

Marijuana brands left high and dry by US trademark restrictions

With the legalisation of marijuana gaining momentum across the United States, a new multi-billion dollar industry is growing at a startling rate. Nonetheless, there are strict restrictions on the registration of trademarks for marijuana products at national level, meaning that companies in this sector are struggling to protect their brands. However, an upcoming judicial decision in California could be the catalyst for change.

At the time of publication, 23 states across the United States have legalised some form of medical marijuana use, 14 states have passed laws decriminalising marijuana and a further four states have voted to legalise recreational use (with more expected to follow). This has spawned a thriving industry, selling legal marijuana and associated paraphernalia, which is now valued at \$2.7 billion and expected to grow by a further 32% this year. However, while legitimate and increasingly sophisticated businesses are cultivating brands that need protection from copycats and counterfeiters, they are denied registration at the federal level. This is because cannabis is still listed as Schedule 1 on the US list of controlled substances, meaning the USPTO does not allow the registration of national trademarks for cannabis products. As a result, Matthew Abel, founder and attorney at Detroit-based Cannabis Counsel (a law firm that focuses on marijuana legal issues), told *World Trademark Review*: “Companies don’t want to put a lot of effort and money into marketing and then not be able to protect their brands. Therefore, you need to be creative to get a trademark if you’re a cannabis-related company right now.”

One available approach is registering for state-based trademarks in those states where marijuana use is legal, a strategy that provides better protection than relying on common law rights. Another option is to register a national mark for auxiliary product lines not related to marijuana (such as clothing or accessories). It appears brands are currently utilising the latter option, with this graph demonstrating the rise in trademarks at the USPTO containing the term ‘Cannabis’ or ‘Marijuana’ since 2009.

Despite its continued growth, many businesses in the industry still fear law enforcement reprisal. Abel therefore recommends that companies develop a “two-stage logo” if they want to protect their brand while remaining under the radar, adding: “There’s still a problem with producers concerned about the government tracking back to them and charging them with all types of drug crimes, so the industry is still in the shadows as far as that goes. I’ve advised clients to have a two-stage logo; initially just a general identifying logo design without the words or identifying characters on it and then later on, as laws

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change, adding the names and words to the logo.”

As well as a continued nervousness with respect to enforcement attitudes towards their business enterprise, there is a question mark on just how powerful the trademark rights of marijuana brand owners are. Roberto Ledesma of the Law Office of Roberto Ledesma explains: “An unknown is how the Trademark Trial and Appeal Board (TTAB) of the USPTO would respond to challenges (eg, attempts to stop a third party from registering or to cancel a confusingly similar trademark) initiated by marijuana mark owners (from states where allowed) based on common law rights and priority of use within a state where marijuana is legal. Do they have no right to enforce their common law state sanctioned use? That issue, as far as I know, has not been addressed. Trademark holders need to be able to enforce their trademark rights and they will want to know where they stand in preventing third parties from registering a confusingly similar mark.”

With that in mind, does the USPTO need to modify its restriction on marijuana marks? Ledesma says “eventually” it likely will, but adds, “we haven’t reached a tipping point yet”. However, Hilary Bricken, an attorney at Harris Moure, says that restrictions at the USPTO are “helping to slow better and more sophisticated branding in the industry” and that “existing legitimate companies are laying the groundwork now for better intellectual property later”. Abel, meanwhile, argues that “restrictions at the USPTO relating to cannabis-related trademarks are currently slowing down the industry’s growth” and he remains hopeful that the US is “near the tipping point” for when change will be considered and implemented in terms of improved IP in the sector. He adds: “Once marijuana comes off Schedule 1, it will open up the marketplace to all types of IP issues.”

Such change could already be on the horizon. In the ongoing case *United States v. Schweder* in California, US District Judge Kimberly J Mueller is currently deciding on the constitutionality of the federal classification of marijuana as a Schedule 1 controlled substance. Some say this decision, due next month, could “start a legal revolution” and an eventual reclassification. Appeals are expected whatever the outcome, so resolution of this issue is probably not arriving any time soon - and before then, Bricken reiterates, “the hands of the USPTO are tied”. In the interim, companies in the sector must find creative ways to protect their brands and enforce against infringers. **WTR**

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