



Navigating the haze of US cannabis TM law

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Seeking protection for owners of cannabis-related trademarks may be likened to finding your way through a dense fog.

This is down to a disconnect between state and federal law—but, given the rate at which the cannabis industry is growing, change could be in the pipeline.



At the federal level, the [United States Patent and Trademark Office \(USPTO\)](#) [rejects applications](#) for cannabis-related trademarks on the basis that products containing more than 0.3% THC (tetrahydrocannabinol—the narcotic element of the plant) are illegal in the US.

But the 2018 [US Farm Bill](#), which legalised hemp and removed it from the definition of ‘marijuana’ in the Controlled Substances Act ([CSA](#)), prompted the USPTO to change its guidelines in 2019 and allow certain hemp marks to be registered.

On a state level, the law is fractured—[latest figures](#) show that 37 out of the 50 US states now allow the medical use of cannabis products, while 21 states allow non-medical adult use.

As [Ismail Amin](#)—founder and partner at US IP firm [TALG](#)—points out: “At the federal level, there are no general trademark rights. So it's governed by state trademark law, which, using the analogy of an aeroplane, is like being in economy class. You're still on the aeroplane, but you're not really in a great place.

“The federal trademark registration, the circle and the ‘R’, that's being in first class—you have the ability to do all kinds of things with that, and you have protections that enable you to protect yourself from court.”

Federal law's impact

For the legal cannabis industry, US President Joe Biden [recently suggested](#) a review of the current federal classification of cannabis under the Controlled Substances Act as a Schedule 1 controlled substance, the classification meant for the likes of heroin and LSD, and is even higher than the classification for fentanyl and methamphetamine.

Shortly after Biden's announcement, [Morningstar reported](#) a 30% jump in cannabis stocks.

Indeed, according to a [recent study](#), the global cannabis market generated \$25.7 billion in 2021, and is projected to hit \$148.9 billion by 2031, growing at a CAGR (compound annual growth rate) of 20.1% between 2022 and 2031.

Meanwhile, the number of cannabis-related IP disputes is increasing; the US states that have fully legalised the adult recreational use of the plant saw an uptick in the number of cannabis-related litigations filed during the first half of 2022, according to a [study by Reuters](#). Among those, IP disputes—particularly involving trademark infringement—represented approximately 9% of the 55 cases analysed, said the authors.

Protection strategies

So, under the current framework, how can owners of cannabis-related products and services, such as edibles, smoking pipes or books, protect their trademarks?

[Fred Rocafort](#), an attorney at [Harris Bricken](#) in Washington, advises that, while cannabis brands cannot avail themselves of all the tools at the disposal of brands operating in more established spaces, they should act like those brands as far as possible.



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“This means, among other things, monitoring the marketplace, educating consumers on how to identify genuine products and on the risks of using counterfeits, ensuring that proper protocols are in place to protect confidential information, and having proper contracts in place.

“Brands should fully exercise their rights at the state level and prepare—to the extent possible—for different federal legislation scenarios. They should also remember that a legal status quo that is not challenged is one that is unlikely to change.”

[Peter Spies](#), a US-German attorney and partner at Chicago-based IP law firm [DTL](#), points out that the biggest issue of state registration is that trademark rights in the US are based on use.

“In order for any interested person to obtain state rights in the US, you have to be in that state, or a state where it's legal. And you have to use your mark in that state in order to get state rights,” explains Spies.

“Obviously in states where it's not legal, you can't get [trademarks] registered; the only way to avoid this is to try to get a federal registration for related products.”

For example, he says, you could get these marks registered as paraphernalia, such as smoking devices, cookbooks or guides on how to use cannabis.

“Those marks can all be registered because it's not illegal to write about these things. It's not illegal to give advice on how to bake a brownie. It is just illegal to use the substance. I can show you how to do it. I just can't sell a substance to you.”

However, Rocafort believes that the USPTO has “taken an expansive approach when it comes to classifying goods as ‘drug paraphernalia’ (in line with other federal agencies), complicating efforts by cannabis brands to obtain trademark protection even for ancillary goods”.

More pitfalls

Rocafort adds: “The patchwork of laws no doubt complicates brand protection efforts for cannabis brands. While state registrations are providing options for cannabis brands to obtain a measure of trademark protection, for many of them federal protection would be more appropriate given the scope of their business activities.

“Moreover, leaving aside the ‘lawful use’ concerns, the fact is cannabis brands are being forced to operate without the benefit of important legal protections, which presents obvious challenges.”

But one way forward could be exploiting trademark law's ‘zone of natural expansion’, a doctrine that can be used to extend a trademark's prior rights into a new geographical area or into a new product line.

Amin has this advice: “If I were advising a cannabis company, I would suggest they get trademarks in every state that has legalised it. Because that's going to give them protection at the very least in those states.



“It’s going to put them at the front of the line in terms of applying for a trademark. Because they would be able to show use in commerce and evidence of use of commerce. So that zone of expansion would be pretty good there.”

But Rocafort believes that “only time will tell, as the most critical test for the doctrine will come only after legalisation”.

“If the USPTO and the courts delineate a zone of expansion within which cannabis is located, we will say that it was an effective way of protecting trademark rights. Of course, things may not go that way, but given the speculative nature of our understanding of post-legalisation cannabis trademarking, it is prudent to abide by the doctrine to the extent possible.”

Be prepared

And if or when cannabis is federally legalised, owners of cannabis trademarks should be “doing all they can now” to prepare, Rocafort advises.

One challenge, however, is that what the resulting legal situation will look like is unclear, he adds.

“At a minimum, brands should be building a trademark portfolio that is mindful not just of which goods and/or services are acceptable to USPTO, but also of likely post-legalisation scenarios. They should also keep these possible scenarios present when making decisions on product offerings and branding.

“At a practical level, brands should be documenting their use of trademarks—and keeping tabs on what others are doing.”

Future predictions

Spies believes change is imminent. “There’s no doubt in my mind, maybe in the next five years, that it’s going to be legal,” he muses. “There’s too much money at stake and too many really heavy players who invest a lot of money in a lot of states.”

But Rocafort believes it is unlikely that the 118th Congress (due in January 2023) will consider major cannabis reform initiatives.

“However,” he continues, “if President Biden’s suggested review [of the current federal classification of cannabis] leads to a recommendation that marijuana be down-scheduled (as opposed to entirely de-scheduled)—in essence creating federal legal space for medical cannabis—there may not be significant pushback.

“This in turn would change the trademarking outlook for medical cannabis brands.”

But, he adds, “the legal status quo must be challenged if it is to change.”

Echoes of prohibition

Amin points to the era of prohibition as an indicator of how things may evolve.



“Prohibition was a really interesting time because those [alcohol] companies had the same problem. I think it's going to mirror the way things are happening with cannabis right now.”

He adds: “I think eventually, these cannabis marks are going to be legalised. And then there's going to be some interesting litigation that arises from that.”

He goes on: “If I had a client who had a cannabis company, and they got registration in California, they would have state registration. But then they found out that a competitor had an internet-based business in Texas, and was sending products to California that potentially infringe, then that's interesting, because now you have a clash of federalism and state rights.

“So could the California client that I just mentioned initiate a case in state court in California against this Texas-based entity that has an online presence? I would think the answer is ‘yes’.”

He adds: “I think you're going to have these interesting issues until this is really clarified at the federal level.”

And, with the Democrats not retaining entire control of Congress (only the Senate) following the recent midterm elections, Amin says that he’s “not optimistic that it's going to happen anytime soon”.

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