

Professional Perspective

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Cannabis Brand Protection

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For so long as cannabis remains illegal at the federal level, cannabis businesses operating in full compliance with state law will not enjoy the full scope of protections as brands that are operating in legalized industries. Federal registration of trademarks is unavailable to a cannabis business, but that doesn't mean that it cannot develop goodwill in its brand name and enforce common law trademark rights. A well thought-out, carefully executed brand development and protection plan can be a meaningful substitute for federal registration.

Below is an exploration of strategies that cannabis businesses can use to establish a brand identity that can be effectively protected today, and that might be used to build a cannabis brand that is protected at the federal level if and when cannabis is legalized.

Background

The Patent and Trademark Office will not register trademarks for cannabis as a commercial good, or service marks for cannabis services, e.g., cultivation, processing or distribution, unless the products meet the definition of "hemp" under federal law. The Agriculture Improvement Act of 2018 (2018 Farm Bill), [Pub. L. No. 115-334](#), 132 Stat. 4490. The Controlled Substances Act amended the definition of "cannabis" so that "Hemp" is defined as cannabis strains producing less than 0.3% concentration of tetrahydrocannabinol and is no longer considered a Schedule I drug. See e.g., [7 U.S.C. § 1639o\(1\)](#). Consequently, cannabis businesses are, for the most part, unable to avail themselves of a suite of rights granted to owners of federally registered marks including:

- A legal presumption of ownership, validity, and enforceability of the mark
- The exclusive right to use the mark throughout the US for the identified goods
- Constructive notice of ownership of the mark
- The ability to prevent importation of infringing goods with the help of the Customs and Border Protection Federal agency
- Use of the federal registration symbol ®, thereby putting the public on notice of a mark owner's registered rights
- Standing to sue for infringement and otherwise enforce the mark in federal courts. For purposes of this article, we assume, and many commentators on the subject agree, that federal courts would not entertain an action under the Lanham Act for infringement of a common-law mark protecting an illegal product like cannabis.
- A basis to obtain registration protections in certain other foreign countries

People: Co-Branding & Endorsements

One increasingly popular option for cannabis businesses is to associate its brand identity with celebrities. Through the widely recognized right of publicity, the right of privacy and unfair competition laws, state laws protect an individual's right to commercially exploit the individual's name, image, and other aspects of the individual's persona. Publicity and related rights are a creature of state law, rather than federal law, which means that these rights are not diminished or otherwise adversely affected by cannabis prohibitions at the federal level.

By tying a cannabis brand to the legal protections offered by rights of publicity, a cannabis business effectively leverages the value of the celebrity's public persona to protect its own branding. This can be accomplished in two ways: co-branding, in which a celebrity's existing registered mark is used in conjunction with the cannabis brand; or endorsement, in which a celebrity directly associates the celebrity's name, image, and likeness with a cannabis brand. In either case, the in terrorem effect of a high-profile fight with a well-known public figure will effectively deter most competitors from using a mark that is the same or similar to a common law cannabis mark that is directly associated with, or promoted by, that public figure.

Similarly, endorsements and co-branding with prominent public figures will serve to establish consumer goodwill in the brand name. This goodwill may not only improve a mark owner's position if and when the owner applies for federal registration after cannabis is legalized at the federal level, but could also be relevant and helpful in the event of an opposition proceeding or other challenge to the owner's right to register or use the mark.

Places: Common-Law Protection & Multi-State Operators

Under the Trademark Act of 1946, or "Lanham Act," a business can enforce an unregistered mark if it can establish it has made use of that mark in commerce. 15 U.S.C. § 1051, *et. seq.* "Common law marks" do not have the extensive statutory rights and presumptions granted to registered marks, and are limited in geographic scope, but they do have some statutory protections including the ability to enforce in federal court. This Section 43(a) of the Lanham Act prohibits trademark infringement and any false or misleading facts from being used in advertising and promotion to mislead about another's goods, services, or commercial activities. While we presume this remedy is unavailable for unregistered trademarks and service marks covering cannabis, it can certainly be a useful tool for marks covering ancillary goods and CBD.

Another option to secure trademark protection for a cannabis-related brand is registering on the state level. All 50 states and most territories, not including the District of Columbia and Guam, provide statutory means for the registration of trademarks that are used within the state, which means that, notwithstanding the federal prohibition against cannabis, marks protecting cannabis products and services can be registered in states where cannabis has been legalized. States that have means by which to register a mark also have statutory prohibitions against infringement providing a state law-based claim to enforce one's mark, however, it remains to be seen whether a claimant would have standing in federal court based on diversity.

More importantly, common law marks and state-registered marks offer geographic protection, albeit limited, from infringement claims asserted by the owners of registered marks. If a business has developed common law trademark rights in a particular geographic area since before a competitor's first use of the same or a confusingly similar mark, then notwithstanding the competitor's federal registration, the owner of the common law mark may continue to use the mark. Still, that use is limited to the same products and geographic area as the use immediately prior to the date of the competitor's first use. The common law user can also enforce its mark against the holder of a federal registration, thereby precluding the junior user from using its mark within the geographic scope of operation of the common law rights holder.

Common law marks and state registrations can be a powerful strategic tool for multi-state operators. Multi-state operators are an outgrowth of the unusual circumstance of federal cannabis prohibitions combined with state legalization. Since cannabis is illegal at the federal level, operators of a cannabis business that is legal under the laws of one state cannot legally transport cannabis outside the state or otherwise conduct business across state lines.

The resulting "multi-state operator" business model is typically structured to include the following factors: separate businesses in two or more states where cannabis has been legalized, acting under common ownership, including carefully coordinated management having an eye on the day federal law changes, and the companies can engage in interstate commerce. A coordinated branding strategy spread through a patchwork of states that have legalized cannabis can effectively offer multi-state operators broad geographic protection, an opportunity to "stake a claim" to a particular mark, and a means of deterring competitors who might want to build a brand around similar marks.

The key element of this approach is the geographic scope of the coverage and the broad-based goodwill this can generate. A multi-state operator should be able to rely on pre-existing common law use to protect against third-party claims from registrants of a particular mark, but those rights will become stronger as of the date cannabis is legalized at the federal level. At that point, the multi-state operator will have the earliest possible date of lawful use in commerce. This ensures that any third-party application for registration will not have an earlier date of first use. Interestingly, the statutory requirement for use in commerce of goods and services subject to federal protection under the Lanham Act does not define “commerce” based on legality of the protected goods and services; rather, commerce is defined as “commerce which may be lawfully regulated by Congress” which is generally understood to mean interstate commerce. [15 U.S.C. § 1127](#).

If, as of the date cannabis is federally legalized, a multi-state operator has state registrations or other demonstrable common law use in a sufficient number of states, it should seek federal registration of those marks and identify the date of first use “anywhere” as the date within the state that cannabis was legally sold and then use the date a sale was legally made across the state as the date of first use in “commerce.”

If a competitor runs to the Trademark Office first and applies for federal registration of a mark that has been previously and continuously used by another entity in the cannabis field, the senior user would have grounds on which to oppose the mark based on its common law rights. If the senior user does not challenge the junior user that filed first, then even if a federal registration is issued, the senior user would not be estopped from using its mark. The only consequence would be that its permitted use would be confined geographically to the territory in which it developed its common law rights.

Similarly, a mark that has broad-based geographic use for an extended period of time will likely have well-established public awareness and goodwill. A well-known mark and the goodwill associated with that mark can be a formidable challenge to anyone who might otherwise be inclined to oppose registration of the mark or challenge a user's right to continued use of the mark.

Tips for Federal Registrations

As noted above, while cannabis products and services are not eligible for federal registration at this time, there are related products and services, such as cannabidiol (CBD) products, vaporizers, and other smoking accessories, that can be the subject of a federal registration. This protection can be the springboard for building a brand that can be broadened to include protection for cannabis products and services when cannabis is legalized at the federal level.

These registrations may also provide priority against a later filed application for related goods. Toward that end, any business that is offering goods or services beyond cannabis products and services should consider the following when applying for federal registration of marks covering CBD, smoking accessories or other cannabis-related products and services that are not prohibited by federal law:

- In the identification of goods included in a federal application for CBD products and other products derived from hemp, the applicant must state that the mark only protects hemp-derived products having a delta-9 tetrahydrocannabinol concentration of not more than 0.3% on a dry-weight basis. This language can be asserted at the end of the identification with “all of the foregoing contain”
- Seek coverage for products or services that are legal, but which have a well-known association with cannabis, such as smoking accessories, smoking lounges, incense and other aromatics, herbs, and other botanicals.
- Seek coverage for products that can raise the public profile of the mark without directly referencing cannabis, such as clothing and accessories, glassware, posters, office products, etc.

Conclusion

There is a widespread expectation that cannabis will soon be federally legalized, at least to some extent. When that day comes, cannabis businesses need to be in the best position possible to build its brand identity, ideally by expanding an existing brand to protect cannabis products and services, rather than having to build a brand from the ground up. The best path forward for that eventuality is establishing and executing a carefully developed plan that relies on a mix of the above strategies: co-development and endorsement deals with public figures, common-law use of marks across a wide geographic range and celebrities, and federal registration of marks covering products and services that are cannabis-related or otherwise useful for establishing public recognition of the mark.