. That document was previously filed on the
14 docket in this lawsuit at Dkt. 28-5.

15 40. Because, pursuant to the anti-assignment clause of the License
16 Agreement, NMG had no legal right to assign the ’579 Patent to Puffco, the March
17 2, 2022 assignment from NMG to Puffco was void.

18 41. In the alternative, because, on information and belief, Puffco’s March
19 2, 2022 assignment was either void or voidable at NMG’s option, and NMG voided
20 Puffco’s March 2, 2022 assignment, NMG owned all rights, title, and interest in the
21 ’579 Patent as of at least July 9, 2022, to the extent that any right, title, and interest
22 had not previously been granted to SHO through the License Agreement.

23 42. On September 12, 2022, NMG assigned to SHO all rights, title and
24 interest in the ’579 Patent, including all rights to enforce and prosecute actions for
25 infringement and to collect damages for all relevant times against infringers of the
26 ’579 Patent.

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1 43. On September 12, 2022, SHO recorded the assignment of the '579
2 Patent to SHO. That assignment was previously filed on the docket in this lawsuit at
3 Dkt. 28-6.

4 44. Accordingly, at all relevant times, SHO possessed and possesses the
5 right and standing to prosecute the present action for infringement of the '579
6 Patent.

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THE INFRINGING PRODUCT

9 45. Defendant has been directly infringing and continues to directly
10 infringe one or more claims of the '579 Patent, including in this District, by making,
11 using, offering to sell, selling and/or importing, without limitation, at least the Peak
12 atomizer, either alone or as a component of the Peak vaporizer, covered by one or
13 more claims of the '579 Patent.

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 46. Claim 10 of the '579 Patent recites:

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 A removable cup atomizer comprising:

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 a cylindrical body having a hollow interior;

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 a heating element positioned in the hollow interior;

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 a connection means connected to a bottom portion of the cylindrical

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 body, wherein the connection means is configured to electrically

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 connect to electrical power to heat the heating element; and

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 a removable cup that is separate and independent from the heating

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 element, where the removable cup is one piece and has side walls

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 and a bottom and the removable cup is touching the heating

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 element, wherein the removable cup is configured to accept an

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 amount of matter which is heated during operation via thermal

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 conduction from the heating element such that the amount of

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 matter is vaporized and may be inhaled by a user.

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1 47. As set forth in the claim chart attached hereto as Exhibit F and
2 incorporated by reference, the Peak atomizer infringes at least claim 10 of the '579
3 Patent, literally or under the doctrine of equivalents. Specifically, Defendant makes,
4 uses, sells, offers for sale, and/or imports into the United States an atomizer that
5 embodies each limitation of at least claim 10 of the '579 Patent, alone and as a
6 component of the Peak vaporizer, including on Defendant's website at
7 <https://www.puffco.com/products/the-peak-atomizer>.

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DEFENDANT HAD NOTICE OF ITS
INFRINGEMENT

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11 48. Defendant has infringed the '579 Patent despite its awareness both of
12 the patent, and notice from SHO and SHO's predecessor-in-interest regarding
13 specifics of its infringement.

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15 49. On information and belief, in or about January 2018, Defendant
16 launched the Peak vaporizer, including an atomizer covered by one or more claims
17 of the '579 Patent. SHO's predecessor-in-interest, NMG gave written notice to
18 Defendant regarding its infringement of the '579 Patent on or about October 22,
19 2019. SHO thereafter gave further written notice to Defendant regarding its
20 infringement of the '579 Patent on or about May 6, 2022.

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CLAIM FOR RELIEF
INFRINGEMENT OF THE '579 PATENT
(35 U.S.C § 271)

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24 50. SHO repeats, realleges, and incorporates by reference, as if fully set
25 forth herein, the allegations of paragraphs 1 through 14, as set forth above.

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27 51. On April 30, 2019, the Patent Office duly and legally issued the '579
Patent.

1 52. SHO is the owner, by assignment, of all right, title, and interest in and
2 to the '579 Patent, including, but not limited to, the right to recover damages for past
3 and future infringement.

4 53. The infringing Peak atomizer meets each element of at least claim 10 of
5 the '579 Patent. By way of non-limiting example, a chart setting out the elements of
6 claim 10 of the '579 Patent, and some, but not all, representative corresponding
7 infringing elements of the Peak atomizer, is attached hereto as Exhibit F.

8 54. Defendant has been, and is, directly and/or indirectly infringing,
9 literally and/or under the doctrine of equivalents, the '579 Patent in violation of 35
10 U.S.C. § 271 by, among other things, selling, offering for sale, and/or importing into
11 the United States the Peak atomizer, either alone or as a component of the Peak
12 vaporizer, as described above.

13 55. On information and belief, Defendant's making, using, offering to sell,
14 and/or selling of the infringing Peak atomizer has been and continues to be without
15 authority of any person who had authority to permit Defendant to practice the
16 invention of the '579 Patent.

17 56. At least since October 22, 2019, Defendant's acts of infringement of
18 the '579 Patent have been committed and are being committed with full knowledge
19 and notice of SHO's rights in and to the '579 Patent including, but not limited to, the
20 claims set forth therein.

21 57. As a direct and proximate result of Defendant's infringement of the
22 '579 Patent, SHO has suffered and continues to suffer damage. Among other things,
23 SHO is entitled to recover from Defendant its lost profits, and no less than a
24 reasonable royalty, in an amount to be determined at trial.

25 58. As a direct and proximate result of Defendant's acts of infringement,
26 SHO has been irreparably harmed and will continue to be harmed unless and until
27 the infringing acts are enjoined and restrained by order of this Court.

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DEMAND FOR JURY TRIAL

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, SHO demands a trial by jury on all issues so triable.

Dated: February 13, 2023

Respectfully submitted,

ZUBER LAWLER LLP
JOSHUA M. MASUR
BRIAN J. BECK
AMROH F. IDRIS

By: /s/ Brian J. Beck
Attorneys for Plaintiff SHO Products, LLC