

# Puff Puff Passing Off: Chronic Trademark Issues in the Growing Industry of Legal Cannabis

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## Introduction

[I]f that Blue Oyster [strain] met that Afghan Kush I had, and they had a baby. And then, meanwhile, that crazy Northern Light stuff I had and the Super Red Espresso Snowflake met and had a baby. And by some miracle those two babies met...[Pineapple Express] would be the [strain] they birthed.

—Saul Silver, *Pineapple Express*  
(dir. David Gordon Green, 2008)

As James Franco’s dealer character in stoner classic *Pineapple Express* eruditely demonstrates in the foregoing quote, branding has always been integral to the cannabis market. Until very recently, the cannabis consumer base had to rely solely on the goodwill attached to names of (often proprietary) strains of plant, or of specific vendors, to make purchasing decisions about an unregulated product with potential health effects.

Since 2012, when California and Washington legalized recreational cannabis use, the market for marijuana has only expanded: state legalization has laid the groundwork for a rapidly developing cottage industry of growers, distributors, and retailers. In New York State, effective March 31, 2021, then-Governor Andrew Cuomo delegated the task of establishing infrastructure for the licensing and regulation of in-state adult-use cannabis to the new Office of Cannabis Management.<sup>1</sup> Economic pundits predict that by 2025, the New York cannabis market will be worth over \$7 billion.<sup>2</sup>

However, cannabis remains illegal under federal law.<sup>3</sup> As such, the Lanham Act affords cannabis brands little in the way of trademark protection. By contrast, brands outside the cannabis industry can and do leverage federal trademark protections to prosecute marketers of cannabis with sound-alike brand names. Until federal law is revised to allow provisions for legal cannabis, or the Lanham Act specifically addresses its inconsistencies, the ability to protect trademarks for cannabis is limited.

## The Lanham Act Affords No Protection for Pot

Under the Lanham Act, a mark is eligible for trademark protection if it is distinctive and if it has been used in commerce.<sup>4</sup> The Act defines “commerce” as “all commerce that may be lawfully regulated by Congress,”<sup>5</sup> which has, in turn, been interpreted by the U.S. Patent Trademark Office’s (USPTO) Trademark Trial and Appeal Board (TTAB) to mean that, for valid registration, “any goods . . . for which the mark is used must not be illegal under federal law.”<sup>6</sup>

The Agricultural Improvement Act of 2018 (colloquially known as the “2018 Farm Bill”) removed from the Controlled Substance Act (CSA) “hemp,” defined as certain cannabis-derived products with less than 0.3% of the

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psychoactive compound, delta-9-tetrahydrocannabinol (THC).<sup>7</sup> In response, the USPTO issued “Exam Guide 1-19: Examination of Marks for Cannabis and Cannabis-Related Goods and Services After Enactment of the 2018 Farm Bill” (“Guide 1-19”).<sup>8</sup> Guide 1-19 explains that while, post-2018 Farm Bill, certain hemp-related federal trademark registrations are no longer barred as a matter of law, any cannabis-related product containing TH-levels greater than 0.3% may not be registered.<sup>9</sup> Furthermore, applications to register marks for foods, beverages, dietary supplements, or pet treats containing CBD, even if derived from hemp, will still be refused as unlawful because the Federal Food Drug and Cosmetic Act (FDCA) and federal agencies such as the U.S. Food and Drug Administration (FDA) retain the ability to limit the legal use of hemp-related products. Products that fall afoul of the FDCA may not be introduced lawfully into interstate commerce either.<sup>10</sup> As such, most marks used in connection with cannabis still cannot be federally registered and

tunity Act, introduced in the Senate this July by Senator Chuck Schumer (D-NY), seeks to remove federal prohibitions on the manufacture, sale, and possession of marijuana.<sup>15</sup> If passed, the Act could drastically change the promotional landscape for cannabis brands within the U.S. and, perhaps, could enable an international framework of protection as well.

### **For Some, State Registration or Federal Registration of Ancillary Products Provides Limited Work-Arounds**

In states where marijuana products are legalized, state trademark registration is still an option. State registration creates a presumptive right of first use exclusively within the state. As discussed in the *Kiva* case, however, federal registration preempts state registration with respect to nationwide priority.<sup>16</sup>

*“The Cannabis Administration and Opportunity Act, introduced in the Senate this July by Senator Chuck Schumer (D-NY), seeks to remove federal prohibitions on the manufacture, sale, and possession of marijuana. If passed, the Act could drastically change the promotional landscape for cannabis brands within the U.S. and, perhaps, could enable an international framework of protection as well.”*

aspirational mark-holders cannot reap the benefits of registration, including nationwide priority and access to international treaties like the Madrid Protocol.<sup>11</sup>

The issue of priority use came to a head in the 2019 case, *Kiva Health Brands LLC v. Kiva Brands Inc., et al* when Kiva Brands Inc. (KBI), a California licensed seller of marijuana edibles had its affirmative defense of prior use dismissed in a trademark infringement suit brought against it by Kiva Health Brand (KHB).<sup>12</sup> The district court for the U.S. District of Northern California cited the TTAB’s definition of “commerce” and found that even though KBI’s products were legal in California and KBI had a valid state trademark, the edibles’ “illegality under federal law means that KBI cannot have trademark priority” as between the parties.<sup>13</sup> Furthermore, in its ruling on summary judgment on the issue of laches, the court explained that “[b]ecause the state law that allows KBI a common law right in the KIVA mark would encroach on KHB’s federal trademark rights (thereby permitting a confusing trademark to operate and ‘infringing on the guarantee of exclusive use’ to the federal trademark holder), the Lanham Act preempts the state law.”<sup>14</sup>

Of course, should federal policy on cannabis change, the barriers to Lanham Act protection are likely to alter accordingly. The Cannabis Administration and Oppor-

Some members of the cannabis industry choose to register ancillary products in the federal register in addition to, or instead of, registering with the state in order to protect their trademarks. A search on the USPTO’s Trademark Electronics Search System for the word “cannabis” reveals over 2,000 applications for marks that contain the word “cannabis”<sup>17</sup> with respect to goods as diverse as “kimonos”<sup>18</sup> and “sunblock lotions.”<sup>19</sup>

In fact, “cannabis” is such a popular anchor for a mark that trademark disputes have broken out even within the cannabis industry over use with respect to ancillary goods and services. Earlier this year, Villano Enterprises, Inc., filed countersuit allegations<sup>20</sup> against Las Vegas Cannabis Awards, LLC, alleging that plaintiff intentionally chose a confusingly similar tradename that infringed upon the registered rights Villano Enterprises had in “Cannabis Business Awards.” In the original suit, Las Vegas Cannabis Awards alleged that “Cannabis Business Awards” was generic and therefore not protectable.<sup>21</sup>

### **The Litigation Risk for Sound-Alike Cannabis Brands Is High**

While the cannabis industry may feel largely left out in the cold by trademark law, non-cannabis mark-holders with valid registrations have used the law as a sword to

protect their trademarks. Frequently, non-cannabis mark-holders allege that the use of similar marks to promote the sale of a federally illegal substance creates an unacceptable risk of dilution by tarnishment, or otherwise of false association.

The following cases, none of which resolved in favor of the cannabis producers, are of note:

*The Tapatio Cases*<sup>22</sup> constitute two 2019 federal court actions in California brought by Tapatio LLC, the rights holders in the Tapatio hot sauce mark, against (1) TCG Industries, which marketed strains of THC-infused hot sauce called Trapatio, and (2) Smoker’s Paradise, which was responsible for a THC-laced chili sauce called Tio-waxy. Tapatio alleged that TCG and Smoker’s Paradise threatened the goodwill of the Tapatio mark because their hot sauces were infused with a federally illegal substance. The court granted a permanent injunction against both TCG Industries and Smoker’s Paradise.

Similarly, in *UPS v. UPS420*,<sup>23</sup> the United Parcel Service (UPS) alleged in a California federal court that California-based United Pot Smokers 420 (UPS420) willfully infringed and diluted UPS’s marks by using the websites [www.UPSgreen.com](http://www.UPSgreen.com) and [www.UPS420.com](http://www.UPS420.com) to offer nationwide marijuana delivery services in 2019. UPS alleged that it was irreparably harmed because the websites created a false association between UPS and the federal crime of shipping cannabis products across state lines. In this case, too, UPS was granted a permanent injunction against UPS420.

In *Gorilla Glue Co. v. GG Strains LLC*,<sup>24</sup> Gorilla Glue, an adhesive manufacturer, filed a 2017 claim in an Ohio federal court alleging that Nevada-based GG Strains’ use of the mark Gorilla Glue #4 (protected in California, Nevada, and Colorado) infringed its trademark rights in its signature glue product. GG Strains’ business model involved the licensing of the Gorilla Glue #4 mark to third party growers by issuing certificates of authenticity to in an attempt to standardize the Gorilla Glue #4 strain across the industry. GG Strains moved to dismiss for lack of jurisdiction and improper venue and the court granted Gorilla Glue’s motion for jurisdictional discovery. However, the case was settled soon thereafter for an unknown amount pursuant to a consent order enjoining GG Strains from using the allegedly infringing marks.<sup>25</sup>

In 2014’s *Hershey v. TinctureBelle Marijuanka LLC*,<sup>26</sup> Hershey alleged in a Colorado federal court that Colorado-based TinctureBelle’s Ganja Joy, Hasheath, Hashees, and Dabby Patty product packaging for their edible products too closely resembled the product packaging of Hershey’s Almond Joy, Heath, Reese’s peanut butter cups, and York peppermint patty candies. The case ultimately settled in 2014 pursuant to a consent order barring TinctureBelle from using the allegedly infringing marks.<sup>27</sup>

For many in the cannabis market, the greater the success, the greater the risk.

## Endnotes

1. Marijuana Regulation and Taxation Act, S.854/A.1248, 2021-2022 Reg. S..
2. Grandview Research, *Market Analysis Report: New York Cannabis Market Size, Share, and Trends Analysis Report by Cannabis Type (Medical, Recreational), by Product (Buds, Oils, Tinctures), by Medical Application (Chronic Pain, Mental Disorder, Cancer), and Segment Forecasts, 2019–2025* (2019), available at <https://www.grandviewresearch.com/industry-analysis/new-york-cannabis-market>.
3. 21 U.S.C. § 812(c), Schedule I (c)(10) (2016) (“Controlled Substances Act”).
4. 15 U.S.C. § 1127.
5. *Id.*
6. *In re JJ206, LLC*, 120 USPQ2d 1568, 1569 (TTAB 2016); *see also In re Brown*, 119 USPQ2d 1350, 1351 (TTAB 2016) (citing *In re Midwest Tennis & Track Co.*, 29 USPQ2d 1386, 1386 n.2 (TTAB 1993) (noting that “[i]t is settled that the Trademark Act’s requirement of ‘use in commerce,’ means a ‘lawful use in commerce’”); *In re Pepcom Indus., Inc.*, 192 USPQ 400, 401 (TTAB 1976); TMEP §907.
7. The Agricultural Improvement Act of 2018, Pub. L. 115-334 (Dec. 2018).
8. USPTO, Examination Guide 1-19 (May 2019).
9. *Id.*
10. *Id.*
11. Madrid Protocol Implementation Act, Pub. L. No. 107-273, 116 Stat. 1758, 1913 (Nov. 2002).
12. *Kiva Health Brands LLC v. Kiva Brands Inc. et al*, No. 3:2019cv03459 (N.D. Cal. 2019) (Order on Preliminary Injunction), ECF No. 74 at 18.
13. *Id.* at 17.
14. *Kiva Health Brands LLC v. Kiva Brands Inc. et al.*, No. 3:2019cv03459 (N.D. Cal. 2019) (Order on Cross-Motion), ECF No. 52 at 18.
15. Cannabis Administration and Opportunity Act, GAI21675 4LN, 117th Cong. (2021).
16. *Kiva Health Brands LLC*, ECF No. 52 at 18 (Order on Cross-Motion).
17. Trademark Electronic Search System: “Cannabis,” available at [https://tmsearch.uspto.gov/bin/showfield?f=toc&state=4803%3Ajmqg2j.1.1&p\\_search=search&p\\_L=50&BackReference=&p\\_plural=yes&p\\_s\\_PARA1=&p\\_tagr ep1%7E%3A=PARA1%24LD&expr=PARA1+AND+PARA2&p\\_s\\_PARA2=cannabis&p\\_tagr ep1%7E%3A=PARA2%24COMB&p\\_op\\_ALL=AND&a\\_default=search&a\\_search=Submit+Query&a\\_search=Submit+Query](https://tmsearch.uspto.gov/bin/showfield?f=toc&state=4803%3Ajmqg2j.1.1&p_search=search&p_L=50&BackReference=&p_plural=yes&p_s_PARA1=&p_tagr ep1%7E%3A=PARA1%24LD&expr=PARA1+AND+PARA2&p_s_PARA2=cannabis&p_tagr ep1%7E%3A=PARA2%24COMB&p_op_ALL=AND&a_default=search&a_search=Submit+Query&a_search=Submit+Query) (last visited August 2, 2021).
18. “SWEET LEAF CANNABIS CORPORATION,” Reg. No. 90000657.
19. “SAVED BY CANNABIS,” Reg. No. 90831462.
20. *Las Vegas Cannabis Awards LLC et al. v. Villano Enterprises Inc. et al.*, No. 2:21-cv-00900 (D. Nev. 2021).
21. *See id.* ECF No. 1.
22. *Tapatio Foods, LLC. v. Ponce*, No. 2:17-cv-07530 (C.D. Cal. Oct. 13, 2017); *Tapatio Foods, LLC. v. Rodriguez*, No. 1:19-cv-000335-DAD-SKO, 2019 U.S. Dist. LEXIS 108137 (E.D. Cal. June 26, 2019).
23. *UPS v. Kennedy*, No. EDCV 19-284-MWF (KKx), 2019 U.S. Dist. LEXIS 37881 (C.D. Cal. Mar. 8, 2019).
24. *The Gorilla Glue Co. v. GG Strains LLC*, Case No. 1:17-cv-193 (S.D. Ohio 2017).
25. *See id.* ECF Nos.16, 23, 28.
26. *The Hershey Co. v. Ticturebelle, LLC et al.*, No. 1:2014cv01564 (D. Colo. June 3, 2014)
27. *Id.* ECF No. 26.