



Repealing Lawful Use Requirement For Cannabis-related Trademark Filings

November 2023

SPONSORING COMMITTEES: U.S. Subcommittee of the Legislation and Regulation Committee and the Cannabis Subcommittee of the Emerging Issues Committee

RESOLUTION:

WHEREAS, the International Trademark Association has not taken and does not take a position on the merits of legalizing cannabis-related goods and services.

WHEREAS, Canada, Malta, Uruguay, and nearly one-half of all U.S. states have legalized medicinal and/or recreational adult use of cannabis.

WHEREAS, the North American legal cannabis market size has been valued at approximately \$18.4 billion as of 2022 and, in the U.S. alone, more than 155 million Americans now live in states that have legalized cannabis in some form.

WHEREAS, the cannabis industry includes large and small companies, women- and minority-owned companies, and large publicly-traded companies with market capitalizations in the billions of dollars, with broad reach to consumers throughout the U.S.

WHEREAS, consumer protection, which includes consumer safety, is the cornerstone of trademark law and is especially important for consumers of goods in closely regulated industries, consumers of goods that are ingested, and patients accessing medicine, including those that travel for access to adult use and medicinal cannabis.

WHEREAS, enforcement by brand owners against infringers and counterfeiters is a critical part of consumer protection, as brand owners are both often in the best position to identify products that are being sold in ways that are likely to cause consumer confusion, and have financial and reputational incentives to prevent such confusing activities.

WHEREAS, the U.S. Patent and Trademark Office ("USPTO") refuses to register or recognize rights in trademarks or service marks for the majority of cannabis and cannabis-related goods and services on the basis that such goods and services are not lawful under federal law and thus do not meet the putative "Lawful Use Requirement" for registration.

WHEREAS, the Lawful Use Requirement has adversely affected the ability of businesses that lawfully offer such goods or services under state law to protect and enforce their trademarks and prevent consumer confusion and other harms to consumers of lawful cannabis products.

WHEREAS, the inability to register federal trademarks in the United States has as global impact on U.S.-based companies and international companies with respect to global brand development and international commerce.



WHEREAS, the U.S. Subcommittee of the Legislation & Regulation Committee and the Cannabis Subcommittee of the Emerging Issues Committee have carefully reviewed these developments and have concluded that it is important for businesses that lawfully offer cannabis-related goods and services within the U.S. to be able to register trademarks to help prevent potential consumer confusion and harm to public health both within the U.S. as well as outside of the U.S. where there is potential for brand dilution due to lack of global harmonization.

BE IT RESOLVED, that INTA supports legislative or regulatory changes that would allow for the federal registration and protection of trademarks that are used in connection with cannabis and cannabis-related goods or services that are lawful under state, local, or tribal law.

I. Background

Whatever the merits of legalized cannabis, sales for such goods have become an important and growing part of the nation's economy. As of this resolution, 24 U.S. states, the District of Columbia, and three U.S. territories have legalized the medicinal and/or recreational adult use of cannabis. Although bills have also been introduced to legalize cannabis at the federal level,¹ the Controlled Substances Act, 21 U.S.C. §§801 et seq. and the Federal Food Drug and Cosmetic Act, 21 U.S.C. §§301 et seq. continue to prohibit such sales.

Despite the federal prohibition, cannabis related products are sold openly within large parts of the United States as permitted by state law. The sale of adult use cannabis was estimated to reach \$18.4 billion in 2022, and it is projected to grow to \$25 billion by 2025. Other sources have provided estimates of \$27 billion in sales for 2022 and \$40 billion by 2026.² According to the U.S. Center for Disease Control, over 48 million Americans used cannabis at least once in 2019.³

Moreover, many news sources have reported the growing phenomenon of cannabis "tourism" in the U.S., as residents of states where cannabis is unlawful under state law travel to states where it is lawful. The fact that consumers (including medical patients) travel from state to state to purchase or consume cannabis creates an increasing concern about the inability to rely on cannabis trademarks as consistently reliable indicators of source, quality, and safety in a growing national marketplace.

¹ The Marijuana Opportunity Reinvestment and Expungement (MORE) Act passed the House of Representatives in April, 2022. See <https://www.forbes.com/sites/andrewdeangelo/2022/10/04/the-hockey-stick-turns-into-bell-curve-a-new-report-from-bdsa-sheds-light-on-cannabis-industry-growth/?sh=75e427b266f2>.

² Statista, Legal recreational cannabis sales U.S. 2019-2025. Available at <https://www.statista.com/statistics/933384/legal-cannabis-sales-forecast-us/>.

³ Centers for Disease Control and Prevention Data and Statistics. Available at <https://www.cdc.gov/marijuana/data-statistics.htm#:~:text=Marijuana%20is%20the%20most%20commonly,at%20least%20once%20in%202019.&text=Recent%20research%20estimated%20that%20approximately,marijuana%20have%20marijuana%20use%20disorder>.



Cannabis brand owners can partially rely on state registrations and common law to protect against unauthorized use of their marks by third parties in the U.S., however, the degree of protection provided by such methods have significant limitations in comparison to federal trademark registrations. A state registration does not protect against unauthorized use in commerce between states, even between two contiguous, legalized states, and thus does not deter potential infringers across the U.S. Further, the USPTO database does not list state registrations, which would put potential infringers on notice of ownership rights as well as mitigate the unknowing adoption of redundant or confusingly similar brands. Many state registrations and common law protection also do not provide “constructive notice” provided by a federal trademark registration, so that a trademark owner may obtain damages only from the time the unauthorized user actually knew about the state trademark registration or common law rights.

The inability to federally register trademarks used for cannabis and cannabis-related goods and services not only harms U.S. brand owners, but also adversely affects non-U.S. brand owners who are unable to register their marks in the U.S.

The central premise of trademark law in the U.S. is to enable consumers to easily identify the source of goods and services and thereby avoid consumer confusion. Failure to provide trademark protection for products that hundreds of millions of U.S. consumers have lawful access to is contrary to the goals of the Lanham Act and to public health. Even for cannabis-related products that are lawful as a matter of federal law, the USPTO’s treatment of such products imposes unnecessary burdens and confusion. For example, despite the passage of the 2018 Farm Bill (Agriculture Improvement Act of 2018, Pub. L. 115-334), U.S. trademark applications for federally lawful products such as hemp and hemp-infused goods routinely face lengthy and burdensome initial refusals and, in some cases, final refusals to register trademarks for lawful products.

Moreover, the cannabis industry is unfairly singled out as trademark applicants are required to show lawful use of cannabis products and services at the time of filing, even in the case of an Intent-to-Use application, while no other industry is required to do so. For example, the USPTO does not require a pharmaceutical company to show a product is FDA approved at the time of filing (or at any time) during the registration process.

Pursuant to 37 C.F.R. § 2.69 and TMEP § 907, the USPTO will refuse registration for most cannabis and cannabis-related goods, citing the Lawful Use Requirement and the Controlled Substances Act (see, e.g., *In re PharmaCann LLC*, 123 U.S.P.Q.2d 1122 (T.T.A.B. 2017); *In re JJ206, LLC*, 120 U.S.P.Q.2d 1568 (T.T.A.B. 2016)). The TMEP states that “regardless of state law, marijuana, marijuana extracts, and the psychoactive component THC remain Schedule I controlled substances under federal law and are subject to the CSA’s prohibitions.” TMEP § 907.

The inability for cannabis owners to register federal trademark registrations also has an impact on global brand development. Many countries such as Canada, Belgium, Colombia, Argentina, and Peru allow federal trademark registration for trademarks used in connection with cannabis goods and services. Given that the U.S. is such a large economy for legal cannabis as over one-

half of the states have legalized medicinal and/or adult use of cannabis, the lack of inclusion of such a major player in the global cannabis market has an impact on the industry as a whole. The lack of global harmonization and inconsistency in legal protection makes it difficult for cannabis companies to establish a consistent global brand presence. The U.S. is unable to rely on international treaties such as the TRIPs, the Paris Convention, and Madrid Protocol to facilitate international trademark registrations. Further, cannabis companies seeking international franchising or licensing opportunities often leads to complex negotiations and agreements in this uneven framework. Without global harmonization and protection, there are also concerns regarding dilution of marks in the global marketplace.

II. Effect of Inability to Register with the USPTO

Because of the USPTO's Lawful Use Requirement, cannabis trademark owners are unable to register their trademarks with the USPTO. They are, therefore, unable to gain the many advantages of federal registration, including:

- Nationwide trademark rights
- Presumption in litigation that a registered mark is valid, shifting the burden of proof to the opposing party on distinctiveness and priority
- Presumption in litigation that the owner of a registered mark owns that trademark, shifting the burden of proof to the opposing party on the issue of ownership
- Prima facie evidence of the right to use the mark in interstate commerce to the exclusion of others
- Constructive notice of the owner's claim of ownership of the mark nationwide even if it is only used in a limited geographical location
- Appearance in clearance searches made by potential junior users, dissuading them from copying the registered mark or a confusingly similar mark
- Citation of the registration by the USPTO to reject an application by a junior user for the same or a confusingly similar mark, which may save legal expenses of having to oppose or sue the other user
- Eligibility for increased damages in litigation
- Possibility of achieving an incontestable right to use the mark
- Ability to file intent-to-use application which includes priority rights even before use in commerce is made
- Recordal of the mark with the U.S. Bureau of Customs and Border Protection to stop the importation of counterfeit goods
- Use of the ® symbol
- Increased ability to license trademarks as potential licensees routinely expect licensors to own federal trademark registrations
- Non U.S.-based cannabis companies cannot expand trademark portfolios into the U.S. and benefit from international treaties to protect cannabis goods and services
- U.S.-based cannabis companies with global portfolios cannot rely on the benefit of international treaties to protect trademarks globally

- Increased ability to succeed with a UDRP complaint as panels look more favorably upon a trademark registration for complainants to show rights in their trademark
- Ability to enter the mark into the Trademark Clearinghouse database, a prerequisite for obtaining sunrise registrations in new top-level domains

III. Failure to Extend Federal Trademark Protection to Cannabis Brands Renders the Industry Unable to Enforce Rights and Protect Consumers

As a result of the inability to register their trademarks, cannabis-related businesses face serious hurdles in enforcing or defending their trademarks under common law. Courts routinely refuse to grant cannabis trademark owners even the most basic of trademark rights, despite the potential for consumer confusion, which could lead to consumers purchasing and ingesting the wrong products, as well as other forms of consumer harm. The following cases from the past few years are illustrative:

- Where a plaintiff's former business partners used her IRON ANGEL mark for cannabis, the court granted the defendants' motion to dismiss, ruling that "when a [plaintiff's] mark is used for cannabis products, **the Lanham Act does not recognize the user's trademark priority or any derivative claims**, regardless of any state laws that may contradict the federal statute." *Shulman v. Kaplan*, 2020 U.S. Dist. LEXIS 244161 (C.D. Cal. 2020).
- Where a defendant was the prior user of KIVA in a dispute with the owner of a federal registration, the court granted the plaintiff's motion for summary judgment on the prior use defense, ruling that although California state law recognizes common law rights in a mark used for cannabis products, because cannabis is illegal under federal law, the state law would encroach on federal trademark rights and, therefore, the **defendant could not rely on its prior use**. *Kiva Health Brands LLC v. Kiva Brands Inc.*, 439 F. Supp. 3d 1185 (N.D. Cal. 2020).
- Where use of VERITAS FARMS for cannabis-related goods and services created consumer confusion with VERITAS, the magistrate judge nonetheless recommended judgment for defendants, stating that despite such confusion "**federal trademark law can only protect marks that are in substance legal under federal law. Protection of marijuana-related goods is therefore prohibited.**" *Carrick-Harvest, LLC d/b/a Veritas Fine Cannabis v. Veritas Farms, Inc.* Civ. Action No. 20-cv-2017 (D. Co. Jan. 25, 2021).
- Where the owner of a federal trademark registration for WOODSTOCK for smokers' articles sought to block the producer of the 1969 Woodstock music festival from using WOODSTOCK for marijuana, the court denied a motion for preliminary injunction, ruling that because recreational marijuana is illegal under federal law the court **could not even consider whether recreational marijuana was within the zone of natural expansion of smokers' articles**. *Woodstock Ventures LC v. Woodstock Roots, LLC*, 387 F. Supp. 3d 306 (S.D.N.Y. 2019), appeal withdrawn, No. 19-2720, 2019 WL 6461278 (2d Cir. Nov. 19, 2019), and aff'd, No. 19-2720 (2d Cir. 2021).



These cases demonstrate that, in addition to the USPTO’s policy of refusing registration of cannabis marks, some courts refuse to apply important principles of trademark law when it comes to cannabis-related marks, which puts consumers at risk even though the use of cannabis is legal, and increasingly popular and brand-focused, in a growing number of states. These principles have been developed over centuries to help ensure that consumers are able to rely on trademarks as a sign of consistent quality. Failure to uphold the basic tenets of trademark law for products that are intended to be ingested means that consumers are at risk of ingesting inferior quality goods—or different goods entirely—to the inevitable detriment of public health. As long as federal trademark registration and enforcement rights are denied for marks used in connection with cannabis-related goods and services, there is a substantial and unnecessary risk that the public may be harmed.

IV. Conclusion

Although INTA does not take a position on whether cannabis products should be legal, INTA expresses its support for legislation or regulatory changes that would allow for the registration and protection of trademarks that are used in connection with cannabis and cannabis-related goods or services that are lawful under state law.