

The Blunt Reality of Trademark Registration for Cannabis Marks



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December 20, 2021 | **ARTICLES**

With the list of states that have legalized adult-use cannabis continuing to grow, businesses are entering the industry at a rapid pace. However, one of the biggest questions facing these businesses is how to develop and protect their brands within the bounds of conflicting state and federal law.

With the explosion of digital brand-building, selecting, building, and protecting a brand name and corresponding logos are of critical importance to a business' long-term success. Registration of a mark or logo with the United States Patent and Trademark Office ("USPTO") is the standard for safeguarding a business' brand. However, navigating the federal registration of a mark or logo associated with cannabis-related products or services is a complicated endeavor.

As part of the application to federally register a trademark, the applicant must present a *bona fide* intention to *lawfully* use the mark or logo in commerce (see 15 U.S.C. §§ 1051 and 1127). Accordingly, the USPTO, as well as the Trademark Trial and Appeal Board (“TTAB”) have consistently refused registration of marks or logos where the applicant could not demonstrate a lawful use.

Although legal in many states, at the federal level, the distribution, sale, and possession of cannabis and cannabis-based preparations (i.e., cannabis plant products with a THC concentration of greater than .3 percent on a “dry weight basis”) is prohibited by the *Controlled Substances Act* (21 U.S.C. §§ 812, 841(a)(1), 844(a)). Moreover, although the *2018 Farm Bill* legalized hemp at the federal level, ongoing clinical investigations by the Food and Drug Administration (“FDA”) into food products and dietary supplements containing CBD have caused the USPTO to cite the *Food, Drug, and Cosmetics Act* (“FDCA”), which prohibits distribution of products subject to such investigations, to deny trademark applications for certain products. Since the THC and CBD compounds are considered to violate the FDCA, any products containing these cannabinoids are also considered violative of the FDCA, preventing the USPTO from granting trademark registration in many instances, even for legal manufacturers of CBD.

The significant possibility of denial of registration by the USPTO is due in large part to the rigorous investigation the USPTO applies to a trademark application. During this process, the examining attorneys at the USPTO conduct a thorough examination of the applicant, which may include requiring the applicant to submit an affidavit stating that the goods or services for which the trademark is applied for do not contain any substances that are prohibited by the *Controlled Substance Act*, or conducting an independent investigation of the applicant via the internet. Applicants are also required to submit specimens showing the mark or logo used in commerce, which also can present an impediment to registration, especially for adult-use cannabis businesses. This heightened level of scrutiny has not only prevented businesses from registering marks for cannabis-related products, but it has frequently impeded applicants from registering a mark for goods that do not contain cannabis but could be related to a product containing cannabis. For example, a business attempting to trademark a butter product could have its application denied if the investigation reveals evidence demonstrating the butter being sold might be related to cannabis-infused butter, or because the mark or logo reference common terms or images associated with cannabis.

Relatedly, some applicants submit applications for goods and services that are not related to the actual consumption, cultivation, or sale of marijuana—for example, branded apparel or smoking paraphernalia. Although not directly related to cannabis use, these applications still face the above-mentioned scrutiny, which often results in an extended registration process, or, in some instances a denial of the application. As an additional challenge, if the application does register, the business has a duty to protect its mark to keep its trademark protection. For example, if the registrant of the mark PAPERZ, associated with apparel, wants to prevent a third-party from using PAPERZ to brand smoking paraphernalia, the registrant will need to establish that apparel is related to smoking paraphernalia. To establish that goods or services are related, a party must prove that consumers assume that both parties’ goods or services come from the same source (i.e., the apparel is also sold by the third-party selling the smoking paraphernalia). Relatedness of goods or services is determined on a case-by-case basis, making it difficult in certain situations where there is no obvious relatedness (i.e., T-shirts and hats) to preemptively determine whether certain goods or services are related.

Another way a trademark applicant may be denied protection is if they use a well-known brand on edible cannabis products—think cannabis-infused Cheetos, Nerds Ropes, Skittles, and Sour Patch Kids. Federal trademark

infringement lawsuits have been filed by many of these major brands against companies that have attempted to use well-known candy or snack brand names to better market their cannabis-infused products. Even though parody of a well-known mark is permitted under the Lanham Act, the parody defense is not available if the parodied product causes harm to the reputation of the existing, well-known brand, which courts have previously found in this circumstance.

With the landscape related to trademarking and cannabis constantly in flux, it is critical that businesses consult legal counsel prior to beginning either the trademark or adult-use license application process. Lippes Mathias LLP's Cannabis Practice Team will continue to monitor the developments in the cannabis industry, including major developments related to intellectual property protection of cannabis at the federal and state levels, and the effect of such developments on New York's medical marijuana, cannabinoid hemp, and adult-use cannabis programs. If you have any questions, please contact one of our attorneys.