

Trademark strategies for emerging marijuana businesses

By Kieran G. Doyle, Esq.
Cowan, Liebowitz & Latman

Companies entering into the emerging and potentially massive market for medical and recreational marijuana products and services will face unique challenges when attempting to register their trademarks with the U.S. Patent and Trademark Office because the USPTO requires “lawful use in commerce” for registered marks.

For decades, marijuana-themed magazines, pipe and rolling paper companies, and manufacturers of grow lights have successfully registered their trademarks with the USPTO. Likewise, marks used for marijuana-themed educational and entertainment services have been registered with relative ease by the USPTO.

even implicate the Controlled Substances Act. For example, if you applied to register a mark for seminars and conferences and the USPTO determined from your specimen of use, or its own Web research, that your seminars and conferences were in some way related to marijuana, you would probably be asked to clarify that the seminars and conferences did not include the distribution or display of marijuana.

A simple and honest response to that effect, along with an amendment of your description of services to clarify that issue, would satisfy the concerns of the USPTO and, barring any other problems with your application, you would soon be granted a U.S. trademark



REUTERS/Laszlo Balogh

From a trademark registration perspective, could marks used in connection with marijuana goods or services be said to be used lawfully in commerce?

At best, the USPTO would treat applications covering such products and services no differently than any other consumer goods or entertainment service. At worst, and more recently, the USPTO has asked whether the goods or services at issue violate the federal Controlled Substances Act, 31 U.S.C. § 801-971.

Most applicants who have been faced with these inquiries have been able to simply explain that although their goods and services were related, in some way, to a controlled substance, they did not violate or

registration. Or, in your description of services, you could preemptively include language such as “not including the provision of marijuana, marijuana-based preparations or marijuana extracts or derivatives.”

But what if you want to sell medical or recreational marijuana in states that permit those sales? For a business like this, the options for trademark protection may be more limited and the pathway toward legitimacy in the eyes of the USPTO may be a rocky one.

LAWFUL USE IN COMMERCE

The Lanham Act has been interpreted by the USPTO and courts to allow only for the registration of trademarks used lawfully in commerce.² “Commerce” is defined in the Lanham Act as “all commerce which may lawfully be regulated by Congress.”³

With that in mind, consider the landscape in which marijuana businesses operate. The Controlled Substances Act is the federal statute that prohibits the manufacture, distribution, possession and sale of marijuana, cocaine, heroin and scores of other substances.⁴

If this were the end of the story, there would be no question that the USPTO would reject an application covering the sale or distribution of medical or recreational marijuana. But the Controlled Substances Act is not the only law in the land.

It has long been the case that federal law enforcement has dedicated less effort and resources to addressing the sale and distribution of marijuana, which are considered to be at a relatively low level as compared with the sale and distribution of cocaine and heroin. These hands-off



Kieran G. Doyle, a partner with **Cowan, Liebowitz & Latman** in New York, counsels clients regarding trademark clearance, registration, prosecution, licensing and protection. He litigates intellectual property and product labeling matters in federal and state courts and represents brand owners before the Trademark Trial and Appeal Board.

practices became more formalized under the Obama administration. Most notably, memoranda from the U.S. Department of Justice established a hands-off policy of federal deference to state regulation of marijuana sales and distribution, provided certain criteria were satisfied.

In the most recent memo dated Aug. 29, 2013, the DOJ identified eight core objectives that it had followed for years to determine when to prosecute the sale and distribution of marijuana and when to leave such prosecution to state law enforcement.⁵ The DOJ memo set forth a policy of not prosecuting marijuana distributors if they were operating within a state that adopted and enforced effective laws that satisfied the eight core objectives and if the conduct at issue did not, in fact, interfere with these objectives.

As a result, in 21 states medical marijuana now has been “legalized,” and in two states recreational marijuana has been “legalized.” This patchwork of marijuana policies has created remarkable business opportunities, but it presents unique challenges to persons who want to avail themselves of those opportunities and participate in the emerging marijuana economy.⁶

MARIJUANA-RELATED TRADEMARKS

For many companies, particularly those dealing in consumer goods or offering retail services, their brands and trademarks are their most valuable assets. And companies catering to the marijuana counterculture have aggressively and successfully protect their trademarks.

For example, Trans-High Corp., publisher of “High Times” magazine, owns 22 federal trademark registrations for scores of goods and services in the United States alone.⁷ Some of these goods and services clearly relate only tangentially to marijuana. Others more directly relate to marijuana and the decades-old debate over its legalization, virtues and history. But none would be implicated by even the most aggressive enforcement of the Controlled Substances Act.

The same could not be said for trademarks used in connection with the sale or distribution of marijuana. Comprehensive and aggressive enforcement of the Controlled Substances Act would clearly result in a crackdown on such activities. From

a trademark registration perspective, could marks used in connection with marijuana goods or services be said to be used lawfully in commerce?

In the patchwork world of state legalization, billions of dollars are being invested in legitimate marijuana distribution businesses that are following the letter of state law, while the ability of these businesses to fortify and protect their brands in the USPTO is uncertain. Does “lawful use” embrace or exclude use that fully complies with state law and that fully satisfies the Department of Justice’s eight objectives but nonetheless runs afoul of the currently neutered Controlled Substances Act? This is the billion-dollar question with which the USPTO and private enterprise will wrestle over the next several years.

Speculation aside, businesses entering the marijuana economy at the moment are faced with unique challenges in crafting a trademark strategy.

A brand owner with only common-law rights can find itself in an ongoing land rush to establish and re-establish its rights in new states as the march toward marijuana reform continues across the country.

WHY DOES FEDERAL TRADEMARK REGISTRATION MATTER?

If you are the first to use a mark in the United States, the general rule is that you have common-law rights with respect to the goods and services for which you use that mark. And we know that with such rights established, you can prevent others from using that mark on or in connection with the same or similar goods or services. So why should you care if the USPTO refuses to register your mark for the sale or distribution of marijuana? There are several reasons.

First, common-law rights are limited to the geographic area in which the mark has actually been used or to which you might naturally expand, whereas a federal trademark registration grants rights throughout the entire country.⁸

So a brand owner with only common-law rights can find itself in an ongoing land rush to establish and re-establish its rights in new states as the march toward marijuana reform continues across the country. In contrast,

a federal trademark registration would, if available, establish the rights coast-to-coast once and for all.

Second, remedies and resources are available to a federal trademark registrant that are not available to those with only common-law rights. For example, the federal anti-counterfeiting statutes permit the recovery of treble damages, statutory damages, attorney fees and even the cooperation of law enforcement in confiscating counterfeits and prosecuting pirates. Obviously these remedies and resources would make a successful lawsuit all the more rewarding. Even the simple threat of a counterfeiting claim can do wonders to bring about early settlement of a litigation or even pre-litigation resolution of a potential trademark dispute. But only federal trademark registrants can bring federal anti-counterfeiting cases.⁹

Third, federal registrations carry with them evidentiary presumptions that could make

the costly, burdensome and unpredictable world of litigation a little less expensive, disruptive and uncertain.

Finally, even absent a counterfeiting threat, the invocation of a federal trademark registration may cause infringers to take your demand letters more seriously.

These are not the only advantages of a federal registration, but they are among the most significant.

STRATEGIES FOR SUCCESSFUL TRADEMARK PROTECTION

While the issues surrounding marijuana marks wind their way through the USPTO and the courts, billions of dollars will not wait on the sidelines of the marijuana economy. So how can you protect your brand in this uncertain trademark environment?

You may want to take your chances with a USPTO application since the future is uncertain and the cost of filing a federal application is relatively modest. A carefully crafted trademark application (and skillfully

presented arguments if it is initially rejected) might prove successful.

You also should proceed wisely within the common-law and state law frameworks so you can protect your trademarks against competitors in your geographic area, even if you can't secure a federal trademark registration. Here are some practical suggestions:

Clear your marks

Just as you can develop trademark rights without filing a federal trademark application, those who have come before you can too. You are not free to simply choose a mark you like and start using it. If someone else used or applied to register a mark before you, that person is the trademark owner and you are the infringer.¹⁰ So before you begin using a mark, you should perform a search to see whether anyone has already used or applied to register your mark or one confusingly similar to it.

Federal registration in the USPTO

Even though the USPTO may never issue trademark registrations for marks used to indicate the source of marijuana or marijuana products or distribution services, you never know. Since the future is uncertain, and since the filing of an intent-to-use application gives you a priority date as of the application filing date, you may want to consider the USPTO route. Of course, your filing-date priority does not become effective until you use your mark and a registration issues. But, in the meantime, those who encounter your pending application while conducting their own trademark searches may decide to avoid your mark and chose another one. Or the USPTO may cite your mark against applications to register similar marks that come after yours.

Common-law rights

Once you have selected and cleared your mark, start using it. By using your mark in commerce as a source identifier, you will develop common-law rights in that mark. Such rights will give you exclusive control

over your mark and enable you to stop infringers. However, your common-law rights will be only as broad as the geographic scope of your use. If you are using your mark only locally within one or two states, your rights will be limited to those one or two states. So you would be well advised to sell your goods or offer your services as broadly as legally and practically possible as soon as possible.

State registration

USPTO registration aside, those states in which marijuana and marijuana distribution services have been legalized probably will grant trademark registrations. So you should consider developing a patchwork of state registrations. The one significant shortcoming of the state trademark system is that none of the states will accept intent-to-use applications. You must wait until you have actually begun use in a state before you can apply to register your mark in that state. At best, this will be an inconvenience. At worst, it will create land rush after land rush as new territories geographic areas.

CONCLUSION

The current tension between federal and state laws regulating marijuana businesses and fast-changing political and social forces have created an uncertain legal terrain for federal trademark registrations. Nonetheless, you can take steps to maximize the protection of your marijuana business trademarks. **WJ**

NOTES

¹ Currently, 21 states and the District of Columbia have legalized medical marijuana. Colorado and Washington have legalized recreational marijuana.

² *Gray v. Daffy Dan's Bargaintown*, 823 F.2d 522, 526, 3 USPQ2d 1306, 1308 (Fed. Cir. 1987) (stating that "[a] valid application cannot be filed at all for registration of a mark without 'lawful use in commerce'"); TMEP § 907; see *In re Stellar Int'l*, 159 USPQ 48, 50-51 (T.T.A.B. 1968); *CreAgri Inc. v. USANA Health Sc. Inc.*, 474 F.3d 626, 630, 81 USPQ2d 1592, 1595 (9th Cir. 2007).

³ 15 U.S.C. § 1127.

⁴ 21 U.S.C. § 801-971.

⁵ The eight objectives are:

- Preventing the distribution of marijuana to minors
- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels
- Preventing the diversion of marijuana from states where it is legal under state law in some form to other states
- Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity
- Preventing violence and the use of firearms in the cultivation and distribution of marijuana
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use
- Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands
- Preventing marijuana possession or use on federal property

⁶ For example, such businesses will face hurdles opening bank accounts, renting space for their businesses, establishing relationships with credit card companies and possibly securing patents.

⁷ The author has represented Trans-High in connection with its trademark program since 1998.

⁸ Some may argue that this alone justifies a USPTO policy of refusing to register marks for marijuana or marijuana distribution — in other words, since marijuana is illegal in more than half the country, it is improper for the USPTO to grant national rights for the use of a mark in connection with the sale or distribution of marijuana. But doesn't the USPTO already issue registrations covering goods that are illegal in some states? Think of "Caesars" for casino services, "Fuzzbuster" for radar detectors, "BlackCat" for consumer fireworks, and "Mustang Ranch" for prostitution and brothel services.

⁹ State registrations can be used as the basis for a state counterfeiting case, but not a federal one.

¹⁰ Of course, infringement requires that the mark is confusingly similar and the goods and services are similar or related.