

# WHY BRAND ENFORCEMENT LAWS FOR MEDICAL MARIJUANA ARE DEFICIENT, AND WHAT IT MEANS FOR THE INDUSTRY'S PRODUCT SAFETY EFFORTS

By  
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With recent guidance from federal authorities, trademark enforcement regulations are improving for some hemp products, but brand protection and product safety challenges remain for medical marijuana.

Consumers have long relied on brand recognition to assess product safety. Likewise, businesses use their brands as tools to gain consumer loyalty, building their reputations on the consistent quality of their products and services. The federal trademark system serves these purposes on a national scale, allowing businesses to take private action in policing their brands across state lines, and to inform law enforcement authorities of criminal counterfeiting activity. Unfortunately, for many marijuana-related businesses (“MRBs”) offering products and services that comply with state law but are illegal federally, such as those operating under the Arkansas Medical Marijuana Amendment of 2016,<sup>1</sup> federal trademark protection and enforcement are unavailable. Federal trademark registration under the U.S. Trademark Act is permitted only in connection with goods and services that are lawful under federal law.<sup>2</sup> As a consequence, the landscape of state and federal laws pertaining to marijuana-related trademarks is uniquely complex.

To assess the applicable laws and regulations, MRBs must consider, first, where they will do business and second, what types of goods and services they will offer, whether these include marijuana-based products, hemp-based products, accessories intended primarily for use with marijuana, or other goods or services that can be offered apart from marijuana. In each configuration, a different set of state and federal trademark and health and safety rules may apply.

## Recent safety incidents demonstrate the vulnerability of the cannabis industry to false labels.

In states where MRBs operate legally, state trademark laws make brand protection available—but only locally. With no federal protection, brand owners for marijuana-based products are unable to police their marks outside their states of operation, resulting in counterfeit and false labels that damage the reputations of legitimate producers and leave consumers vulnerable to products bearing fake or deceptive labels. Recent outbreaks of counterfeit and mislabeled goods show how producers of fake marijuana-related goods can take advantage both of gaps in enforcement resources and of the inability of consumers to seek out nationally-reputed brands.<sup>3</sup> In May 2018, a Memphis woman was reported to have been sickened by a bottle of cannabidiol (“CBD”) oil bearing a counterfeit label,<sup>4</sup> prompting the legitimate brand to issue guidelines for consumers to identify the real product versus fakes.<sup>5</sup> The same month, the Centers for Disease Control and Prevention reported that 52 people in Utah were sickened by synthetic products that were falsely labeled as CBD.<sup>6</sup> In states with longer histories of legalized marijuana use such as California, where marijuana accessory makers have gained some name recognition, counterfeit accessories, often of substandard quality, have begun to enter the interstate market in significant quantities.<sup>7</sup>

A 2017 study published in the *Journal of the American Medical Association* found that nearly



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...

70% of all cannabidiol products sold online are either over- or under-labeled; specifically, the levels of tetrahydrocannabinol (“THC”) content were under-reported on labels in 42 percent of the products studied, and were over-reported in 26 percent of the products studied.<sup>8</sup> In a previous study, the same authors analyzed cannabinoid dose and label accuracy in edible medical cannabis products and found similarly concerning mislabeling trends.<sup>9</sup>

For MRBs, the lack of federal trademark protection can have a significant impact on enforcement efforts. If civil trademark actions are unavailable, these MRBs must rely on the limited resources of foreign-state and federal law enforcement authorities to sua sponte crack down on the illegal content of the goods—which aid can be difficult to engage for businesses operating in an industry that is, in practice, relying on federal leniency.

### **Federal Trademarks Are Not Granted in Relation to Goods or Services that Are Illegal Under Federal Law, Regardless of Legality Under State Law**

For a trademark or service mark to be eligible for federal registration under the U.S. Trademark Act, the goods or services to which the mark is applied in commerce must comply with all applicable federal laws.<sup>10</sup> The United States Patent and Trademark Office (“USPTO”) explains in its Trademark Manual of Examining Procedure (the “TMEP”) that whether a product or service is lawful under state law “is irrelevant to the question of federal registration when it is unlawful under federal law.”<sup>11</sup> The TMEP explicitly addresses goods and services involving marijuana:

[R]egardless of state law, marijuana, marijuana extracts, and the psychoactive component THC [(the popular term for tetrahydrocannabinol)] remain Schedule I controlled substances under federal law and are subject to the [Controlled Substance Act]’s prohibitions. These prohibitions apply with equal force to the distribution and dispensing of medical marijuana.<sup>12</sup>

Citing a 2016 decision of the Trademark Trial and Appeal Board, which is often quoted for the admonition that for a mark to be eligible for federal registration, “any goods or services for which the mark is used must not be illegal under federal law,”<sup>13</sup> the TMEP instructs examiners to consider evidence extrinsic to the application when considering whether an application involves goods or services that are unlawful under federal law.<sup>14</sup>

USPTO records show that examiners have refused registration of certain marks because the examiner’s research turned up ties with marijuana.<sup>15</sup> However, limited examples show that a business that clearly offers marijuana-based products may obtain a federal registration for the same marks used on other, lawful goods or services.<sup>16</sup> In some cases in which apparently marijuana-related goods were initially refused registration, federal examiners have even offered to allow the applicants to exclude cannabis from the applied-for goods and services in order to achieve a registrable mark.<sup>17</sup> Given the significant number of cannabis-related trademark applications currently pending before the USPTO, it appears to be common practice to take one’s chances that an examiner

will forgive any evidence that the applicant deals in multiple goods and services (some of which are federally illegal) under the same mark.

The benefits of federal trademark protection may justify these hopeful applications. In addition to enforcement advantages, the federal system offers a tool for new businesses that most states, including Arkansas, do not: the “Intent-to-Use” trademark application. A federal trademark application can be filed on an intent-to-use basis, allowing the applicant to assert early rights to a mark before actual use in commerce has begun.<sup>18</sup> The “Intent-to-Use” application must eventually be supplemented with evidence of lawful use in commerce within the allotted number of six-month extension periods if it is to proceed to a registered trademark. It gives the applicant an important marketing advantage by awarding priority of rights in the trademark as of the date the application was first submitted. The applicant can begin to invest in and develop marketing materials before offering the goods or services in commerce, with the knowledge that subsequent users of the mark with similar goods or services likely will not have superior rights in trademark.

If federal trademark protection is not available to an applicant because the claimed goods and services are unlawful under federal law, the state-level recourse is generally only available in those states where the applicant has legitimate operations and where the mark is already actively in use. Like many states, Arkansas’ trademark registration is available only to marks already in use in commerce on the applied-for goods and services.<sup>19</sup> This shortcoming in state trademark protection means that MRBs may be unable

to invest in pre-launch marketing expenditures to the same degree, or with the same level of confidence in trademark ownership, as is typical for other businesses. For many MRBs in Arkansas, the core product is not yet on the market. As a result, these MRBs may have to begin developing marketing materials before any state or federal trademark protection may be sought.

### **State Trademarks are Effective Within State Borders Only**

The Arkansas Medical Marijuana Amendment of 2016 (the “AMMA”) has led Arkansas entrepreneurs to launch businesses related to marijuana in the state, and like any new businesses, to begin considering trademark protection right away. Without a federal cause of action, state trademark law and remedies apply, but only to cases of in-state infringement. In Arkansas, the owner of a state-registered trademark may seek from a defendant: injunction, disgorgement of profits, and in the case of willful or bad faith infringement, treble damages and attorneys’ fees.<sup>20</sup>

Actions in out-of-state trademark infringement must be brought either under the federal Lanham Act by plaintiffs whose trademark rights are based on lawful use in commerce, or under the foreign state’s trademark laws. In cases of trademark infringement committed with knowledge of intent to cause confusion, federal law makes available actual damages and lost profits, disgorgement of profits from the infringement, and in the case of willful counterfeiting, treble damages.<sup>21</sup> But until federal trademark protection is available, MRBs are constrained from taking action against counterfeit activities occurring in states where marijuana is not legalized, or where there are no legitimate operations.

### **Under Recent Changes to Federal Law, Certain Hemp Products May be Eligible for Federal Trademark Protection**

Recent law and policy changes could mean a useful exception is now in place for certain marks applied for in connection with CBD derived from hemp. Amendments to the Agricultural Marketing Act and the Controlled Substances Act (the “CSA”) enacted under the 2018 Farm Bill remove “hemp” from the CSA’s definition of marijuana as a controlled substance.<sup>22</sup> In response, on May 2, 2019, the U.S. Patent and Trademark Office issued new guidance for examination of

trademark applications (herein, the “USPTO CBD Guide”), in a significant departure from the agency’s previous stated policy.<sup>23</sup> The USPTO CBD Guide makes it possible for manufacturers of hemp-derived (i.e., those products containing less than 0.3% of THC) CBD oil and other low-THC hemp products that are legalized at the state level to use the federal trademark system to establish nationwide trademark rights and ward off counterfeiters across state lines.<sup>24</sup>

The USPTO CBD Guide notes, however, that not all hemp-derived CBD and low-THC products are lawful following the 2018 Farm Bill, as they could still be subject to lawful-use issues under the Federal Food Drug and Cosmetic Act (“FDCA”). The use in foods or dietary supplements of a drug or substance undergoing clinical investigations without approval of the U.S. Food and Drug Administration (FDA) violates the FDCA.<sup>25</sup> As the new USPTO CBD Guide states, “[t]he 2018 Farm Bill explicitly preserved FDA’s authority to regulate products containing cannabis or cannabis-derived compounds under the FDCA.”<sup>26</sup> With this caveat, the USPTO has reserved the right to reject such goods and services for trademark registration. Therefore, MRBs should avoid making health- or dietary-related claims in their identifications of goods and services for federal applications in connection with CBD products, or their applications could be rejected under the USPTO CBD Guide, and should expect the USPTO’s examiners to review extrinsic evidence as to the applicant’s use of the mark in connection with such claims. MRBs still may be best advised to register simultaneously, or as soon as possible, at the state level for trademark protection, even for hemp-derived CBDs.

The 2018 Farm Bill amendments and subsequent policy changes took effect on the heels of CBD public safety incidents such as those in Utah and Memphis, described above, and subsequent attention from the Centers for Disease Control (the “CDC”). In its May 2018 report on the Utah incident, the CDC called mislabeled CBD products an “emerging health threat,” and recommended that states consider regulating the products to minimize the risk of future similar incidents.<sup>27</sup>

In March 2019, Arkansas’ governor signed Act 504, legalizing at the state level any hemp-derived cannabidiol that contains not more than 0.3% of THC, and which is not

subject to U.S. FDA oversight as a medication. While Act 504 created no new state oversight regarding CBD labeling or advertising, it did open the door to federal protection of legitimate CBD products against counterfeiting. Arkansas producers of CBD that are otherwise in compliance with Act 504 may now apply for federal trademark protection, with a filing date as early as December 20, 2018, as long as the applied-for goods and services indicate that the products are hemp-derived and contain less than 0.3% of THC.<sup>28</sup> Applications for CBD products filed prior to December 20, 2018, may be amended to claim a filing date of December 20, 2018, in compliance with the USPTO CBD Guide.

### **Arkansas Imposes Additional Labeling Requirements on MRBs**

Together with these state and federal trademark considerations, Arkansas MRBs must also consider labeling compliance as a significant aspect of their marketing plans. The Arkansas Department of Health has set forth extensive labeling requirements in its Rules and Regulations Governing Medical Marijuana Registration, Testing, and Labeling in Arkansas, which took effect May 8, 2017,<sup>29</sup> and with the rules and regulations issued by the Alcoholic Beverage Control Division of the Arkansas Department of Finance and Administration.<sup>30</sup> Businesses must also avoid labeling CBD-based products as food, drink, or dietary supplements, or they could run afoul of the FDCA.

### **Could Current Federal Trademark Registrations Act As Placeholders for Future Civil Enforcement Against Counterfeit Marijuana Goods and Services?**

The uncertainties surrounding trademark protection for marijuana-related goods and services are real. However, the rush of trademark applicants to register for federal protection of marijuana-related goods and services hints that there is optimism among MRBs, founded or not, that marijuana-based products and services might one day be legalized at the federal level. If such a day were to come, registrations associated with non-marijuana goods and services might bar future third-party applications for the same marks on marijuana-based goods and services.<sup>31</sup> The likelihood of confusion with an already-registered mark is grounds for refusal of a trademark application, and may be found

where the registered and applied-for mark are the same or similar and the goods and services are related or could be expected to be related in the eye of the target consumer. According to the USPTO examining guidelines, “[t]he issue is not whether the goods and/or services will be confused with each other, but rather whether the public will be confused as to their source.”<sup>32</sup> Thus, a federal trademark registration can effectively bar third-party use of the mark not only in connection with the goods or services stated in the registration (for example, cigarette vaporizers or desserts), but also in connection with any other goods or services that are commonly available from the same source as the stated goods or services (for example, marijuana vape cartridges or marijuana confections).

The current reality, nevertheless, is that the resources available to producers of marijuana-based goods to enforce trademark rights are severely hampered relative to those available to producers of other consumer goods. This situation promises to place a disproportionate burden on federal and state authorities to take on consumer protection initiatives against fake and mislabeled marijuana-based products, unless and until the industry is empowered to take federal civil trademark actions to clean up the market itself.

#### Endnotes:

1. ARK. CONST. amend. 98.
2. 15 U.S.C. § 1051; 37 C.F.R. § 2.69; Trademark Manual of Examining Procedure § 907 (October 2018) (“TMEP”) (“If the record in an application based on Trademark Act Section 1(a) indicates that the mark itself or the identified goods or services violate federal law, registration must be refused under Trademark Act Sections 1 and 45, based on the absence of lawful use of the mark in commerce.”).
3. Amelia McDonell-Parry, *Counterfeit Weed Vape Cartridges Are Flooding Black Markets*, ROLLING STONE, Dec. 5, 2018 (available at: <https://www.rollingstone.com/culture/culture-news/weed-pot-vape-counterfeit-unsafe-black-market-763619/>).
4. Andrew Ellison, *Woman Says She Was Sickened By Counterfeit CBD Oil*, NEWS CHANNEL 3 WREG MEMPHIS, May 8, 2018 (available at: <https://wreg.com/2018/05/08/woman-warns-other-potential-victims-after-using-counterfeit-pain-reliever/>).
5. Beyond Botanicals Blog, *How to recognize Counterfeit CBD Oil*, May 3, 2018 (available at <https://www.beyondbotanicals.com/2018/05/03/how-to-recognize-counterfeit-cbd-oil/>).
6. Roberta Z. Horth, PhD, et al., *Notes from the Field: Acute Poisonings from a Synthetic Cannabinoid Sold as Cannabidiol — Utah, 2017–2018*, 67 DOI MORBIDITY AND MORTALITY WEEKLY REPORT 587–588 (May 25, 2018) (available at <http://dx.doi.org/10.15585/mmwr.mm6720a5>).
7. Terry Spencer, *Bogus bongs or bogus lawsuits? Pipe maker sues over fakes*, AP NEWS, Jan. 27, 2017 (available at: <https://www.apnews.com/f5029b0a157846ddbaf8fc1cf437b9e>).
8. *Penn Study Shows Nearly 70 Percent of Cannabidiol Extracts Sold Online Are Mislabeled*, PENN MEDICINE NEWS, Nov. 7, 2017 (available at: <https://www.pennmedicine.org/news/news-releases/2017/november/penn-study-shows-nearly-70-percent-of-cannabidiol-extracts-sold-online-are-mislabeled>).
9. Ryan Vandrey, PhD, *Cannabinoid Dose and Label Accuracy in Edible Medical Cannabis Products*, JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION, June 23/30, 2015 (available at: <https://jamanetwork.com/journals/jama/fullarticle/2338239>).
10. 15 U.S.C. § 1051 (“The owner of a trademark used in commerce may seek registration. . . .”); 15 U.S.C. § 1127 (“The word ‘commerce’ means all commerce which may lawfully be regulated by Congress.”).
11. TMEP § 907.
12. *Id.*
13. *In re Morgan Brown*, 119 USPQ2d 1350, 1351 (TTAB 2016) (affirming the refusal of HERBAL ACCESS for “retail store services featuring herbs”).
14. TMEP § 907 (“If, in response to a requirement for information or a refusal, the applicant indicates that the relevant goods or services comply with federal law, but there is extrinsic evidence indicating that the goods or services do not, in fact, comply with federal law, the examining attorney must refuse registration (or maintain the prior refusal).”).
15. *See, e.g., In re JJ206, LLC*, 120 USPQ2d 1568, 1569 (TTAB 2016) (affirming refusal to register POWERED BY JUJU and JUJU JOINTS for cannabis vaporizing and delivery services for lack of lawful use in com-
- merce); *In re Brown*, 119 USPQ2d 1350.
16. *See, e.g.*, Trademark Registration No. 5731048, for F (stylized design), in Class 30 for “Brownies; Burritos; Nachos; Quesadillas; Tacos; none of the foregoing comprised of cannabis,” Registered April 23, 2019 (Applicant’s specimen shows the mark used on the wrappers of “pot brownies.”); Trademark Registration No. 87528739 for AYURVANNA, in Class 30 for “Brownies; Candy; Chocolate Bars; Cookies; none of the foregoing comprised of cannabis based ingredients,” Registered July 17, 2018 (Examiner issued Office Action refusing registration on the basis of extrinsic evidence showing use of the mark in connection with cannabis. In response, applicant stated: “Applicant produces both medicated (containing cannabis) and baked goods that are not medicated. Applicant is seeking trademark protection for the unmedicated baked goods produced under the same mark.” The application was subsequently amended to exclude the unlawful ingredients, and proceeded to registration.).
17. *See, e.g.*, Trademark Registration No. 5710083, for SATORI, in Class 30 for “Chocolate bars; Chocolate confections; Chocolate covered ants; Chocolate covered cocoa nibs; Chocolate covered fruit; Chocolate covered roasted coffee beans; Chocolates and chocolate based ready to eat candies and snacks; none of the foregoing containing cannabis or THC,” Registered March 26, 2019; Trademark Registration No. 5734217 for CUBAN BLUNTS (stylized design), in Class 34 for “Cigar accessories, namely, Cigar Rolling Machines, Cigar lighters, Cigar Cutters, Humidors, and Cigar Boxes; none of the foregoing for use with cannabis,” Registered April 23, 2019.
18. 15 U.S. Code § 1051(b) (also known as Section 1(b) of the Lanham Act).
19. ARK. CODE ANN. § 4-71-203(a).
20. ARK. CODE ANN. § 4-71-214(a).
21. Lanham Act, 15 U.S.C. 1117.
22. The Agriculture Improvement Act of 2018, PUB. L. 115-334 (“2018 Farm Bill”).
23. USPTO Examination Guide 1-19, “Examination of Marks for Cannabis and Cannabis-Related Goods and Services after Enactment of the 2018 Farm Bill” (May 2, 2019) (available at: <https://www.uspto.gov/sites/default/files/documents/Exam%20Guide%201-19.pdf>).
24. *Id.*; *see, e.g.*, Trademark Registration No. 5783451, for HEMPTAILS, in Class

33. “Flavored brewed malt beverage brewed with sterilized hemp seeds and containing no other hemp or cannabis ingredients,” Registered June 18, 2019.  
25. 21 U.S.C. § 331(II).  
26. USPTO CBD Guide.  
27. Horth, *supra* note 6,  
28. USPTO CBD Guide.  
29. Rules And Regulations Governing Medical Marijuana Registration, Testing, And Labeling In Arkansas, Arkansas State Board of Health (available at: [https://www.healthy.arkansas.gov/images/uploads/rules/Medical\\_Marijuana\\_Emergency\\_Rule\\_4-27-2017\\_\(Signed\).pdf](https://www.healthy.arkansas.gov/images/uploads/rules/Medical_Marijuana_Emergency_Rule_4-27-2017_(Signed).pdf)).  
30. Rules And Regulations Governing The Oversight Of Medical Marijuana Cultivation Facilities And Dispensaries By The Alcoholic Beverage Control Division, Arkansas Medical Marijuana Commission (available at: <https://www.dfa.arkansas.gov/alcoholic-beverage-control/abc-medical-marijuana/>).  
31. TMEP § 1207.01(d)(iii) (“Third-party registrations that cover a number of different goods or services may have some probative value to the extent that they may serve to suggest that goods or services are of a type that may emanate from a single

source, if the registrations are based on use in commerce.”); TMEP § 1207.01(a)(vi) (“Evidence of relatedness might include news articles and/or evidence from computer databases showing that the relevant goods/services are used together or used by the same purchasers; advertisements showing that the relevant goods/services are advertised together or sold by the same manufacturer or dealer; and/or copies of prior use-based registrations of the same mark for both applicant’s goods/services and the goods/services listed in the cited registration,” citing *In re Davia*, 110 USPQ2d 1810, 1817 (TTAB 2014)).  
32. TMEP § 1207.01 (“In some instances, because of established marketing practices, the use of identical marks on seemingly unrelated goods and services could result in a likelihood of confusion.”). ■

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