



## INDUSTRY



## INDUSTRY

## Can You Trademark a Cannabis Brand? 'Stash' Case Offers Two Answers

BEN ADLIN

January 25, 2017



*Kc Franks, co-owner of Lux Pot Shop, a Seattle cannabis dispensary that changed its name in response to legal pressure from Stash Tea Co.*

A rose by any other name would smell as sweet—but just think of all the money you'd need to spend on rebranding.

That, sort of, is the conundrum facing a pair of Pacific Northwest cannabis companies. Both built their brands around the term "stash," a familiar phrase in cannabis culture. Now, in response to legal pushback from Oregon-based Stash Tea Co., both ar

working to find a way forward. One retail store is adopting a new name. The other store would rather fight than switch.



Seattle's Stash Pot Shop, for its part, will abandon the name entirely, reinventing itself this week as Lux Pot Shop. The owners of Lux made the move in response to multiple cease-and-desist letters from the Beaverton, Ore.-based tea giant.

---

**"Is it worth it to fight? Or does it make more sense to rebrand while the company is still young?"**

*– Alison Malsbury, attorney, Harris Bricken*

In Oregon, on the other hand, Stash Cannabis Co. is doubling down on its original name. Stash Cannabis is preparing to defend its brand in court after being slapped with a lawsuit by the tea company on—no joke—April 20, 2016. A trial is scheduled for 2018.

"My feeling is, we're different industries," Stash Cannabis owner Chris Matthews told *Willamette Week* after the suit was filed. There are thousands of businesses nationwide that use the term "stash," he told the paper. "Just because we sell pot, they think we're hurting their brand."

Industry observers expect such suits to become more common as the legal cannabis industry grows and becomes more mainstream. Strain names such as *Girl Scout Cookies*, for example, which were once obscure enough to fly under the radar, are now *catching the attention of lawmakers* and inspiring *cease-and-desist letters* of their own.



#### RELATED STORY

Goodbye, Grape Ape: Oregon Bans Kid-Friendly Strain Names

"Business owners are going to need to get increasingly more creative in choosing their brand names," said Alison Malsbury, a Seattle-based attorney at Harris Bricken, which counts both Lux and Stash Cannabis Co. as clients. "I expect to see a steady increase in the number of cannabis-related trademark infringement lawsuits as the industry matures."

"How many cannabis brands have you seen that incorporate words like 'green,' '420,' 'cannabis,' 'high,' or 'bud?'" Malsbury said. "These words are common enough that they will cause consumer confusion, and will likely conflict with existing brands."

Stash, the tea maker, was founded in Portland more than 40 years ago. The company trademarked its brand name in 1972. The company did not respond to messages from Leafly requesting comment on the name disputes.







For a small business owner, it's no small thing to be asked to change something "as core as your name," said Kc Franks, co-founder of the company now known as Lux. His shop received its first cease-and-desist letter last year, shortly after winning an industry award for best new retail store. It was a crushing blow to Franks at a time when he felt the store had only recently come into its own.

"Our initial reaction was, no, we're not changing our name," he told Leafly. Not only could it hurt brand-recognition, he said; it would also cost a bundle. The shop had invested a lot of money in shirts, beanies, beer coasters, ball caps, and other branded materials. "The name Stash is printed in concrete in the floor," Franks said. "I had to pay to get that installed, now I have to pay to get that removed."

All told, he said, "there's tens of thousands of dollars in collateral and branded merchandise that needs to be either quickly sold or destroyed."

How do you avoid a headache like this?



**RELATED STORY**

## 6 Best Practices for Opening Your Own Cannabis Business

Malsbury encouraged businesses to hire an intellectual property attorney to perform due diligence before investing in building a brand. "It's cheaper to engage an attorney before investing in brand development," she said, "than it is to battle an infringement lawsuit down the line."



Malsbury also advised cannabis companies to pick a brand that's creative and unique. "Don't incorporate words that are already prevalent in the cannabis industry," she said. "Many of them are descriptive and not eligible for trademark protection at all."

And there's no one-size-fits-all solution when a cannabis business receives a cease-and-desist letter claiming infringement. "Ultimately, it comes down to a cost-b

analysis for the company battling an infringement claim,” Malsbury said. “Is it worth it to fight? Or does it make more sense to rebrand while the company is still young?”

Most of the current threat to cannabis businesses comes from outside the industry because it’s still so difficult for cannabis businesses to secure trademarks, Malsbury said. “Federal trademarks are nearly impossible, and state trademarks provide limited protection.”

Franks, at Lux Pot Shop, also advised building a business identity that transcends a brand name. Whether called Stash or Lux, he explained, the shop has sought to be a part of the neighborhood by welcoming young artists, emerging musicians, and members of the community. And while the name might change, the rest doesn’t need to.

“Make sure that everything you’re doing isn’t based on name,” he advised. “Make sure that what’s your building is a business with core values and something you can stand by. A name is just a name.”



---

**B2B****BRANDING****LAWS****RETAIL****TRADEMARKS**

---

**Ben Adlin**

Ben Adlin is an editor at Leafly who specializes in politics and the law.





---

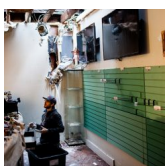
## RECENT INDUSTRY NEWS



Seattle Co-op Pulls CBD Items, Other Stores Keep Selling



Australian Cannabis Stocks Jostle for Top Spot



Up in Flames: Did an Arsonist Target a Seattle Dispensary?



New York Governor  
Wants to Fix Cannabis

What are  
Cannabis





Powered by



#### INDUSTRY

### Brand Licensing Allowing Cannabis Companies to Expand



#### POLITICS

### Patriot Care Panned for Felony Stand







#### INDUSTRY

### How Much Butane in BHO is Too Much?



#### POLITICS

### How Many Jobs Depend on Legal Cannabis?





## POLITICS



## POLITICS

## Meet the Female Entrepreneur Who is One of the First to Secure a U.S. Cannabis Trademark

LISA ROUGH



Cannabis Basics, which is owned and operated entirely by a female staff, just received one of the first trademarks ever for a company that specializes in cannabis and hemp-infused products. Not only is this the first trademark logo issued for a company with "cannabis" in the name, this marks an achievement for women in the highly competitive cannabis industry.

We had a chance to chat with Ah Warner, owner and operator of Cannabis Bas about this groundbreaking accomplishment for the cannabis community, how



cannabis legislation is changing, and how women in the cannabis industry have the unique opportunity to support each other as allies rather than as competition.

**Leafly:** How did you skirt the legal waters of patents and trademarks?

**Ah:** Well, this is a process that normally takes nine months, but, with us, it took 18 months. This is the first registered trademark of its kind – that contains both the cannabis leaf AND the word cannabis. We've never seen anything like it in modern times, it's very exciting.

**Leafly:** Your products have both **CBD** and small amounts of THC in them. How does that work with the new trademark?

**Ah:** Our **hemp** seed oil products are absolutely legal and we can sell them internationally and across state lines without any problem. Although we can only sell the products that contain small amounts of THC (less than .3%) within the state of Washington, by default, our trademark will now protect ALL of our products. The trademark logo is based solely on our hemp products (and we have no intention of shipping any products that contain THC out of the state), but the same branding for both products affords the same legal protections.

**Leafly:** Tell us more about the legislation you helped author – **Senate Bill 5493**, the Cannabis Health and Beauty Aids (CHABA) – that was recently signed into law.

**Ah:** Well, first, I must give credit where credit is due. Senator Jeanne Kohl-Welles was our champion, for medical marijuana and really for CHABA. We wrote this legislation to mirror what was happening in the mainstream market. We also worked with Kari Boiter, a political activist and analyst, and Doug Hiatt, previously a criminal cannabis lawyer who has now transitioned into a cannabis business lawyer in Washington State. We knew that the medical market would not survive the recreational legalization and we also realized that I-502 (Washington's recreational legalization law) would not allow Cannabis Basics to apply for a license.





The end goal of CHABA was to get our products into the hands of health-conscious consumers and we need mainstream retailers in the mix. These products should be accessible to everyone – available at Whole Foods or PCC or health spas. We've always said that our "holy grail" would be to have products on the shelves at Bartell's Drugs, as it's a Washington-centric store and it's been in business in Washington for 125 years. We want to be the modern-day birthplace of cannabis health and beauty.

CHABA really did two things for us:

1. It defined our products for the first time from a legal perspective – from medical-grade **topicals** with less than .3 percent THC for regulations.
2. It also defined cannabis health and beauty products as "not usable marijuana," differentiating them from many other cannabis products on the market. This could not have been achieved without the brilliance of Doug Hiatt and Kari Boiter. The legislation was the first chipping away of Washington's Controlled Substances Act. Cannabis health and beauty aids were redefined before industrial hemp.

**Leafly:** What's next for you and Cannabis Basics?

**Ah:** Next? My law is written. The challenge now, well, I used to consider myself the only topical producer who produces topicals where nothing is above .3 percent THC. What we need is the Liquor and Cannabis Control Board to legally source **cannabinoids** without the use of collective gardens. After 2016, we won't be able to source cannabinoids from collective gardens as we do now.

We can't go through I-502 licensed producers under current law. We'd like to be able to source cannabinoids from newly endorsed medical marijuana gardens or I-502 producers. Cannabis Basics wasn't allowed to apply for I-502, but we'd like to be allowed to apply to be a medical marijuana processor, if the licenses become available.

Also, we just started a new group, the International Cannabis Health and Beauty Aids Producers Alliance. I love alliances, and I'd much rather have allies than competitors. Any producers that need support are welcome. We're paving the way in this industry and we've already covered some amazing ground!

**Leafly:** Any last thoughts?

**Ah:** It's been a crazy journey. I finally feel comfortable saying I'm an activist! It's a heavy title to feel comfortable with and I don't say it lightly. But I've done some things and achieved some goals. It's no small thing.

No small thing, indeed! Congratulations to Ah Warner and Cannabis Basics for these awesome accomplishments. We look forward to seeing Cannabis Basics products available on the shelves of Washington's drug stores soon, and if you're a Washington local, you can already find these products on shelves locally.

Curious as to how Ah makes her cannabis-infused topicals? Check out our tour of her [topicals manufacturing lab](#), where we get a step-by-step process.

[AH WARNER](#)[CANNABIS-BASICS](#)[TOPICALS](#)[TRADEMARKS](#)

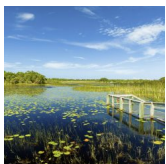


---

## RELATED ARTICLES



Which States are Most Likely to Legalize Cannabis Next?




Congratulations, Florida. Now You're In For a Fight.



Why Is California Running a Cannabis Campaign Without the Cannabis?








**0 Comments****Leafly** **Jim Van Ness** ▾ **Recommend** **Share****Sort by Best** ▾

Leafly requires you to verify your email address before posting. Send verification email to [vanness@qwest.net](mailto:vanness@qwest.net) 



Start the discussion...

Be the first to comment.

 **Subscribe**  **Add Disqus to your site** **Add Disqus** **Add**  **Privacy**

## CONTACT US

[Email](#)[\(855\) 4-Leafly](#)[Privacy Policy](#)[Terms of Use](#)[Commercial Terms of Use](#)[Submit an Idea](#)

## LEAFLY STORE

[Shop Leafly](#)

## COMPANY

[About Us](#)[Careers](#)[Cannabis News](#)[Investor Relations](#)

## CONNECT WITH LEAFLY



 Facebook

 Twitter

 Google+

 Pinterest

 Instagram

 YouTube

## RESOURCES

[Brand Assets](#)

[Dispensary Log In](#)

[Doctor Log In](#)

[List Your Products on Leafly](#)

[Add Your Dispensary to Leafly](#)

[Ad Standards](#)

## SIGN UP FOR MORE LEAFLY NEWS

**SIGN UP**

## DOWNLOAD THE APP



Download on the  
**App Store**



Google play



©2016 Leafly All Rights Reserved





# Canna Law Blog™

Legal Support for the Cannabis Business Community Since 2010

## Intellectual Property/Branding

🔔 Subscribe to Intellectual Property/Branding

---

# Cannabis Trademarks: The Importance of Monitoring Your Brand

By Alison Malsbury on January 11, 2017

POSTED IN INTELLECTUAL PROPERTY/BRANDING



Monitor your cannabis trademark

We've written about **trademark basics**, about the importance of trademarking your brand, about **choosing a brand that sells**, and about how to choose a **strong mark**. We have even written about the **differences between U.S. and Canadian trademarks**. But we have not



delved into the mechanics of prosecuting a trademark application because, quite frankly, the details can be a bit uninteresting. But having a basic understanding of the timeline of events that take place during a trademark prosecution (the trademark filing process) can help cannabis business owners to understand what to expect, the importance of filing early, and how to make sure they don't lose their brand to someone else.

The timeline for trademark prosecution varies somewhat depending on whether you are filing your trademark application based on actual use (meaning you've already sold goods or services bearing the mark in commerce) or based on an intent-to-use (meaning you haven't sold branded goods yet, but you intend to do so in the near future). The **USPTO** provides a couple of great flow charts laying out the timeline for applications, which I will summarize here.

For a Section 1(a) application based on actual use, it will take approximately three months after filing before an examining attorney actually reviews your trademark application. Following that initial review, the examining attorney will either publish the mark for opposition, or issue an office action setting forth any deficiencies with the application. If an office action issues, the applicant has six months to respond, or the application will be abandoned.

Office actions can issue for a multitude of reasons, including simple problems like a misclassification of entity or a failure to provide a translation of a foreign word. These types of office actions are usually easy to respond to and remedy. Other office actions, however, issue for more substantive reasons, such as confusing similarity to a previously registered mark. These types of office actions require a more lengthy response arguing in favor of registration.

If no office action issues, and an application is approved for publication, the mark will be published in the Official Gazette (OG). The OG is a weekly online publication that gives notice to the public of the USPTO's intent to issue a trademark registration. Any party who opposes the registration (for example, due to a claim of prior common law rights) has thirty days to note their formal objection. If no parties object within the thirty day opposition period, the mark will be cleared for registration and that registration will issue within approximately three months.

The next filing for a registered mark occurs between the fifth and sixth years of registration, where a trademark owner must file a Declaration of Use or Excusable Non-Use under Section 8.

The timeline for an application filed on an intent-to use basis is the same all the way through the issuance of office actions and publication. However, after an intent-to-use mark is published, a Notice of Allowance will issue approximately two months later. This notice indicates that the USPTO intends to register the mark once a sufficient statement of use is filed. After the Notice of Allowance is sent, the clock starts ticking for another filing. An applicant has six months from the Notice of Allowance to either file a statement of use (meaning you must have used the mark in commerce), or to file for a six-month extension. An applicant who files based on an intent-to-use can file up to five of these six-month extensions, but must be able to show use within 36 months of the Notice of Allowance.

All of the above timelines are as true for cannabis related trademarks as for any other kind of trademark, though it is true that the USPTO may examine your trademark a bit more closely if it has apparent cannabis connections.

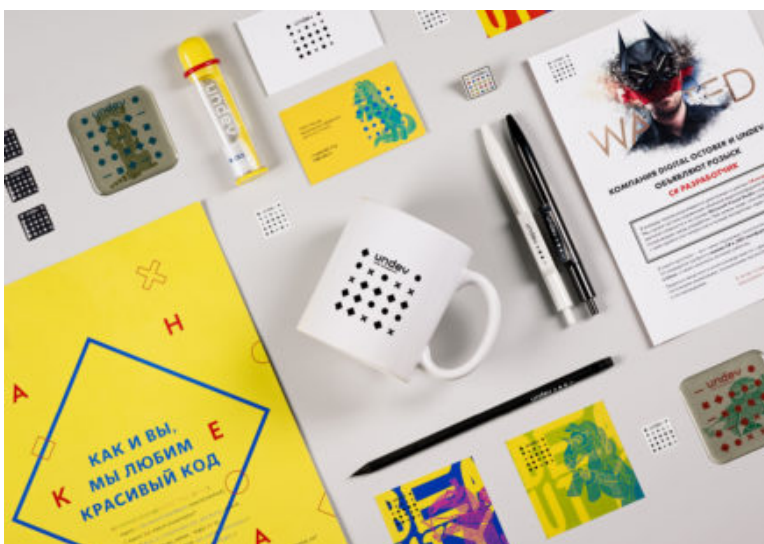
Of course, it's important if you intend to file a trademark application to have reasonable expectations surrounding the timeline for your trademark registration. But understanding the trademark registration process has other benefits, even to those not considering filing for a federal trademark. If you have been using a trademark in commerce, you likely have common law rights in that mark, even if you haven't filed for registration. If another company files a trademark application claiming ownership of the same mark, and you want to oppose that registration, you must do so within the thirty-day opposition window. Otherwise, you will be forced to wait for the registration to issue to file a petition to cancel (which in the case of an intent-to-use application could take up to three years), or for the application to be abandoned. You may want to purchase trademark-monitoring services to ensure you know if a potentially similar mark to your own is published in the OG. These services can be a useful tool in making certain your trademark rights are not undermined.

Regardless of whether you intend to file a federal trademark application or not, if you have a brand, you should understand the registration process. Failure to stay on top of monitoring the use of your mark can result in loss of any rights in your brand.

# Cannabis Trademarks: Choosing a Mark that Sells

By Alison Malsbury on December 23, 2016

POSTED IN INTELLECTUAL PROPERTY/BRANDING



We write consistently about the importance of choosing your trademark carefully: pick a name that **won't get you sued**, make sure your mark **isn't merely descriptive**, make **legal use** of your mark in commerce, and so on. One topic we don't typically delve into is the more subjective aspect of choosing a cannabis brand name, which entails how consumers will react to and perceive your mark. We're lawyers, not brand strategists, and we generally try to avoid doling out this type of advice. But some interesting pieces have been published lately on the subject of what makes a good (or bad) brand name, and we would be remiss not to pass on some of that information to our clients and blog readers, many of whom are in the early stages of building their cannabis companies.

The **IPKat**, whose blog we've touted before as a highly informative and entertaining source of intellectual property news, wrote last week about "tronc," dubbing it the "**most bizarre rebranding of 2016**." Tronc, formerly known as the Tribune Publishing Company, the third-largest newspaper publisher in the U.S., is a moniker for "Tribune online content." **John Oliver**



had some great commentary on the re-brand, and James Surowiecki of *The New Yorker* magazine broke down why the name is so awful, as well as what makes a brand name great.

Corporate branding is a business unto itself. Large companies spend millions of dollars re-branding and developing new brand names for products. In general, names “should somehow evoke the fundamental qualities that you hope to advertise.” The *New Yorker* piece provided some prime examples of this tenet:

“ There are various ways a corporate name can seem apposite. In the case of existing words, connotations are crucial: a Corvette is a light, speedy attack ship; Tesla was an inventor of genius. Made-up names often rely instead on resonances with other words: Lexus evokes luxurious; Viagra conjures virility and vitality.

The piece then explored an idea laid out in Plato’s dialogue *Cratylus*; phonemes in a name can convey meaning, and that there is sometimes a connection between meaning and sound. Research on phonetic symbolism has shown this theory has some merit. Surowiecki notes:

“ In one experiment, people were shown a picture of a curvy object and one of a spiky object. Ninety-five percent of those who were asked which of two made-up words – “bouba” or “kiki” – best corresponded to each picture said that “bouba” fit the curvy object and “kiki” the spiky one. Other work has shown that so-called front-vowel sounds, like the “i” in “mil,” evoke smallness and lightness, while back-vowel sounds, as in “mal,” evoke heaviness and bigness. Stop consonants – which include “k” and “b” – seem heavier than fricatives, like “s” and “z.”

And according to research, phonemic associations appear to be consistent across languages. Surowiecki cites a study that showed that “people who ate ice cream called Frosh (big, creamy vowel sound) liked it better than people who ate the same ice cream under the name Frish (icy, watery).” And though “tronc” is meant to convey a company that is “light, fast, forward-looking and unburdened by the media industry’s past,” it ultimately comes off as “heavy, slow and dull.”

Branding is a powerful tool, and it has the potential to either elevate or anchor your cannabis. It’s important to keep in mind not only the legal requirements for **cannabis trademarks** that

we write so extensively about, but also the more subjective and visceral aspects of a brand that ultimately lead to mass consumer appeal.

---

# Protecting Your Cannabis Trade Secrets

By Alison Malsbury on December 8, 2016

POSTED IN INTELLECTUAL PROPERTY/BRANDING



Trade secrets are an important facet of intellectual property law that have not received sufficient attention in the cannabis industry. In general, any confidential business information that provides a company with a competitive edge can be considered a trade secret.

Trade secrets can include manufacturing or industrial secrets like recipes, formulas, processes or techniques, as well as commercial secrets, such as client lists or business plans that have commercial value because of their secrecy. Unauthorized use of this information by anyone other than its owner is an unfair practice and violation of the trade secret. The key to trade secret law is that something is only regarded as a trade secret so long as it's kept secret.

Trade secrets are at the opposite end of intellectual property protection from patents, in that patents exist so that inventors can disclose their inventions to the public and receive a limited duration of exclusivity to exploit those inventions. Trade secrets provide their owners with protection only so long as the secrets are not disclosed to anyone. There are no procedural formalities like registration in protecting a trade secret. Perhaps the most famous example of a trade secret is the recipe to Coca-Cola. Coca-Cola claims this to be the “world's most

guarded secret,” as it is known to only a few key employees at any given time. The recipe is locked in a purpose-built vault in the company’s museum in Atlanta.

The measures employed by Coca-Cola highlight the importance of taking adequate steps to prevent trade secrets from being revealed. In a case for misappropriation of trade secrets, one of the factors considered by the court is whether the owner of a purported trade secret implemented adequate measures to keep their secrets secret.

Steps that can be taken to protect trade secrets include limiting the number of individuals who know the secret, implementing security protocols in the facility that holds the secret, and requiring employees and others with access to the trade secret to sign a confidentiality and non-disclosure agreement.

In a nascent industry such as the cannabis industry, trade secrets abound. But the cannabis industry is also unique in that people have been growing cannabis for a very long time, and have shared information and techniques for doing so freely. Information that has already been shared is not subject to trade secret protection. However, even if certain secrets don’t qualify for trade secret protection under the Uniform Trade Secrets Act or the Defend Trade Secrets Act of 2016, they may still have value as proprietary information. This is why we encourage all of our clients to have confidentiality and non-disclosure agreements in place with their employees and with other key individuals with whom they transact business. Even without a claim under trade secret law, it may be possible to go after someone in court to try to stop them from disclosing your confidential information or for damages for having disclosed such information.

For more on how to protect your cannabis intellectual property, check out the following:

- **Trade Dress 101 for Cannabis Businesses**
- **Cannabis Trademark Basics: What Makes a Mark Weak?**
- **Canadian and United States Cannabis Trademarks Compared**
- **Cannabis Trademarks and Legal Use in Commerce**

# In re JJ206: More Trouble for Cannabis Trademarks

By Jeff Bess on November 25, 2016

POSTED IN CANNABIS CASE SUMMARIES, INTELLECTUAL PROPERTY/BRANDING



**Securing** federal cannabis trademarks is a unique challenge. In a world of federal marijuana prohibition, federal registration of trademarks remains, in nearly all respects, a non-starter. Today's Cannabis Case Summary illustrates how such a case plays out when owners of intellectual property go forward and attempt to obtain federal intellectual property protections. Spoiler alert: it did not go well for the applicant.

Last month the Trademark Trial and Appeal Board (TTAB) **affirmed** denial of a would-be registrant's marks used in connection with the sale of pre-loaded disposable cannabis oil vaporizers marketed as "JuJu Joints." While some sly cannabis business applicants attempt to pass their registrations off using vague terms like "herbs" or "aroma therapy," that was not the case here. The applicant, JJ206 LLC, filed to register the marks "Powered by JuJu" and "JuJu Joints" with the intent to use the marks in connection with a "smokeless cannabis vaporizing apparatus, namely, oral vaporizers for smoking purposes." These marks were rejected by the Examining Attorney both initially and on appeal before the matter reached the TTAB, which affirmed the prior denials.

JJ206 made a number of arguments in support of its application, none of which were persuasive to the Board.

JJ206 first argued that JuJu Joints are in the same “league” as e-cigarettes and therefore should be afforded similar protections. The TTAB quickly dispensed with this argument by citing the Trademark Act’s clear language requiring that an applicant have a “bona fide intent to use the mark in lawful commerce,” and the Controlled Substances Act’s (CSA) prohibition of marijuana as a Schedule I drug with no lawful use.

Next, JJ206 made a type of common law trademark argument, claiming that denial of registration would cause confusion for consumers as to the origin and consistency of potentially competing products. The TTAB did not reach the factual merits of JJ206’s confusion argument, instead hanging its hat on the necessity of lawful use in commerce.

Additionally, JJ206 pointed to other marks that have been granted registration despite their relationship to cannabis. The TTAB distinguished these prior registrations, however, on the basis that they were not used in connection with federally illegal commerce involving the cannabis plant. In fact, these registrations were granted to companies that sell products like hemp lotion and certain seed and stalk extracts permitted by federal laws. Because JJ206 sought to register a mark attached to a product explicitly intended to be used for consumption of cannabis vapor, the TTAB rejected their argument. Similarly, JJ206 pointed to pending trademark registrations “in support of the marijuana industry.” The TTAB dismissed this argument as well because registrations are, by law, considered independent of other applications and the pendency of an application does not speak to its lawfulness or likelihood of approval.

Finally, the TTAB addressed a trio of theories familiar to proponents of recent cannabis reforms. First, that JJ206’s products distributes its products only within states where cannabis is legal on the state level. Second, that there is a legitimate medical use of cannabis. And third, that JJ206 operates in accordance with the Cole Memo’s directives by working only in compliance with state cannabis laws. In response to each, the TTAB noted the continued illegality of cannabis under the CSA, and emphasized that *lawful* use in commerce under federal law is a fundamental and inescapable prerequisite to federal trademark protection.

As this case illustrates, federal trademark registration remains all but impossible under federal law for cannabis products and it likely will until there is reform at the federal level. Until then,



cannabis businesses are best advised to seek state-level trademark protection – **if they can**, and to speak with their trademark attorney about the possibility of registering their marks for ancillary goods and services at the federal level.

*In re JJ206, LLC, dba JuJu Joints.* [\[Link\]](#)

NOTE: The above is part of our plan to summarize all cannabis civil cases with a published court decision. By civil case, we mean any case that involves cannabis or the cannabis industry that is not a strictly criminal law matter. These cannabis case summaries are intended both to keep you up to date on cannabis laws as interpreted by the courts and also to serve as a resource for anyone conducting cannabis law research. We also will seek to provide key unpublished cannabis law decisions as well, when available.

---

## Cannabis Trademarks and Legal Use in Commerce

By Alison Malsbury on November 18, 2016

POSTED IN INTELLECTUAL PROPERTY/BRANDING



Last week I had the honor of speaking on a panel at Chicago-Kent College of Law, dealing with the unique intellectual property issues faced by the cannabis industry. One issue we discussed at length was exactly what types of federal trademark applications would be rejected by the United States Patent and Trademark Office (USPTO), and on what basis.

The key to determining whether the USPTO will reject a trademark application is not in the substance or form of the mark itself, but in the goods and/or services the mark will be used on. For example, a trademark application will not necessarily be rejected simply because the word cannabis or a graphic of a cannabis leaf is a part of the mark – it's entirely possible to make legal use of a mark that contains these elements (although these marks may raise issues of “**immoral and scandalous matter**”). Rather, the USPTO will reject a mark if the specification of goods and services contains goods or services that are illegal. For purposes of the cannabis industry, illegal goods and services are those that violate the Controlled Substances Act.

Another key consideration is that it doesn't matter how clever the wording of your specification of goods and services is, if you aren't *actually* selling goods or services that comply with federal law. For example, calling your goods “dried herbs,” “dried plant matter,” or “agricultural goods” will *not* fool the examining attorney if what you are actually selling is cannabis. We've said this before, but you must actually be selling the goods you specify in your application, or you must have a bona fide intent to sell the goods you specify if you are filing on an intent-to-use basis. And the goods you are selling must comport with federal law.

Late last month, the USPTO Trademark Trial and Appeal Board (TTAB) issued a precedent-setting **opinion** rejecting an intent-to-use application for POWERED BY JUJU and a use-based application for JUJU JOINTS. The examining attorney on that trademark initially rejected the applications based on a determination that the applicant lacked a bona fide intent to use the marks *lawfully* in commerce under Sections 1 and 45 of the Trademark Act, 15 U.S.C. §§ 1051, 1127. The specification of goods for both JUJU applications was as follows:

“**Smokeless marijuana or cannabis vaporizer apparatus, namely, oral vaporizers for smokers; vaporizing marijuana or cannabis delivery device, namely, oral vaporizers for smoking purposes**’ in International Class 34.

The TTAB opinion also noted that even an application filed on an intent-to-use basis could be rejected if the record indicates that the identified goods or services are unlawful, because actual lawful use in commerce is not possible. Where the specified goods are illegal under the Controlled Substances Act, “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.” This means that the strategy we’ve seen some applicants use of “holding” a mark until cannabis is federally legal by filing on an intent-to-use basis *does not* work.

In this case, the TTAB found that the applicant’s specified goods constituted drug paraphernalia under the Controlled Substances Act, stating that “equipment primarily intended or designed for use in ingesting, inhaling, or otherwise introducing cannabis or marijuana into the human body constitutes unlawful drug paraphernalia under the CSA.” The TTAB looked to the applicant’s evidence regarding the nature of the goods, and determined that they were not “in the same league” as other oral vaporizing apparatuses, such as e-cigarettes.

The applicant in this case made a couple of arguments in support of registration, the first of which was that because there are other pending applications and registrations with the USPTO that reference cannabis, applicant’s application should be treated no differently. But the TTAB opinion distinguishes applicant’s goods based upon, in part, external evidence. Though applicant’s goods clearly constitute paraphernalia under the Controlled Substances Act, the goods registered in other applications include hemp-based products, computer and software services, and consulting in the field of agriculture. Each of these applicants likely had to certify that their goods and services do not violate federal law. And if the USPTO determines, perhaps **upon renewal** or information from a third party, that a trademark owner is actually selling goods or services that violate the Controlled Substances Act, that registration can be cancelled.

The applicant further argued that because it sold goods only in states that allow for the legal sale of cannabis, its current and intended use therefore constituted lawful use in commerce under the Trademark Act. The TTAB rejected this argument, citing a previous decision that “the fact that the provision of a product or service may be lawful within a state is irrelevant to the question of federal registration when it is unlawful under federal law.” *In re Brown*, 119 USPQ2d 1350, 1351 (TTAB 2016). In other words, the federal interdiction against cannabis will control over state law cannabis legalization.

And finally, applicant's last substantive argument was that because it operates in states with regulatory systems that comport with federal directives such as the ***Cole Memo***, its goods should be considered lawful. The TTAB notes, however, that memoranda, including the *Cole Memo*, are merely advisory and cannot override the Controlled Substances Act. Unfortunately, the TTAB's view regarding the *Cole Memo*'s interaction regarding federal law is correct.

**Bottom Line:** When filling for a federal trademark, the actual goods or services the mark will be used on *must be lawful* under federal law. Clever wording or obscuring the true nature of your goods will not fool the examining attorneys, who are becoming increasingly more savvy to the "workarounds" used by many applicants in the cannabis industry. Also, do not forget that in many instances you can provide at least some trademark protection for your cannabis brand and logo by securing a trademark from the relevant state trademark office.

See **Cannabis Trademarks: Back to the Basics**.

---

## Canadian and United States Cannabis Trademarks Compared

By Alison Malsbury on November 10, 2016

POSTED IN INTELLECTUAL PROPERTY/BRANDING, INTERNATIONAL



For quite some time now, my firm's cannabis lawyers have been working with Canadian clients looking to enter various state-legal markets for cannabis in the United States. Now, with recreational cannabis legalization poised to happen in Canada, we're predicting even

more collaboration between Canadian and U.S. cannabis companies. And one of the ways companies are already building cross-border collaborations is through IP and brand **licensing deals**, which raises the issue of trademark protection.

According to Canada's health minister, **federal legislation** to legalize marijuana will be introduced in spring 2017. In the meantime, many Canadian companies are pursuing opportunities to partner with cannabis businesses in the United States to gain valuable industry experience, and to establish their brands in anticipation of going to market in Canada.

When Canadian clients are preparing to move into the U.S. market, one of the first questions they ask is if they can simply use their existing Canadian trademark registration as the basis for obtaining a trademark registration in the U.S.. The answer to that question is no. To obtain a trademark in the U.S., the applicant *must make actual use of that mark in U.S. commerce*. A Canadian applicant can also file a federal trademark application on an intent-to-use basis if they have a bona fide intent to sell their goods in the United States.

When applying for a trademark in another country, regardless of your country of origin, it is important to perform a clearance search on your mark to make sure the mark is available in the new country. Just because a mark is available in Canada, doesn't mean the same mark will be available in the United States, or vice-versa. And even if there are no similar marks registered with the USPTO, it is also important to perform a clearance search to determine whether there are any conflicting state trademark registrations, or any companies with superior common law rights in your mark. This means that if you know you will be operating in both Canada and in the United States, you should choose a brand name you know you can register as a trademark in both countries.

Another important thing to note is that filing fees are structured differently in the U.S. than in Canada. In Canada, there is one fixed fee for any trademark application, and that fee is relatively low. In the United States, the fee will depend on the number of classes of goods and/or services the application covers.

Canada does not require a specimen of use for trademark registration or renewal purposes, but the U.S. requires a specimen be filed with every trademark application based on actual use. This specimen must show how the trademark is being used on the relevant goods and/or



services, and may include packaging, labeling, or samples of advertising of services such as brochures or signage.

And finally, whereas Canada has only a single trademark register, the U.S. has what are referred to as both a “principal register” and a “**supplemental register**.” The supplemental register provides limited protection for certain marks that do not qualify for registration on the principal register due to, for example, mere descriptiveness. Registration on the supplemental register is limited to marks that are already in use in the U.S.. The supplemental register offers benefits to marks deemed descriptive, including the ability to use the ® symbol. It also may be used to prove exclusive use of the mark for a five-year period, which is one of the requirements for proving distinctiveness in order to transfer the mark to the principal register.

With these significant differences between Canadian and U.S. trademark law, it is important to consult with experienced international trademark counsel when pursuing trademark applications in both countries. And if your company is considering doing cross-border work, it’s important to explore whether your trademark rights can be utilized sooner rather than later.

---

## California Cannabis Trademarks are a No-Go

By Alison Malsbury on November 2, 2016

POSTED IN CALIFORNIA, INTELLECTUAL PROPERTY/BRANDING



California does not treat cannabis like other industries for trademark purposes.

With California poised to legalize recreational cannabis in the coming weeks via **Proposition 64**, our intellectual property attorneys have seen an uptick in client inquiries about how to protect their brand at the state level. We've recently reviewed some of the basics of trademark law as applied to the cannabis industry, and for reference, those posts can be found here:

- **Cannabis Trademarks: Back to the Basics**
- **Cannabis Franchising vs. Trademark Licensing: Get it Right or Face The Consequences**
- **Cannabis Trademark Basics: What Makes a Mark Weak?**
- **Cannabis Trademarks: "Deadwood" Policies Could Implicate Cannabis Registrations**

As a bit of quick background, there are three ways in which a brand owner can establish trademark rights:

1. By using the mark in connection with their goods or services (legally) in commerce;
2. By registering the mark with the United States Patent and Trademark Office (USPTO);  
and
3. By registering the mark with an appropriate state trademark registry.

A federal trademark registered with the USPTO provides the most comprehensive brand protection, but because cannabis is still illegal under federal law, and because one requirement for registering a federal trademark is that the applicant has made “legal use” of the mark in commerce, the USPTO has continually refused to register marks for use on cannabis and any other goods and services that violate the Controlled Substances Act (CSA). Under the CSA, it is unlawful to sell, offer for sale, or use any facility of interstate commerce to transport drug paraphernalia, i.e., “any equipment, product, or material of any kind which is primarily intended or designed for use in manufacturing, compounding, converting, concealing, producing, processing, preparing, injecting, ingesting, inhaling, or otherwise introducing into the human body a controlled substance, possession of which is unlawful under the CSA.”

So we have advised our clients to use the state trademark registration process, coupled with federal registration of ancillary goods and services, as the best brand protection strategy currently available. Although the protection afforded by a state trademark is geographically limited to the state of registration, state trademarks do provide some level of protection greater than common law rights.

But though most states that have some form of either recreational or medical cannabis legalization allow business owners to file for state trademark protection, California is unique in that it does *not*. This has been a point of confusion for many clients who have successfully registered their trademarks in states like Washington, Oregon and Colorado, and hope to do the same in California. Unfortunately, the California state government has been steadfast in refusing to register marks used on cannabis. But with medical cannabis having been legal in California since 1996, what is the basis for this policy? The answer lies in Sections 14270-14272 of the Model State Trademark Law of the California Business and Professions Code, which are simply titled “Miscellaneous.” Section 14272 states the following:

“ The intent of this chapter is to provide a system of state trademark registration and protection substantially consistent with the federal system of trademark registration and protection under the Trademark Act of 1946 (15 U.S.C. Sec. 1051 et seq.), as amended. To that end, the construction given the federal act should be examined as non-binding authority for interpreting and construing this chapter.

So there you have it. California's Model State Trademark Law contains a provision that calls for consistency between state and federal trademark law. This includes the "legal use in commerce" requirement, which requires legal use at both the state *and* federal levels.

In light of the impending legalization of recreational cannabis in California, revisiting this provision of the California state trademark law is warranted. We'll be following this closely in hopes of a policy change that would allow cannabis business owners to obtain California state trademarks.

---

## If Cannabis is Rescheduled, Will Pharmaceutical Naming Protocol Apply?

By Alison Malsbury on October 24, 2016

POSTED IN CANNATECH, INTELLECTUAL PROPERTY/BRANDING



We've written extensively on cannabis trademarks and the unique issues posed by the fact that cannabis remains a Schedule I controlled substance under federal law. Some of the highlights can be found here:

- **Cannabis Trademarks: Back to the Basics**
- **Cannabis Franchising vs. Trademark Licensing: Get it Right or Face the Consequences**
- **Marijuana Trademarks**
- **Cannabis Trademark Basics: What Makes a Mark Weak?**
- **Trade Dress 101 for Cannabis Businesses**

We also like to write about more forward-thinking issues that could affect the cannabis industry, like **plain packaging regulations** and **counterfeit goods**, in order to help our clients and business owners prepare for what may be coming down the pipeline. One such issue we've been considering is how the cannabis industry will be affected if the Drug Enforcement Administration (DEA) moves cannabis from Schedule I of the Controlled Substances Act, which is reserved for drugs that have a high potential for abuse, no currently accepted medical application, and a lack of acceptable safety standards for use under medical supervision, to **Schedule II**, allowing for more research and potentially making FDA-approved derivatives of cannabis available for prescription (with substantial restriction, natch).

Moving cannabis into the pharmaceutical realm would implicate a whole host of other federal laws and regulations, including rigorous Food and Drug Administration (FDA) review, and naming requirements that go beyond merely obtaining a federal trademark for your brand. Without venturing into the quagmire that is FDA review, the purpose of this post will be to give an overview of how the naming of cannabis "drugs" would change in the context of pharmaceuticals.

**Marketed drugs** have three different names: a chemical name, a generic name, and a brand name. The chemical name is the drug's scientific name and, being generally unknown to the general population, is not used to identify the drug in clinical or marketing situations. The generic name is assigned by the United States Adopted Names (USAN) Council, and will be commonly used to identify a drug during its clinical lifespan. The brand name, which is always trademarked, is selected by the company that patents the drug and obtains 17 years to exclusively make, sell and use the drug pursuant to patent law.



A five-step process is undertaken in naming a marketable drug:

1. New Chemical Entity (NCE) and patent application;
2. Generic naming;
3. Brand naming;
4. FDA review; and
5. Final approval.

Step one consists of submitting data on any newly discovered compound to the FDA for classification as an NCE to obtain authorization to begin animal testing to determine the effects of the compound. This step also includes beginning the **patent** application process, which can take multiple years to complete. After NCE classification, the USAN Council, which is composed of members of the United States Pharmacopeia, the American Medical Association, the American Pharmaceutical Association, and the FDA, creates and assigns a generic name to the chemical. The generic name is then sent to the World Health Organization for final approval. The USAN has certain criteria for naming, including that the name must be:

1. Short;
2. Easy to pronounce;
3. Euphonic;
4. Suitable for use in both the U.S. and internationally;
5. Not misleading nor confusing;
6. Not implying efficacy; and
7. Not implying application to particular anatomical parts.

The process and considerations for developing a brand name to trademark are nearly identical to that of any other industry, in that the name cannot be generic or descriptive, and cannot be the same as or confusingly similar to any existing marks. Just as with the generic drug name, brand names to be registered with the USPTO for federal trademark protection cannot be misleading or misdescriptive. Additionally, the Center for Drug Evaluation and Research (CDER) will evaluate, prior to the marketing of a drug, the “potential for a proposed

proprietary name (i.e., 'brand name') to cause or contribute to medication errors as part of the Center's focus on the safe use of drug and therapeutic biologic products." The purpose of this review is to ensure accurate interpretation of the product's name for product procurement, prescription, preparation, dispensing, and administration to patients. Healthcare practitioners rely on a drug's name as a critical identifier of a product amongst thousands of other drugs. Confusing names can lead to administering the wrong product to patients or dispensing the product incorrectly.

While this is a very brief, high level overview of the pharmaceutical naming process, the takeaway is that if cannabis moves from Schedule I to Schedule II of the CSA, the complexities of branding and trademarking may change, but they certainly won't disappear.

---

## Is Organic Cannabis Certification Coming to Washington State?

By Alison Malsbury on October 17, 2016

POSTED IN BUSINESS BASICS, INTELLECTUAL PROPERTY/BRANDING, WASHINGTON



The Washington State Department of Agriculture (WSDA) is getting involved in cannabis regulation, and that could mean a **new program** for state-licensed producers to certify their cannabis as organically grown. Branding is critical for cannabis business owners, not only to differentiate themselves from other companies, but to assure consumers of the quality of their products. We've seen many in the industry grow frustrated by the lack of accountability for pesticides and contaminants in products, and by the inability of business owners to tout their cannabis as organic.

The Washington State Liquor and Cannabis Board (the "Board") has already contracted with the WSDA to regulate and test for pesticides and potency, and the WSDA's budget proposal, submitted to Governor Jay Inslee, includes seeking legislative approval for a state-level, self-supporting organic cannabis certification program. The certification would not use the term "organic," and would need an "alternative marketing term" due to the U.S. Department of Agriculture's (USDA) monopoly on setting organic labeling rules.

Labeling a product as "organic" requires a certification, and that certification is granted and regulated by the USDA. Congress set forth general organic principles in the Organic Foods Production Act, and the USDA defines specific organic standards. Although alternative certifications do exist for cannabis and cannabis products, none are approved by or affiliated with the USDA, and they therefore are not your typical "organic" certification. Because cannabis is still federally illegal, the USDA will not undertake to certify cannabis and cannabis products as organic. And stating that a product (cannabis or otherwise) is "organic" without this certification amounts to illegal false and misleading advertising. See **Organic Marijuana: Not Exactly**.

Washington would not be the first state to consider tackling the organic certification issue. In February, Colorado lawmakers introduced **House Bill 16-1079**, which would create a certification program for Colorado cannabis that is pesticide-free. The summary of the bill states that "Because marijuana and hemp are illegal under federal law and federal law governs whether a product can be labeled or advertised as 'organic', marijuana or hemp that is cultivated, processed, and sold in accordance with state law currently cannot be labeled or advertised as 'organic.'" The bill "directs the commissioner of agriculture to promulgate rules governing a program to enable consumers to easily identify medical and retail marijuana and industrial hemp that have been cultivated and processed without the use of pesticides. The department of agriculture will certify third parties who can certify whether the marijuana or

hemp cultivated or processed at a particular cannabis facility is free of pesticides, [and the bill would] allow marijuana product labels to include a standardized notification that the marijuana has been certified as being pesticide-free.”

The WSDA already certifies approximately 1,100 agricultural operations in the state of Washington as organic. According to the report, the fee to cannabis business owners for certification would be approximately \$1,800, and would provide a “guarantee of integrity,” something that has become increasingly important to consumers with the integration of Washington State’s medical marijuana system into the I-502 recreational marijuana system.

Cannabis consumers are demanding assurance that the cannabis products they purchase and consume are safe and business owners should be able to give that assurance and market their products as organic if they truly are pesticide-free. We see this as a step in the right direction toward a safe and transparent cannabis industry in Washington State, and we will be following the WSDA’s new role in the industry closely and reporting back to you as things (hopefully) change.

For more on organic cannabis and pesticides and cannabis, check out the following:

- **Organic Marijuana: Not Exactly**
- **Oregon Marijuana: About 250 Pesticides Make the Cut**
- **Pesticide Testing of Cannabis Retailers**
- **Is Your Pot Safe? Don’t be so Sure.**

---

## 7 Things To Know Before Your Cannabis Business Crosses State Lines

By Hilary Bricken on October 13, 2016

POSTED IN BUSINESS BASICS, INTELLECTUAL PROPERTY/BRANDING, LEGAL ISSUES, MEDICAL MARIJUANA, RECREATIONAL MARIJUANA



With nine states poised to legalize cannabis next month, an increasing number of our clients are seeking help on taking their cannabis business national. They want to know what it will take to cross states with their cannabis cultivation centers, their cannabis retail storefronts or even just with their brand names. If you too are looking to present your cannabis business on a national stage, you need to consider the following seven things:

**1. Federal enforcement policies versus federal law.** Though the **2013 Cole Memo** tells you what the Feds are thinking, you should not forget that there are plenty of other federal enforcement memos that show federal government ambivalence towards cannabis. The **first federal marijuana enforcement memo** issued in 2009 by then U.S. Deputy Attorney General David W. Ogden essentially said that U.S. Attorneys didn't have to waste time, resources, and manpower on pursuing medical cannabis operators in "clear and unambiguous compliance" with state medical marijuana laws. But in 2011 U.S. Attorney General James M. Cole (author of the 2013 Cole Memo) issued a **memo** which didn't exactly retract the Ogden Memo but made clear the federal government would not stop pursuing MMJ operators in compliance with their state's medical cannabis laws. Cole then came back in 2013 and told U.S. attorneys that the Department of Justice would focus on eight enforcement priorities and essentially lay off legalized states with "robust" cannabis regulations. None of these memos specifically address what the feds will do with those who operate marijuana businesses in multiple states. Though the 2013 Cole



Memo said that the size of a marijuana enterprise alone is not the deciding factor in whether to go after it, we still sense that interstate actors are more likely to draw federal attention.

**2. State laws and rules vary (greatly) from state to state.** State laws and rules differ greatly on who can own or invest in a cannabis business. Applying for a cannabis business license usually means you addressing three fundamental threshold issues: residency, criminal background checks, and financing rules and all the marijuana-friendly states treat all three areas differently. For example, in Washington State, **unless you're making a loan or a gift**, if you want to finance or own a marijuana business you *and* your spouse must have resided in the state for at least six months. But Oregon has **no residency requirement** for cannabis ownership or investment. And if **Proposition 64** passes in California, applicant businesses "shall not be considered [residents] if any person controlling the entity cannot demonstrate continuous California residency from and before January 1, 2015." But even without meeting residency requirements, it is still possible for you or your business to enter a "foreign" state via appropriately crafted licensing agreements.

**3. IP licensing.** Because it is difficult, and sometimes legally impossible, to operate a cannabis businesses across state lines, our clients frequently employ **IP licensing agreements**. Such agreements allow them to extend their brands and/or know-how beyond their home states. However, the current state-by-state patchwork of marijuana laws greatly complicates these licensing agreements and mandates they be tailored to the laws of the relevant states. Ownership of IP in the cannabis industry is a tricky issue because **the USPTO will not issue federal trademark registrations for cannabis-related marks**. However, it is often possible to **obtain state trademark rights** for cannabis goods and services states that permit medical and/or recreational cannabis. Our cannabis IP lawyers have seen far too many ineffective and flat out dangerous cannabis licensing agreements that fail to recognize restrictions on both the licensor's control over the licensee and how the licensee pays the licensor to use the IP. Licensing agreements can be a great way for a marijuana business in one state to monetize its know-how or IP in another state, but doing these deals incorrectly can cause you to lose your license or your IP, not get paid, or put you at criminal risk.

**4. Franchising.** Though technically possible, marijuana franchises are generally **not** worthwhile option for cannabis businesses. First, states like Washington have control provisions that require state residency for those that exert management authority over a cannabis business. Additionally, robust state franchisee protections and onerous rules from the Federal Trade Commission make compliance for franchisors extremely expensive. **Under the FTC's rules**, there are three elements of a franchise:

- The franchisee obtains the right to operate a business that is identified or associated with the franchisor's trademark.
- The franchisor will exert or has authority to exert a significant degree of control over the franchisee's method of operation, or provide significant assistance in the franchisee's method of operation.
- The franchisee has to make required payments as a condition of obtaining or commencing operation of the franchise.

The above may sound like a standard trademark licensing deal, but the difference between a licensing and a franchise arrangement hinges on the franchisor/licensor's exertion of control over the franchisee/licensee's method of operation. In a trademark licensing agreement, the licensor will have some control over the use of the trademark – *i.e.* what products the mark can be used on, the quality of those products, advertising placement, sizing, color, etc. But in a traditional trademark licensing deal, the licensor will not have control over the licensee's general business operations – *i.e.* accounting practices, personnel policies, etc. Unless you intentionally creating a franchise and are willing to bear the expense of compliance, it is critical that your deal avoids an **inadvertent marijuana franchise**.

**5. Real estate and local laws.** When crossing state borders, you also need to pay close attention to real estate and local laws. States have ceded some **control** over marijuana businesses to cities and counties and you will be hard-pressed to find a state that does not allow its city and counties to limit or even prohibit marijuana businesses. This means you need to know the local licensing and permitting and zoning laws in the jurisdictions in which you're planning to set up your cannabis business.

# Marijuana brands can trademark almost anything, except marijuana



Hal Lewis, national sales director for Cannabis Sativa Inc., with Hi-brand cannabis balm and other products. (Brian van der Brug / Los Angeles Times)



By **James Rufus Koren**

JANUARY 7, 2017, 3:00 AM

**H**i is a cannabis brand. Its logo — “hi” in white letters inside an orange circle — can be found above the front door of a Portland, Ore., marijuana shop and on a handful of cannabis products, including massage oil and Hi Releaf pain-relief balm.

But you wouldn’t guess any of that from Hi’s trademark filings. In 2015, the brand’s parent company, Cannabis Sativa Inc., filed a trademark application — not for any of Hi’s core products, but for hats, T-shirts and a wide array of other apparel.

If the U.S. Patent and Trademark Office signs off on the application, Cannabis Sativa would be able to stop other companies from using the Hi brand on clothing, but it might not be able to stop rivals from setting up Hi-

brand marijuana shops or selling knockoff Hi-brand products.

This is the odd state of affairs for trademark protection in the cannabis industry, one of the many byproducts of the gap between state and federal marijuana laws.

Though cannabis is legal for recreational or medicinal use in 28 states, it remains illegal under federal law. As a result, the U.S. Patent and Trademark Office will not register trademarks for marijuana retailers or for products that contain cannabis.

“You want to protect what you’re doing with the brand name,” said David Tobias, president of publicly traded Cannabis Sativa, “but you have to dance around it.”

One popular strategy for cannabis companies that can’t trademark their core products is to seek protection for a host of ancillary products and services.

“I call it the ‘circle the wagons’ approach,” said Todd Winter, a Costa Mesa attorney who works with marijuana companies. “We get everything trademarked that we can, tangential to the actual cannabis product itself.”

The idea, one that is largely untested so far, is that if a cannabis company registers its trademark for other products it will scare off would-be copycats and allow the company to be first in line if the federal government eases its stance on pot.

Cannabis Sativa applied for an apparel trademark and hopes to put its Hi brand on other products, including lozenges for smokers.

Stoner comedian Tommy Chong’s brand, Chong’s Choice, which sells a line of pre-rolled marijuana cigarettes, has applied for a trademark for vaporizers and “tobacco” jars.

Altai, a brand of cannabis chocolates, is seeking trademark protection for its name brand as a provider of information about medical cannabis.

Mary Shapiro, a San Francisco attorney, said the goal is to get something federally trademarked — and the more closely related to marijuana, the better. She is working with Salinas firm Indus Holdings, Altai’s parent company, on its trademark application.

Once a company has even applied to register a trademark, it’s noted in a federal database. When companies set out to submit trademark applications of their own, they search that database to see if their brand name is already in use — and if so, how it’s being used.

The goal of trademark law is to prevent consumer confusion, and different companies can use the same name for products as long as their products are in different categories and wouldn’t cause confusion.

The Patent and Trademark Office would likely reject a trademark application for a soap brand with a name similar to Unilever’s Dove, but it didn’t stop candy company Mars from trademarking Dove-brand chocolate.

The same rules apply in the cannabis industry, but it's tricky. Unilever can make clear in its trademark application that Dove makes soap, which lets other companies know they shouldn't try applying for a similar trademark for soap-related products.

Cannabis companies, however, have to be more circumspect, hoping that a trademark for rolling papers or providing cannabis information will be enough of a hint that a company has laid claim to a cannabis-related trademark.

"It raises a red flag that there's a company already operating in the space," Shapiro said. "Basically, it's a warning sign that someone else has claimed rights to the name in connection to cannabis."

Along with scaring off potential competitors, there's another potential benefit: If the Patent and Trademark Office were to start approving trademarks for cannabis products, companies with cannabis-related marks could be first in line.

Going back to that notion of preventing confusion, trademark protection can apply not only to products a company makes now, but to products that a company might reasonably be expected to make later on — what trademark lawyers call the zone of natural expansion.

Even before Unilever started making Dove-brand shampoo, it would have been hard for another firm to trademark that name, as consumers might reasonably expect Dove soap and shampoo to come from the same company.

That's why Winter is helping one of his clients, Arizona cannabis candy company Baked Bros, apply for a trademark on syrups and gummy candies that contain CBD, a hemp extract that's available nationwide. The Patent and Trademark office has approved trademarks for other products containing CBD.

Winter said CBD is about as close to marijuana as the trademark office will go. If the office approves Bake Bros' application, Winter said he believes marijuana products would be within the company's zone of expansion.

"From a legal standpoint, if you have a hemp-based product under your brand, no one will be able to get a cannabis-related trademark for a similar brand," he said.

Still, the "circle the wagons" strategy isn't foolproof, and it comes with challenges of its own. To get and keep a trademark, companies actually have to use it.

To maintain its "hi" clothing trademark, Cannabis Sativa will actually have to sell some clothes. They're not widely available for now, though Hal Lewis, the company's national sales manager, said he plans to launch an online store this year. Chong's Choice will have to keep selling jars and vaporizers, which are available online and at marijuana shops in a few states.

That represents a threat for cannabis brands. If customers love a company's weed but not its other products, the company could lose its trademark altogether, said Alison Malsbury, another attorney who specializes in cannabis trademarks.

"The Patent and Trademark Office is looking for more than just token sales," she said. "If you're not continually using the trademark, it can be canceled and you can lose everything."

What's more, she and other attorneys note that the strategy cannabis companies are using remains untested. Unless and until the federal government decides to allow cannabis trademarks, companies can't be sure their cannabis-adjacent trademarks will be able to carry over to pot products. And so far, there's been little legal squabbling between cannabis companies, meaning there's not much precedent for companies to rely on.

"We don't really have any test cases," Malsbury said.

But that could change as the cannabis industry continues to grow. Winter suspects disputes between cannabis companies have been rare in part because the industry is tightknit.

As money floods in and competition heats up, he expects companies to develop sharper elbows.

"There's a fair amount of peer pressure within the industry to not use someone else's brand," he said. "But that's changing a little with the dynamic of multimillionaires and billionaires investing in the industry."

[james.koren@latimes.com](mailto:james.koren@latimes.com)

**Follow me:** [@jrkoren](https://twitter.com/jrkoren)

## **MORE ON MARIJUANA**

**Case of 'Hollyweed' prankster will be presented to prosecutors, police say**

**Abcarian: A pot bust against legal growers in Yolo County seems to go too far**

**Skelton: Marijuana is legal in California. Now politicians and pot pushers need to help keep it out of kids' hands**

Copyright © 2017, Los Angeles Times

**This article is related to:** [Drug Trafficking, Crime](#)



[seattlepi http://www.seattlepi.com/local/article/First-marijuana-trademark-case-filed-in-10887362.php](http://www.seattlepi.com/local/article/First-marijuana-trademark-case-filed-in-10887362.php)

## New lawsuit could de-haze cannabis trademark law

Dispute between Washington, California companies may clear the air on marijuana trademarks

By ZOSHA MILLMAN, SEATTLEPI.COM STAFF Published 1:09 pm, Wednesday, February 1, 2017

ADVERTISEMENT

### Top Form Builder Software

The Ultimate Form & Workflow Tool. No Coding, 30-Day Free Trial! Go to [perfectfor](#)



Photo: Photos Courtesy Of Eric Harrison

The Clear, a "100 percent solvent-free" cannabis concentrate, is the brand Headspace International will be defending in its suit.



Between federal guidelines and cultural reputation, running a **marijuana business** is a unique, if sometimes challenging, venture. But a new **lawsuit** could help straighten out how the **cannabis** industry protects its **trademarks** and treats itself as a regular business.

Federal guidelines block many areas for the cannabis industry that businesses rely on – including federal trademark protections, which don't extend to anything marijuana related. Until now, most companies have been content filing state trademarks, which protect their marks in the state where they're doing business.

But now that marijuana decriminalization is growing across a number of states, the budding industry is spreading out – and so are their marks.

Which is how we end up with a suit like the one filed last week in Seattle, between **Headspace International**, a Los Angeles company that makes "**The Clear**" cannabis **concentrate**, and Podworks Corp., the **Washington** state company behind the local cannabis brand Top Shelf Clear.

The suit, filed in King County Superior Court at Seattle, was brought by Headspace and their lawyer Harrison, has licensed retailers in multiple states, including Washington. Headspace claims some of their consumers had been having mix-ups with products with a similar name.

ADVERTISEMENT

## 3 Signs You Have a Fatty Liver

Looking Great has Never Been so Easy. Learn about how AMPK treats Liver Fat. [C deepfatsolution.com/Liver](http://deepfatsolution.com/Liver)

David Sparer, an executive with Headspace, said the company worries that other products don't meet the firm's standards.

### RELATED STORIES



**Emerging from shadows, pot industry tries to build brands**



**Bogus bongs or bogus lawsuits? Pipe maker sues over fakes**



**Pot patents: intellectual property becomes a priority**

"Everything we do is under strict standards of practice; we're very consistent and our customers expect that consistency," Sparer said in a recent interview. "Someone could be using **CBD** for medical reasons and have serious problems if they're not getting what they expected."

This isn't the first time the Clear team has confronted a competitor, but it is the first time that the other firm hasn't backed down.

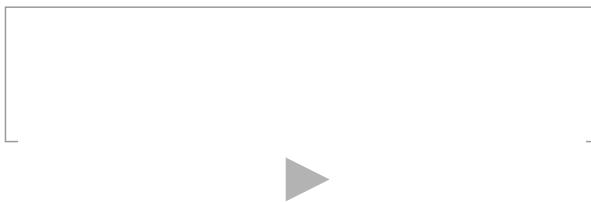
ADVERTISEMENT

Problem is, Washington's I-502 doctrine is a tricky beast and requires that anyone doing business in the state has to be licensed and be a resident of the state. Which means this suit raises a legal quandary: Can a company claim ownership over a Washington trademark in an industry where they can't legally participate?

"Headspace is currently licensing their brand to someone in Washington state, who is then selling those goods. And that entity is not named in the suit," said Alison Malsbury, a lawyer with Harris Bricken who specializes in the intersection of cannabis and intellectual property law.

"Typically when dealing with cross-state licensing deals, the entity using the mark in commerce is the one who files for trademark registration. So is merely licensing your name enough to constitute use for a Washington state trademark? The law is not totally clear on that."

Malsbury says these kinds of questions and suits around marijuana trademarks are arising more and more as the cannabis industry moves out of legal gray areas. Stash Pot Shop in Seattle recently changed their name after Oregon's Stash Tea Company sent a cease and desist, and Caviar Gold was involved in a Washington state trademark suit.



If the case makes it to court, Washington's decision could set a precedent for how other states deal with cannabis businesses butting heads across state lines. Though trademark litigation can be a lengthy and costly process, neither side is interested in backing down.

T  
P  
lear" brand is in confusion. Thomas Werth, owner of

"We're a Washington state corporation since March 2, 2012. We operated a business in good faith, good reputation, and we've always done good business. I was born and raised in Washington; I'm not some out-of-stater trying to make money," said Werth in an interview. "Their position doesn't even exist; that's just the way federal laws are right now."

In any other business, a federal trademark could trump the opposing side, but with neither side able to file, Malsbury said that if the suit survives any of the more run-of-the-mill standing challenges then this could be a major case for cannabis business.

"I would like to see the court address the issue of whether an out-of-state company can hold a Washington state trademark being used on something they can't sell legally (themselves) in Washington," Malsbury said. "The disconnect between federal and state law has been a nightmare."

From here Podworks has 30 days to respond to the injunction with their action, where the case moves to court.

*Zosha Millman covers science, news, and marijuana for Seattlepi.com. You can reach her at zoshamillman@seattlepi.com or at 206-448-8091*

**H E A R S T**