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## Cannabis Trademarks: A State Registration Consortium Solution

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# Cannabis Trademarks: A State Registration Consortium Solution

Russell W. Jacobs\*

## *Abstract*

*This Article proposes a solution to a problem in the cannabis industry resulting from the unavailability of federal trademark registration for that sector. The author offers modest changes to the existing state trademark registration systems to make up for the gaps at the federal level. The proposed reforms would strengthen the trademark framework by conferring on cannabis trademark registrations presumptions of ownership, exclusive rights, and validity beyond the presumption of registration currently afforded under state laws. To extend protection throughout the geographic breadth of the cannabis marketplace, the states with legalized recreational cannabis would offer reciprocal recognition of state cannabis registrations, meaning that one state in the consortium would recognize a registration issued by another consortium member as if it had issued the registration itself. This reciprocity will limit bad-faith adoption of trademarks by those seeking to usurp the goodwill of a cannabis business operating in a different part of the country.*

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### *I. Introduction*

Legalization of recreational cannabis in eight states as of 2018 continues the transformation of marijuana sales from a criminal enterprise to a retail industry.<sup>1</sup> Rather than staying in the shadows or under the radar, sellers now must promote their businesses and distinguish themselves from competitors by using branding and marketing like traditional businesses. Trademark law, however, has not kept pace with these market realities, continuing to treat cannabis sales as criminal rather than akin to

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1. Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, and Washington.

sales of other tightly regulated but openly sold goods like alcohol or tobacco. In particular, federal trademark registration remains unavailable for marks used in connection with marijuana goods and services since federal law deems those sales illegal. Moreover, cannabis brand owners cannot find meaningful protections in the state trademark systems. In this climate, competitors looking to trade off the goodwill of popular brands or criminals wanting a quick profit from sales of counterfeit products will take advantage of the weak trademark regime. Consumers who look to brands to distinguish between different products stand to lose when they think they have chosen a trusted brand, but end up with a stronger than expected alternative, a poor-quality knock-off or, worse, a dangerous counterfeit.

This Article examines how to best regulate cannabis brands in the face of no near-term prospect of federal marijuana legalization or federal registration of cannabis trademarks. Setting aside the policy and moral questions about whether states should legalize marijuana or whether the federal government should allow registration of cannabis trademarks, this Article recognizes both state legalization and federal criminalization as fixed boundaries. Within those limits, the author identifies the state trademark systems as the best option for trademark regulation. Narrow changes in the trademark laws of states that have legalized marijuana could create a consumer protection framework built upon two pillars. First, states would grant registrations with presumptions of validity, exclusive rights, and ownership to trademarks used with legalized cannabis goods and services. Second, states with legalized recreational marijuana dispensaries would offer reciprocal recognition to each other's cannabis trademark registrations as a means of protecting against cross-border infringements.

Part II of this Article sets forth the current state of trademark law for cannabis goods and services. Part III details the proposal to address the gaps in current cannabis trademark protections by utilizing the state trademark registration systems to extend reciprocal recognition of marks. Part IV concludes the Article.

## *II. The Current Trademark Regime Does Not Accommodate Cannabis Goods and Services.*

### *A. Fair Competition Demands a Cannabis Trademark Regime.*

Trademark law rests on the premise that consumers distinguish between products based on the qualities they have come to associate with the trademarks used with those products (e.g., good, bad, cheap, healthy, strong).<sup>2</sup> Use of the same or similar marks by competitors may create confusion among consumers who, reasonably, expect all products sold under the marks to share the same qualities. For example, if a marijuana dispensary opens in Truckee, California under the service mark BAKED TAHOE and a competitor opens another BAKED TAHOE dispensary thirty miles away in Reno, Nevada, a customer could reasonably assume that the dispensaries operated under common ownership. Likewise, a purchaser of marijuana edibles sold under the trademark COLUMBIA CONFECTIONERY would expect to get the same product whether sold by a Vancouver, Washington dispensary or across the Columbia River by one in Portland, Oregon.

Consumer confusion arising from the adoption of the same or similar trademarks could happen in any industry, not just with cannabis products. But the cannabis space carries heightened trademark sensitivities because marijuana consumers seek out products to meet particular medical needs—for example, appetite, nausea, and pain.<sup>3</sup> When a consumer finds a particular

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2. See 1 THOMAS J. MCCARTHY, MCCARTHY ON TRADEMARKS §2.3 (2017) (“A trademark is a compact symbol that conveys information about products or services to potential buyers.”).

3. See Lisa Rough, *Need to Kick-Start Your Appetite? Try These 10 Cannabis Strains to Help Induce Hunger*, LEAFLY, <https://www.leafly.com/news/strains-products/10-cannabis-strains-to-help-stimulate-your-appetite> (last visited June 3, 2017) (discussing strains of marijuana that help with appetite) (on file with the Washington and Lee Law Review); *Medical Marijuana and Chronic Pain*, MARIJUANA DOCTORS, <https://www.marijuanadoctors.com/content/ailments/view/73/chronic-pain> (last visited June 3, 2017) (discussing the impact of marijuana on chronic pain) (on file with the Washington and Lee Law

marijuana product that meets the medical need, a competitor's misappropriation of the trademark associated with that product could lead the consumer to a product that does not provide the same relief, or worse, could cause harm. Trademark law has long recognized the need for greater care to avoid likelihood of confusion in the pharmaceutical and medical products spaces "because mistakes in the selection and use of these goods may result in serious and harmful consequences."<sup>4</sup> So too cannabis trademarks help consumers distinguish between products and thereby avoid "the serious and harmful consequences" caused by a product not intended to meet their particular medical needs.

While recreational users of cannabis do not consume the product to meet a specific medical purpose, they do develop other expectations about quality. They come to understand how much of a particular product will create a high, and how much will overstimulate. Trademarks of high-quality products will earn positive reputations and their owners will enjoy success with those products, while trademarks of low-quality products will fall out of favor. When tracking products becomes necessary, for example when a juvenile accidentally ingests an edible or with a tainted product, trademarks can help to identify the problematic product. Thus, trademarks can further important public health and consumer protection goals by tracking the source of potentially harmful cannabis products.

*B. Federal Registration Remains Unavailable for Cannabis Trademarks.*

Brand owners seeking trademark protection in the US typically apply for federal registrations. However, the US Patent and Trademark Office has determined that marijuana and

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Review); see also Linda Parker et al., *Regulation of Nausea and Vomiting by Cannabinoids*, 163 BRITISH J. OF PHARMACOLOGY 1411 (2011) (discussing the anti-emetic effect of cannabis).

4. U.S. Pat. & Trademark Office, U.S. Dep't of Commerce, Trademark Manual of Examining Proc. § 1207.01(d)(xii) (19th ed. 2017) [hereinafter Trademark Manual]; accord *In re Cook Med. Techs. LLC*, 105 U.S.P.Q.2d 1377 (T.T.A.B. 2012) ("[L]ikelihood of confusion takes on additional significance when the goods are pharmaceuticals or medical instruments.").

related goods and services do not qualify for protection under the Lanham Act because the statute only permits registration for goods offered in lawful commerce.<sup>5</sup> In 2016 and 2017, the administrative court within the Office – the Trademark Trial and Appeal Board – issued three precedential decisions affirming the agency’s stance against registration of trademarks used in connection with marijuana goods or services, culminating in the 2017 decision of *In re PharmaCann LLC*.<sup>6</sup>

In that precedential decision, the Board concluded that the Controlled Substances Act (“CSA”) makes it illegal to distribute or disperse marijuana “whether for recreational or medical use, even though Congress has temporarily prohibited the Department of Justice from expending funds to prevent any state that has legalized medical marijuana from implementing its own laws.”<sup>7</sup> The *PharmaCann* decision relied on the Board’s conclusions from its 2016 decisions in *In re JJ206, LLC, dba JuJu Joints* and *In re Morgan Brown*.<sup>8</sup> In *JJ206, LLC*, the Board stated that “where the identified goods are illegal under the federal Controlled Substances Act (CSA), the applicant cannot use its mark in lawful commerce, and ‘it is a legal impossibility’ for the applicant to have the requisite bona fide intent to use the mark.”<sup>9</sup> “Thus, equipment primarily intended or designed for use in ingesting, inhaling, or otherwise introducing cannabis or

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5. Trademark Manual § 907 (“Note that, regardless of state law, marijuana and its psychoactive component, THC, remain Schedule I controlled substances under federal law and are subject to the CSA’s prohibitions.” (citing 21 C.F.R. §1308.11)).

6. Application Serial Nos. 86520135 & 86520138 (T.T.A.B. June 16, 2017) (affirming refusals to register PHARMACANN and PHARMACANNIS, both for retail store services featuring medical marijuana and dispensing medical marijuana, on the absence of a bona fide intent to use the mark in lawful commerce).

7. *Id.* at \*15.

8. *Id.* at \*5–\*7, (citing *In re JJ206, LLC*, 120 U.S.P.Q.2d 1568, 1569 (T.T.A.B. 2016) (affirming refusals to register POWERED BY JUJU and JUJU JOINTS, both for cannabis vaporizers, on the absence of a bona fide intent to use the mark in lawful commerce); *In re Brown*, 119 U.S.P.Q.2d 1350, 1351 (T.T.A.B. 2016) (affirming refusal to register HERBAL ACCESS in connection with “retail store services featuring herbs” where the evidence demonstrated that the applicant used the mark in connection with a marijuana dispensary)).

9. *In re JJ206, LLC*, 120 U.S.P.Q.2d at 1574.

marijuana into the human body constitutes unlawful drug paraphernalia under the CSA.”<sup>10</sup> The Board rejected the trademark applicant’s argument that it only offered its goods for sale in states which had legalized the sale of cannabis and that the use in commerce therefore complied with federal law as expressed in the Cole Memorandum, a U.S. Department of Justice policy statement regarding state marijuana laws.<sup>11</sup> Instead, the Board concluded that the Cole Memo affirmed the illegality of the sale of marijuana, and that the Memo nonetheless could not override the CSA, meaning that the Cole Memo did not render the sale of marijuana lawful.<sup>12</sup>

Despite the USPTO’s policy against federal registration for marks in connection with marijuana-related goods and services, some applicants still manage to obtain registrations in marijuana-related fields, typically for the provision of information or business consultancy services.<sup>13</sup> Others have some success when submitting an application that does not specify the intended use of the covered goods, but instead lists goods that consumers could use for cannabis but also for other purposes (for example, “bottles,” which one could use in connection with

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10. *Id.*

11. *Id.*

12. *Id.*

13. *See, e.g.*, The mark consists of a black square with the letters “MMJ” in green followed by an “R” in white followed by the letters “ecs” in lowercase in green. Connected to the “R” is the letter “X” in white, which is connected by the right leg of the “R” and below the text “ecs”. Within the loop of the “R” is a white leaf in a green background. The text is centered within the black square. Reg. No. 5202596 (“[Trademark] in connection with ‘Online medical marijuana recommendation services in the nature of providing medical consultations with patients for the purpose of obtaining recommendations for the use of medical marijuana to treat specific diseases, ailments or health conditions.’”); CANNACARD, Reg. No. 4912461 (“[Trademark] in connection with ‘Business consultation in the medical and recreational marijuana industry.’”); UNITED CANNABIS, Reg. No. 5181943 (“[Trademark] in connection with ‘Assistance, advisory services and consultancy with regard to business planning, business analysis, business management, and business organization; Business advisory services, consultancy and information; Business consulting services in the field of agricultural businesses; Consulting services in the fields of biotechnology, pharmaceutical research and development and genetic science.’”).

marijuana consumption).<sup>14</sup> Applying this approach to the hypothetical mentioned supra, the owner of the COLUMBIA CONFECTIONERY mark would obtain a registration in connection with baked goods (declining to mention that the baked goods it offers contain cannabis). Others apply for adjacent goods, *i.e.*, non-cannabis goods that use the same branding as the dispensary or cannabis products, such as BAKED TAHOE for clothing. The losing applicant in *JuJu 206* could not obtain registrations in connection with cannabis goods, but managed to obtain a registration for the trademark JUJU HYBRID in connection with vaporizers not for use with cannabis.<sup>15</sup> In sum, brand owners will face difficulties obtaining federal trademark registrations for their marijuana goods and services, but the inconsistencies open up the possibility that a pirate or a competitor could sneak in and register the cannabis brand owner's mark in connection with related goods or services in an attempt to trade off the goodwill in the mark or extract a ransom.

Even if cannabis brand owners can obtain federal trademark registrations, they will likely find that these registrations only afford a thin layer of protection for a number of reasons. First, a registration in connection with t-shirts, or other ancillary goods and services, does not afford meaningful protection for use of that trademark in connection with a recreational cannabis dispensary. Second, if the registrant failed to disclose that it would use the mark in connection with cannabis goods or services, the USPTO might deem that omission material and cancel the registration as

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14. *See, e.g.*, The mark consists of a black circle with a gold circle inside a larger gold circle with "WASHINGTON'S" written along the top arch of the interior circle in gold with a small dot on either side. The phrase "FINEST CANNIBIS" is written along the bottom arch of the interior circle in gold, with a gold cannabis leaf with seven leaflets on a small stem. Reg. No. 5213800 ("[Trademark] in connection with 'Water bottle sold empty.'"); WEED DABBER, Reg. No. 5201579 ("[Trademark] in connection with 'Bottles, sold empty . . .'").

15. JUJU HYBRID, Reg. No. 5178899, ("[Trademark] in connection with 'Oral vaporizers for smoking purposes not for use with cannabis; smokeless products for smokers, namely, smokeless electronic pipes not for use with cannabis.'"); accord CANNABIS COUTURE, Reg. No. 5208732 ("[Trademark] in connection with 'Wearable garments and clothing, namely, shirts . . .'").

fraudulently obtained, or cancel the registration as void *ab initio* based on the illegal nature of the goods and services.

*C. State Registration Has Limited Utility for Cannabis Trademarks.*

Parallel to the federal registration system, each of the states has its own trademark register, but limitations in these state systems make them of limited use to cannabis brand owners. First, the state trademark statutes require use of a trademark as a precondition for registration.<sup>16</sup> While this requirement prevents squatting of trademarks by pirates who have no intention of using a mark, it also makes it difficult for a business that has built a brand in one state to block a competitor from usurping the goodwill of that brand by launching it in another state before the original brand owner has had the opportunity to either open its own locations in the second state or to identify a licensee who can launch the brand in the second state.

Second, in most states the state registration does little more than put the public on notice of the trademark registrant's claims of rights. Under the model state trademark statute, and in most states, a state trademark registration only creates a presumption of registration, and does not create a presumption of ownership or afford any exclusive rights.<sup>17</sup> The owner of a state trademark

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16. INTA Model State Trademark Bill § 3 (2007); Alaska Stat. § 45.50.020 (2016); Cal. Bus. & Prof. Code § 14207 (2009); Colo. Rev. Stat. § 7-70-102 (2009); Me. Rev. Stat. Ann. tit. 10 § 1522(2) (2007); Mass. Gen. Laws ch. 110H § 3 (2006); Nev. Rev. Stat. § 600.340 (2001); Or. Rev. Stat. § 647.015 (2009); Wash. Rev. Code § 19.77.030 (2011).

17. INTA Model State Trademark Bill § 5(b) (2007); Alaska Stat. § 45.50.060; Cal. Bus. & Prof. Code § 14215; Colo. Rev. Stat. § 7-70-103(2); Me. Rev. Stat. Ann. tit. 10 § 1523; Nev. Rev. Stat. § 600.350(2); Or. Rev. Stat. § 647.045(3) Contra Mass. Gen. Laws ch. 110H § 5(b) (registration constitutes “prima facie evidence of the registrant's exclusive right to use the registered mark in this commonwealth on goods or services specified in the registration”); Wash. Rev. Code § 19.77.040

certificate of registration admissible as “prima facie evidence of (1) the validity of the registration of the trademark; (2) the registrant's ownership of the trademark; and (3) the registrant's exclusive right to use the trademark in this state in connection with the goods or services specified in the certificate, subject to any

registration who has only used the trademark in part of the state cannot rely on that registration as a basis to stop an entity even in a different part of the state from using the same trademark.<sup>18</sup>

Third, state trademark statutes require that the applicant specify the goods or services on which it uses the trademark in accordance with USPTO practice or historical US classifications, neither of which includes marijuana-related goods and services.<sup>19</sup> Thus, while a marijuana business could try to obtain a state trademark registration in connection with a broad, vague, or ancillary description of goods and services, the state trademark statutes do not accommodate registration of the mark for its actual goods and services of interest, namely marijuana-specific goods or services.

#### *D. Cannabis Trademark Owners Have Few Available Remedies.*

Without a registration, a brand owner could bring a trademark infringement or unfair competition claim relying on its common-law rights. But such rights extend only as far as the brand owner's trading area or its zone of reputation. Accordingly, the trademark owner would need to establish consumer recognition of its mark in the territory where the junior user had attempted to use its mark or bad faith on the part of the junior

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conditions and limitations stated in the certificate. Registration of a trademark under this chapter shall be constructive notice of the registrant's claim of ownership of the trademark throughout this state."

See also Lee Ann Lockridge, *Abolishing State Trademark Registrations*, 29 CARDOZO ARTS & ENTMT. L.J. 597, 618 (2011) (noting that in 37 states the state trademark registration creates nothing more than a presumption of registration).

18. See *Empire Nat'l Bank v. Empire of America FSA*, 559 F. Supp. 650, 657, 222 U.S.P.Q. 518 (W.D. Mich. 1983) (protection in trademark extends only to geographic range of consumer recognition).

19. Alaska Stat. § 45.50.020(2); Cal. Bus. & Prof. Code § 14207(a)(2); Colo. Rev. Stat. § 7-70-102(2)(h); Me. Rev. Stat. Ann. tit. 10 § 1522(2)(b); Mass. Gen. Laws ch. 110H § 3(a)(2); Nev. Rev. Stat. § 600.340.1(d); Or. Rev. Stat. § 647.015.1(b); WASH. REV. CODE § 19.77.030(1)(b). For chart setting forth classification system adopted by each state, see 3 THOMAS J. MCCARTHY, MCCARTHY ON TRADEMARKS §22.10.

user.<sup>20</sup> A cannabis business in Massachusetts might have built enough of a following to prompt a cannabis business in California to copy the branding, but without sales or advertising in California, the Massachusetts business would likely have difficulty meeting the evidentiary standard necessary to establish in court that it had built its brand reputation among California consumers. Further, the burdens of bringing the lawsuit across the country would discourage many brand owners from initiating the litigation.

### *III. A Reciprocal State Cannabis Trademark Consortium Would Fill the Gaps.*

To remedy the exclusion of cannabis trademarks from the federal registration system, a consortium of state registration systems could provide the regulatory framework agile enough to keep up with the changing business environment for the cannabis space. Modest amendments to the state trademark statutes could build the first pillar of this consortium by expressly opening registration for cannabis-related goods and services and creating presumptions of exclusive rights in the trademarks registered in connection with those cannabis goods and services. For the second pillar, the states with legalized marijuana would grant reciprocity to cannabis trademark registrations from other legalized states, acknowledging that brands (or at least brand recognition) will spread throughout those states.

Three additional reforms would supplement these two pillars to address the particularities of a cannabis trademark system built upon reciprocity among geographically distant states. To make disputes between parties in all parts of the country more cost-effective, holders of state cannabis trademark registrations would consent to non-exclusive, appealable arbitration of

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20. See *Tana v. Dantanna's*, 611 F.3d 767, 780, 96 U.S.P.Q.2d 1001 (11th Cir. 2010) (“[I]t is well-established that the scope of protection accorded his mark is coextensive only with the territory throughout which it is known and from which it has drawn its trade.”) (citing *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415–16, (1916)); *Money Store v. Harriscorp Finance, Inc.*, 689 F.2d 666, 674, 216 U.S.P.Q. 11 (7th Cir. 1982) (“A good faith junior user is one who begins using a mark with no knowledge that someone else is already using it.”)).

registration and infringement disputes. In the arbitration, or a state-court proceeding, a brand owner could challenge a state cannabis trademark registration likely to cause confusion with or dilution of a senior mark or one acquired through bad faith. Finally, the state cannabis trademark registration would not create a presumption of senior rights as against a cannabis trademark in use prior to implementation of the legislation.

*A. State Trademark Systems Will Permit Registration for Cannabis Goods and Services with Presumptions of Validity and Exclusive Rights.*

Proposed legislative action no. 1: This state shall grant trademark registrations in connection with cannabis-related goods and services that travel through medical or recreational channels permitted and regulated by the state to applicants who have all state licenses necessary to offer those goods or services in the state. The state shall use the same classes and descriptions of goods and services as those for analogous non-cannabis goods and services, but shall use the prefix “M” in the registration number to identify the goods and services as cannabis-related, and shall expressly limit the description to goods containing or used to manufacture, cultivate, process, or distribute cannabis and services researching, cultivating, processing, serving, or retailing such goods.

The state frameworks currently rely on classification systems that do not include cannabis goods or services.<sup>21</sup> Accordingly, the state legislation will need to expressly permit trademark registration in connection with cannabis goods and services, but in light of the special nature of these goods and services, only for cannabis goods and services that the state has permitted and regulated. This limitation would inhibit arbitrage and squatting, particularly for activities that the state had not yet legalized (for example, Internet sales). Further, the trademark applicant would need to have all state licenses necessary to operate the cannabis

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21. See generally *supra* note 19 and accompanying text.

business in order to obtain the registration. If the state cannabis regime does not require licenses for certain goods used in the industry, such as equipment used to cultivate or process marijuana, and manufacture or sale of those goods would not violate state law, the marks used in connection with those goods would qualify for registration because the applicant would have all of the state licenses necessary to sell them.

Marking the cannabis trademark registrations with the “M” prefix would make it easier to identify the cannabis trademarks for purposes of reciprocity<sup>22</sup> and for trademark clearance. Under this proposal, the COLUMBIA CONFECTIONERY trademark owner from the hypothetical would obtain a registration in International Class 30, which covers baked goods,<sup>23</sup> but the registration would specify that those goods contain cannabis, and the registration number would begin with the letter “M” to identify it as a cannabis trademark registration. Cannabis businesses could look for these “M” state registrations in order to avoid conflicting trademarks and develop their own distinctive branding.

*Proposed legislative action no. 2: The cannabis state trademark registration shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and the registration of the mark, of the registrant’s ownership of the mark, and the registrant’s exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein.*

Since state registrations in most states do nothing more than create a presumption of registration, a cannabis trademark registration would need to carry additional weight in order for it to provide any significant benefit over common-law rights. With presumptions of validity, ownership, and exclusive rights

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22. See *infra* Section III.B.

23. Nice Classification, Official Publication, International Class 30, World Intellectual Prop. Org., [http://web2.wipo.int/classifications/nice/nicepub/en/fr/edition-20170101/taxonomy/class-30/?pagination=no&lang=en&mode=flat&explanatory\\_notes=show&basic\\_numbers=show](http://web2.wipo.int/classifications/nice/nicepub/en/fr/edition-20170101/taxonomy/class-30/?pagination=no&lang=en&mode=flat&explanatory_notes=show&basic_numbers=show) (last visited Aug. 25, 2017) (on file with the Washington and Lee Law Review).

borrowed from the Lanham Act,<sup>24</sup> the state registration in the new trademark consortium would allow the trademark owner to develop its business without worrying that a competitor in another part of the state, or another state within the consortium, had taken its brand and started building concurrent common-law rights in that location. Although a trademark owner would still need to submit evidence of use in an infringement lawsuit based on the state registration, it would not face the evidentiary burden of establishing reputation in a distant location as required for a common-law claim. The presumptions benefit trademarks owners by framing the trademark lawsuit as an inquiry into whether the junior user's trademarks infringe, rather than focusing on whether the senior user has any rights in the junior user's trading area. Stronger rights should lead to higher adoption rates of trademarks. A business climate that relies on and values trademarks protects consumers by promoting brand differentiation and reducing consumer search costs.<sup>25</sup> The first pillar would build a framework for meaningful registrations available for trademarks used in connection with the cannabis goods and services permitted by the state.

*B. States Will Grant Reciprocal Recognition of Cannabis Trademark Registrations.*

*Proposed legislative action no. 3: This state shall recognize a trademark registration issued by another state in connection with cannabis goods and services as if this state had granted the registration, as long as both states grant reciprocity and adopt the same substantive provisions relating to state registration of cannabis trademarks. Such recognition shall not create a presumption that the holder of the out-of-state trademark registration has any right to operate a cannabis business except in the state(s) that issued its license(s) to operate a cannabis business.*

While the strict regulations of the state cannabis regimes make multi-location or cross-state operation of cannabis

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24. 15 U.S.C. § 1115 (2012).

25. See generally *supra*, Section II.A.

businesses difficult, even businesses with only one location will recognize the benefits of securing trademark protection outside their home states. First, many metro areas cross state lines and customers on both sides of that line watch the same television stations, see the same advertisements, and drive a few miles across a state line to get better deals, save taxes, or find preferred products. The Truckee BAKED TAHOE shop would want trademark registration coverage for its entire trading area, including into Nevada. Second, brands know no state boundaries on the Internet. Even beyond digital ads that can reach a worldwide audience, peer-to-peer sharing on social media will grow a brand's presence. Third, even if state legislation prevents out-of-state ownership of cannabis businesses, the owners could still develop and license a brand across state lines. Thus, the Washington State edibles business could license the COLUMBIA CONFECTIONERY trademark to businesses in Oregon, or even California, Alaska, and beyond.

Despite the business needs to obtain trademark protection outside a home state, cannabis businesses currently face significant obstacles to obtain out-of-state trademark registrations. The state marijuana statutes restrict interstate commerce in the marijuana sector by, for example, imposing in-state residency requirements on owners of marijuana businesses and prohibiting cross-state distribution of marijuana.<sup>26</sup> Meanwhile, the state trademark registration systems require that a brand owner use the mark in the state in order to obtain the registration.<sup>27</sup> Accordingly, a cannabis business owner who can only operate in one state can only obtain a trademark registration in one state. With federal trademark registration

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26. For example, Washington Revised Code sections 69.50.331(1)(c)(ii) and (iii) require owners of any recreational marijuana business to have lived in the state for at least six months and Oregon Revised Statutes section 475B.110(2)(b) requires that one of the holders of a retail license have resided in the state for at least two years. No states allow the transport or distribution of marijuana across state lines. *See, e.g.*, CAL. BUS. & PROF. CODE § 26080(a) (2009).

27. *See generally* ALASKA STAT. § 45.50.020 (2016); CAL. BUS. & PROF. CODE § 14207 (2009); COLO. REV. STAT. § 7-70-102 (2009); ME. REV. STAT. ANN. tit. 10 § 1522(2) (2007); MASS. GEN. LAWS ch. 110H § 3 (2006); NEV. REV. STAT. § 600.340 (2011); OR. REV. STAT. § 647.015 (2009); WASH. REV. CODE § 19.77.030 (2011).

unavailable for cannabis businesses, they need another mechanism to secure rights beyond state borders.

The second pillar of the proposal provides that mechanism—reciprocity. To extend protection of brands throughout cannabis-legal jurisdictions, states could grant reciprocity of state cannabis trademark registrations to any other states that have adopted the reciprocity legislation. Thus, use in one state would render the mark eligible for registration in that state and all participating states would treat that registration as valid in those states. For example, if both California and Nevada participated in the system California would recognize a Nevada state registration, treating it like a California registration, with presumptions of ownership, validity, and exclusive rights to that mark not only in Nevada, but also in California, recognizing the priority date conferred by the Nevada filing date.

Similar systems of reciprocity for intellectual property rights exist on the international level. For example, under the Berne Convention, a copyright registration in one member state extends the scope of the copyright to all other member states.<sup>28</sup> In the Andean Community, use of a trademark in one member state constitutes use in all member states, sufficient to support continued registration of that trademark.<sup>29</sup>

A system of reciprocity helps protect consumers by promoting consistency in branding through the full geographic extent of the cannabis marketplace. Thus reciprocity recognizes the market reality that a consumer encountering a trademarked product in Maine and a product under the same mark in Alaska reasonably

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28. Berne Convention for the Protection of Literary and Artistic Works art.5(1), Sept. 9, 1887, 102 Stat. 2853, 331 U.N.T.S. 217 (“Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or hereafter grant to their nationals, as well as the rights specifically granted by this Convention.”).

29. Andean Group, Commission Decision No. 486, Common Intellectual Property Regime art. 165 (2000) (“The competent national office shall cancel the registration of a mark at the request of any interested party when, without justification, the mark has not been used in at least one of the member countries, by the owner or his licensee or any other person authorized for the purpose during the three consecutive years preceding the date on which the cancellation action was initiated.”).

expects consistent quality for both products. If another state legalizes marijuana it can join the consortium with reciprocal state trademark registrations, allowing the boundaries of the trademark protection to keep up with the expanse of the market. The reciprocal treatment blocks opportunistic adoption of cannabis trademarks popular in one part of the country, but not yet launched in another. The cannabis trademark owner need only use the mark in one state in order to obtain a registration, and with the reciprocal treatment afforded that registration it could license its trademark rights to businesses in other cannabis states, building its brand.

Legislative action to grant reciprocal recognition of cannabis trademarks should expressly provide that such recognition does not constitute a business license. If an out-of-state trademark holder wants to open a dispensary, launch a cultivation enterprise, or otherwise engage in a cannabis business beyond its home state it would need to apply for a license from each other state where it wanted to expand (if possible under that state's laws) and comply with all applicable laws. While this need to apply for licenses on a state-by-state basis might seem evident, making it explicit in the text of the statute will minimize the mistaken belief that trademark registration provides an end run around the state license requirements.

*C. Brand Owners May Use Arbitration to Address Registration and Use Disputes.*

Proposed legislative action no. 4: An owner of a cannabis trademark registration issued by this state consents to arbitration as a non-exclusive means of resolving attempts to cancel the registration for one of the bases set forth in this section or allegations of infringement or dilution of, by, or against the registered mark. Absent compelling circumstances, the arbitrators shall publish the decisions and bases for arbitral awards. Any arbitration pursued under this section shall permit the parties to appeal the decision on the basis of law or fact to one or more arbitrators. If upon initiation of an arbitration all parties do not agree to appeal the initial decision to arbitrators, then any party may appeal the decision to the intermediate appellate court of this state.

The two pillars—(1) state cannabis trademark registrations with presumptions of exclusivity, validity, and ownership, and (2) reciprocity—establish the framework of the state cannabis trademark consortium. Three additional reforms fill out the structure, starting with the dispute resolution mechanism. An effective trademark regime needs an easy-to-access system for resolving trademark disputes predictably and consistently. The federal system aims to meet these goals of accessibility and consistency through two principal systems of dispute resolution. Challenges to federal registration of trademarks go to the Trademark Trial and Appeal Board.<sup>30</sup> Infringement or dilution claims go to the federal courts.<sup>31</sup> The state systems do not have an administrative body like the TTAB, but rather all trademark disputes, including challenges to registration, go before state courts.<sup>32</sup> Also unlike the federal system, the states do not publish a listing of all of the applications they have approved.<sup>33</sup> Publication by the PTO gives trademark owners notice of third-party applications to register potentially problematic trademarks. The senior rights holder may then oppose registration before the application actually matures to registration. Without the opportunity to oppose applications, the state systems push registration disputes to the state courts. Without publication, the state systems push registration disputes later in the life of the mark, when sales have grown enough to attract the attention of the senior rights holder, rather than in the infancy of a trademark before the trademark owners have invested heavily into their brands.<sup>34</sup>

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30. 15 U.S.C. §§ 1063, 1064 (2012).

31. 15 U.S.C. §§ 1114, 1125 (2012).

32. *See generally* ALASKA STAT. §§ 45.50.140(a) (3)–(4), 45.50.180 (2016); CAL. BUS. & PROF. CODE §§ 14230(c)–(d), 14247, 14250, 14254 (2009); COLO. REV. STAT. § 7-70-107 (2009); ME. REV. STAT. ANN. tit. 10 §§ 1527(d)–(e), 1529, 1530, 1531 (2007); MASS. GEN. LAWS ch. 110H §§ 9(3)–(4), 13, 14, 15 (2006); NEV. REV. STAT. §§ 600.390(3)–(4), 420, 430, 435 (2001); OR. REV. STAT. §§ 647.075(1)(c), 647.077, 647.105, 647.107, 647.111 (2009); WASH. REV. CODE §§ 19.77.080(d), 19.77.140, 19.77.150, 19.77.160 (2011).

33. 15 U.S.C. § 1062(a) (2012).

34. Lockridge, *supra* note 17, at 631 (discussing, generally, the limitations of the state trademark registration systems for determining trademark rights, and noting, for example, that “having a state-registered trademark does not

Arbitration can help to avoid these adolescent disputes by making challenges to registration more accessible. The commercial trademark watch services will start to monitor state registers for “M” registration numbers indicating cannabis trademark registrations. When the watch service gets a hit on a new registration, the trademark owner can initiate an arbitration electronically, avoiding the costs and disruption occasioned by out-of-state court hearings. The parties may select arbitrators in neutral locations to allay perceived home-state bias. Relying on arbitrators with expertise in trademark disputes and the particularities of the cannabis industry, and publishing the arbitration decisions will foster consistency by creating a broader catalogue of decisions by experts. Publication of the opinions will also expose the outcomes and rationale to scrutiny by the legal community and the public, addressing the criticisms lodged against arbitration as private and opaque. To encourage confidence in arbitral awards as well as consistency across cannabis trademark decisions, the arbitration rules will need to permit appeals either within the arbitration system or by the state appellate courts.

With arbitration the non-exclusive dispute resolution mechanism for registration as well as infringement and dilution claims, the plaintiff could elect the convenience of arbitration or instead opt for certain procedural benefits of state court litigation. A plaintiff might choose to proceed in court to use the discovery procedures available in court, to present evidence orally and graphically, to have the benefit of a jury, or to have multiple levels of appeal available. Recognizing that the trademark registrant has consented to arbitration, a recipient of a cease and desist letter could proceed to state court to seek a declaratory judgment or opt for arbitration, and thus choose the venue.

Implementation of a state trademark system that includes arbitration does not require that the states themselves provide the arbitration. State agencies would have the option to form their own administrative trademark review panels, but they may understandably decline to allocate limited resources to trademark

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provide the mark owner with a substantive advantage in litigation against an alleged infringer”).

arbitrations. The legislation does not need to name a state agency or specific service to conduct the arbitration – the market will fill the void. A parallel currently exists for domain name registrants, who submit to resolution of disputes through arbitration offered by the World Intellectual Property Organization through the Uniform Domain Name Dispute Resolution Policy.<sup>35</sup> Parties to state cannabis trademark registration disputes could also arbitrate through the WIPO Arbitration and Mediation Center or with one of the many already established commercial arbitration services, like JAMS or AAA.

*D. Bad-faith Adoption Will Invalidate a Registration.*

Proposed legislative action no. 5: No one shall obtain a state cannabis trademark registration with the intention of trading off the goodwill of a third party with prior rights, with knowledge of a third party's rights in the same or similar mark, or otherwise through bad faith; any such registration is void ab initio.

Use alone would not entitle a cannabis business to a state trademark registration; instead it would need to file with a good-faith basis and not seek to benefit from the goodwill already established by another brand owner. A bad-faith filer might try to take advantage of the goodwill established by a cannabis business operated outside the consortium, and therefore ineligible for a reciprocal registration, and make the first filing in the consortium. The prohibition against bad-faith filings would extend to any bad-faith filing, including attempts to adopt famous brands from outside the cannabis space. Owners of famous brands likely would not own state registrations (opting instead for federal) and would not file in connection with cannabis goods and services, meaning that they would not have blocking registrations on the state register. Prohibiting these bad-faith filings would protect consumers who might think they had

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35. *Domain Name Dispute Resolution*, WORLD INTELLECTUAL PROP. ORG., <http://wipo.int/amc/en/domains>, (last visited Aug. 22, 2017) (on file with the Washington and Lee Law Review).

obtained a candy bar offered under a famous brand rather than an edible produced by an unrelated entity.

*E. A State Registration Will Not Create Presumptions Disrupting the Status Quo.*

*Proposed legislative action no. 6: Notwithstanding anything to the contrary in the legislation, a cannabis trademark registration does not create a presumption of exclusive rights against a prior or concurrent user of the same or similar mark in a different geographic area before the legislation went into effect in that area.*

A reciprocal state cannabis trademark regime would need to address common-law rights developed by brand owners before registration became available. A registration should not override common-law rights in effect before the legislation made registration a possibility. If two cannabis businesses use the same or a similar trademark in remote geographical areas (whether in the same or different states) before a reciprocal trademark regime goes into effect, they would enjoy concurrent rights in their respective sales areas. A reciprocal trademark registration obtained by one should not disrupt the concurrent rights already established by the other before it had the option of obtaining a registration. These trademark owners will need to co-exist or otherwise work out that one of them will obtain exclusive rights. At present a relatively small number of dispensaries and brands offer cannabis products, which makes the likely number of concurrent users quite small. As the industry grows into more states with recreational dispensaries, the potential universe of concurrent uses multiplies rapidly, making the need for a reciprocal registration regime more pressing.

#### *IV. Conclusion*

This Article has proposed to address the gaps in regulation of cannabis trademarks through narrow amendments to the state trademark statutes. The proposal stands on two pillars: (1) explicit availability of state trademark registrations for

cannabis goods and services permitted under state law, with those registrations affording presumptions of ownership, validity, and exclusive rights; and (2) reciprocal recognition of cannabis trademark registrations among states with legalized cannabis and similar cannabis trademark regimes. Supporting provisions fill out the reciprocal state cannabis trademark regime, namely, use of arbitration to resolve disputes, invalidation of bad-faith registrations, and continued recognition of the common-law and concurrent rights existing prior to implementation of the regime.

The author formulated this framework with four guiding principles in mind. First, an effective trademark system needs to protect consumers. States embarking on this experiment of cannabis legalization will need to prioritize responsible consumption and competition in order for legalization to succeed. Trademarks can help to promote and regulate fair competition. Cannabis businesses will develop customer pools that base purchasing decisions on brands. As those customers communicate their preferences to each other, and as they move from state to state they will spread that brand knowledge. Cannabis brand owners accordingly need a regime that will keep up with their spreading brand reputation by extending trademark rights throughout the states with legalized cannabis. Cannabis businesses that believe the trademark system works for them will invest in their trademarks. They will monitor for misappropriation of their marks by competitors, while at the same time searching and clearing trademarks for conflicts before they commence use themselves. With growing awareness of trademarks, cannabis businesses and their consumers will rely increasingly on trademarks as business distinguishers.

Second, this proposal aims to minimize trademark disputes within the cannabis industry. As cannabis businesses grow, the weakness of the existing trademark regime could lead to territorially narrow rights, multiple businesses concurrently using the same mark, races to establish senior rights in states as they legalize cannabis, and counterfeiting or other trademark misuse with limited effective remedies. Sometime in the future the federal government might make federal registration available for cannabis trademarks. At that time (absent adoption of this proposal or another effective change in the trademark regime)

years of pent-up trademark conflicts will spill out, yielding complications of determining priority, delimitation of rights accruing from concurrent use, and laches or statute of limitations as potential defenses to claims of infringement. This proposal will limit those conflicts by establishing a system of exclusive rights coterminous with the states that permit sales of the products covered by the trademarks. Ownership of a reciprocal cannabis trademark registration will entitle the registrant to exclusive rights across the entire geographic span of the cannabis marketplace. Businesses outside those states cannot legally use those marks in connection with cannabis goods and services because they cannot legally operate cannabis businesses. Development of a culture of trademark clearance and registration within the cannabis field will increase sensitivity to the importance of building distinctive trademarks.

Third, minimal changes to existing structures will increase adoption by states and trademark owners. The cannabis industry does not need to create its own trademark registry when state registries already exist. These state offices can accommodate minimal changes to their systems of adding the letter “M” to registration numbers and introducing cannabis-specific descriptions of goods and recitations of services. Disputes regarding registration and use should not require creation of new state bureaucracies, which would impose additional burdens on state governments and could result in inconsistent adjudications across jurisdictions. Current arbitration providers will fill the void to provide high-quality, specialized cannabis trademark dispute resolution.

Fourth, cannabis businesses will adopt a system they find easy to use. The existing state systems offer a particular benefit in the low fees and short, relatively straightforward forms needed to register a trademark. Trademark owners can search the public databases of state trademark registries or use a commercial service to conduct those searches. Use of private arbitration with public access to the opinions should deliver an affordable dispute-resolution platform which promotes consistent results across the cannabis-legalized states. Parties to disputes in geographically remote areas can resolve their disputes before neutral

adjudicators without having to leave their businesses to go to court in a different state.

This proposal will not address disputes that would arise between state registrations for cannabis goods or services and federal registrations for related goods or services that do not contain cannabis. For example, the Washington business might obtain a state registration for the COLUMBIA CONFECTIONERY trademark in connection with desserts containing cannabis, while an Oregon business might obtain a federal registration for the COLUMBIA CONFECTIONERY trademark in connection with desserts (that do not contain cannabis). The Washington state registration could not trump the federal registration. A federal court might consider the respective desserts related even though sold through different channels of trade, and deem the Washington business's desserts infringing based on the federal registration of the Oregon business (and the lack of lawful use by the Washington business). This narrow, but real, problem will persist until federal registration opens for trademarks used in connection with cannabis goods and services. Until that time reciprocity through the state systems provides a strong alternative for protection and regulation of cannabis trademarks.