

## EXPERT ANALYSIS

### Hazy Future for Federal Registration of Marijuana Marks

By Marsha Gentner, Esq.  
*Dykema*

By now you may have heard that the U.S. Patent and Trademark Office will refuse registration of any trademark application that identifies marijuana or marijuana-related goods or services.

Underlying this agency policy is the Lanham Act's requirement that a federal trademark registration issue only for a mark that is, or is intended to be, the subject of a bona fide "use in commerce."

For more than 50 years, the PTO has consistently held that the use in commerce necessary to confer federal registration must be lawful under federal law. In *Coahoma Chemical Co. v. Smith*, 114 U.S.P.Q. 413 (Comr. 1957), a trademark's registration was canceled because the only use prior to registration failed to comply with registration requirements of the Federal Economic Poisons Act.

Earlier this year, the PTO's Trademark Trial and Appeal Board reaffirmed this long-established legal principle in *In re Brown*, 119 U.S.P.Q.2d 1350 (T.T.A.B. July 14, 2016).<sup>1</sup>

The TTAB held that because the sale or distribution of marijuana violates the federal Controlled Substances Act, the use of a mark in connection with marijuana products or services cannot support federal registration — even if such use is lawful under a particular state's marijuana laws.

The TTAB's decision in *Brown* left open an issue that could create a path to registration: namely, "whether use not lawful under federal law, but not prosecuted by federal authorities, is thereby rendered sufficiently lawful to avoid the unlawful use refusal."

In *Brown*, the TTAB expressly declined to answer this question.

The "but not prosecuted by federal authorities" language was a reference to the "Cole memorandum" — a U.S. Department of Justice memorandum issued by Deputy Attorney General James M. Cole addressing the enactment of medical marijuana laws in certain states.

The Cole memorandum affirmed the illegality of marijuana under the CSA, but set out federal "enforcement priorities" "to guide the department's enforcement of the CSA against marijuana-related conduct."

Simply stated, under the Cole memorandum, marijuana businesses that fully comply with state marijuana laws are not to be criminally prosecuted under federal law.

However, the TTAB firmly closed this path to federal registration of marijuana marks in *In re JJ206 LLC*, 120 U.S.P.Q.2d 1568 (T.T.A.B. 2016), an October case in which the TTAB rejected applications to register "Powered by JuJu" and "JuJu Joint" marks.

Directly addressing the argument that the Cole Memorandum permits such registrations, the TTAB flatly rejected the contention that use and intended use of a mark in connection with marijuana products or services in compliance with state law could be "lawful based on the [Cole] memorandum, as the memorandum does not and cannot override the CSA."



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## REGISTRATION DOOR MAY STILL BE OPEN

Following *JJ206*, the door may still be open for federal trademark registration of marijuana marks, but only by a crack.

In Section 538 of the Continuing Appropriations Act of 2015, Congress included the following statutory proscription:

None of the funds made available in this act to the Department of Justice may be used, with respect to the states of .... [listing the states where medical marijuana had been legalized], to prevent such states from implementing their own state laws that authorize the use, distribution, possession or cultivation of medical marijuana.

At least one federal district court has held this legislation reflects “Congress’ policy choice, articulated in a statute, as to what behavior should be prohibited.” *United States v. Marin Alliance*, 139 F. Supp. 3d 1039 (N.D. Cal. 2015).

In effect, the court said this legislation removed from the scope of actionable unlawful conduct under the CSA activities “in full compliance with ‘state law[] that authorize[s] the use, distribution, possession, or cultivation of medical marijuana.’”

In *United States v. McIntosh*, 833 F.3d 1163 (9th Cir. 2016), the 9th U.S. Circuit Court of Appeals said, “Individuals who do not strictly comply with all state-law conditions regarding the use, distribution, possession, and cultivation of medical marijuana have engaged in conduct that is unauthorized.” The implication of this ruling is that actions that strictly comply with state medical marijuana laws are not “unauthorized” — i.e., are not unlawful.<sup>2</sup>

If the TTAB rejects this latter theory of registrability, where does that leave lawful — under state law — marijuana products and services distributors, in terms of trademark protection?

## OTHER AVENUES

One option, available in at least some states, is state trademark registration, which would provide remedies for acts of infringement, but typically only against infringements in that particular state.

Another avenue of enforcement of “marijuana” trademark rights could be Section 43(a) of the Lanham Act, 15 U.S.C.A. § 1125(a), a provision commonly referred to as a cause of action for unregistered or common law trademark rights.

While the allegedly infringing conduct under Section 43(a) must be a “use in commerce,” the statute, by its terms at least, does not impose the same requirement on the putative trademark owner.<sup>3</sup>

The other option, which some compliant marijuana providers already appear to be pursuing, is to seek federal registration for ancillary goods and services without expressly mentioning “marijuana” or “cannabis” in the application.

That was the strategy in the *Brown* case, but it was not successful because the applicant could not show any use of the applied-for mark other than for marijuana.<sup>4</sup>

For this strategy to work, the applicant must have a bona fide commercial use for the mark in connection with goods or services. In the *Brown* case, for example, the applicant may have been successful if it was also using the mark in connection with the lawful sale of “herbs” other than marijuana.

PTO examiners have their antennas raised to this work-around, however, and they are formally asking — as they are entitled to do under Section 814 of the Trademark Manual of Examining Procedure — if the applied-for mark is used in connection with marijuana products or services.

Another recent ruling by the TTAB exposes the potential pitfalls — but also a potential opening for federal trademark registration — with this strategy.

*In re Ultra Trimmer LLC*, No. 86479070, 2016 WL 7385764 (T.T.A.B. Nov. 29, 2016), concerned the rejection of an application describing the goods as “agricultural machines, namely, a trimming machine for trimming leaves, plants, flowers and buds.”

The TTAB acknowledged that such goods are not unlawful per se. Relying on the applicant’s marketing material and a photograph of the product in operation, however, the TTAB found that the applicant intended to use the products to trim marijuana buds. Thus, it concluded that such goods were illegal drug paraphernalia under the CSA.<sup>5</sup>

The applicant attempted to rely on the CSA’s express statutory exemption for “any person authorized by local, state, or federal law to manufacture, possess, or distribute such items,” arguing that the legality of marijuana under the laws of many states qualified the applicant’s products for such exemption.

The TTAB held, however, that the applicant was not so licensed under any state or local law.

That may have been true for the particular applicant whose application was before the TTAB, but a number of states and localities can be said to affirmatively grant such licenses or authorization.

For example, in Denver, licenses are issued to “retail marijuana products manufacturing facilities,” “retail marijuana cultivation facilities,” “retail marijuana testing facilities,” “retail marijuana stores” and “medical marijuana centers.”

Expressly “licensed” marijuana providers arguably could assert entitlement to federal registration for marks used in connection with the distribution or sale of marijuana “paraphernalia” because they are licensed to manufacture, possess or distribute such items under state or local law.

Thus, the CSA’s paraphernalia proscription could turn into a work-around that avoids the PTO’s prohibition against registration of marijuana-related marks.

For now, however, short of a CSA amendment exempting state-approved medical or recreational marijuana, or a rescheduling by the Drug Enforcement Administration of marijuana from a Schedule 1 substance to Schedule 3 — an action rejected by the DEA as recently as August 2016 — it seems that state-permitted medical and recreational marijuana providers will have to look beyond U.S. trademark registration to protect their names and marks.

With medical or recreational marijuana legal, or about to be legal,<sup>6</sup> in 28 states and the District of Columbia, this is an issue that is not going away — at least with respect to the sale or distribution of cannabis or cannabis-containing products.

## NOTES

<sup>1</sup> In *Brown*, the TTAB affirmed the refusal to register a mark for “retail store services featuring herbs.” Although “herbs” are not per se illegal under the CSA, the TTAB found that the record clearly revealed the “herbs” sold by the applicant were marijuana.

<sup>2</sup> After the PTO examiner rejected that argument and others, the applicant changed representation. The refusal to register in that application currently is on appeal to the TTAB, and it presents this issue squarely for determination by the TTAB.

<sup>3</sup> It is an open question whether a “lawful use” requirement can be engrafted on a Section 43(a) action, under a theory, for example, that a marijuana mark is scandalous under Section 2(a) of the Lanham Act, 15 U.S.C.A. § 1052. This would also mandate a finding that a mark that does not qualify under Section 2 of the Lanham Act also does not qualify under Section 43(a) — also an open question — or that the accused’s mark is not a “use in commerce,” or that an “unclean hands” defense applies.

<sup>4</sup> To the extent that *Brown* suggests that any use of a mark in connection with marijuana products or services would render the mark unregistrable — even for goods or services in connection with which such use is not prohibited under the CSA and even if the application identifies such lawful goods — such a holding would go too far. Any bona fide lawful use in commerce should support a federal registration, whether or not the applicant also, but not exclusively, uses the mark in a manner that is not a “lawful use in commerce.” Indeed, many federally registered pharmaceutical marks are used for products sold or distributed for “off label” purposes, which fail to comply with federal law.

<sup>5</sup> Section 863(e) of the CSA, 21 U.S.C.A. § 863(e), sets forth a number of factors to be considered in determining whether an item is illegal drug paraphernalia, including “descriptive materials accompanying the item which explain or depict its use” and “national and local advertising concerning its use.” Interestingly, one of these factors is “whether the owner, or anyone in control of the item, is a legitimate supplier of like or related items to the community, such as a licensed distributor or dealer of tobacco products.”

<sup>6</sup> In the recent 2016 election cycle, marijuana legalization referenda were on the ballot in eight states; in all but Arizona, they were approved.



**Marsha Gentner** is a senior counsel member of **Dykema**’s intellectual property group in Washington, where she focuses her practice on the management of global trademark portfolios. She also supervises enforcement actions and handles transactional and licensing negotiations and disputes with manufacturers, suppliers and international distribution networks.

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