Exceeding Its Authority: The USPTO Prevents Federal Registration of Medical Marijuana Trademarks

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INTRODUCTION

Some parents are willing to drive across state lines in order to obtain cannabidiol-based medical marijuana oil. These parents end up illegally transporting the medical marijuana products back to their home state for their children.1 The act may involve committing a federal felony as the car, driven by desperate parents and full of marijuana oil, crosses state line after state line. Many of these stories come from parents whose children have severe epilepsy and have found no relief from traditional pharmaceuticals.2

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2. Tsai, supra note 1. One parent told *Time* that his daughter was having up to two hundred seizures per day until he and his wife started her on a medical marijuana regime; now her seizures are down to around thirty per day. Pickert, supra note 1.
The costs involved in these transactions far exceed the actual cost of the product. Because parents are purchasing medical marijuana from a nascent and often unregulated industry, transaction costs can include research time to determine which strains may be helpful; where those strains may be available; and travel time to get the product.\footnote{Pickert, supra note 1.} One of the ways trademark law helps reduce these transaction costs in subsequent purchases is by allowing the consumer to know that once a particular product is found, that product will be of the same quality no matter which store—in the same or different state—it is purchased from.\footnote{One of the foundational principles of trademark law is that trademarks act as source indicators. See 15 U.S.C. § 1127 (2006) (defining a trademark as "any word, name, symbol, or device . . . to indicate the source of the goods"); see also J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 2:3 (4th ed. 2010).}

However, consider this scenario: Parents have found that Brand X medical marijuana created by Company A—a well-known leader in producing high quality medical marijuana—has helped reduce the frequency of their child’s seizures. Yet, when the time comes to repurchase Brand X, it is unavailable from the parents’ regular store. The parents start researching online to see where else Brand X might be sold, but how will they know that it was created by Company A? Perhaps Company B, hoping to free ride off the goodwill of Company A, also calls its medicine for reducing the frequency of seizures Brand X and uses an identical or confusingly similar mark, even though Company B’s medical marijuana is of inferior quality. Will the consumers—the parents—be able to tell the difference? Or, will they simply recognize the logo and purchase an inferior product because they believe it is the same product as before?

Trademarks are valuable because of their ability to act as a source indicator.\footnote{See sources cited supra note 4 and accompanying text. See also Kraft Foods Grp. Brands LLC v. Cracker Barrel Old Country Store, Inc., 735 F.3d 715, 739 (7th Cir. 2013) (“A trademark’s value is the saving in search costs made possible by the information that the trademark conveys about the quality of the trademark owner’s brand. . . . Once the reputation is created, the firm will obtain greater profits because repeat purchases and word-of-mouth endorsements will add to sales and because consumers will be willing to pay a higher price in exchange for a savings in search costs and an assurance of consistent quality.”).} The intrinsic value of a trademark comes as the company using the trademark builds goodwill.\footnote{See McCarthy, supra note 4, § 2:19.} Goodwill is built by consumers’ trust in the brand and knowledge that the product behind the trademark will consistently be of the quality expected regardless of the point of sale. Consumers benefit from a company’s ability to protect this goodwill through enforcement of its trademark rights against infringers. One of the main benefits to consumers is a trademark’s ability to reduce transaction costs because there is no need to research each and every product

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3. Pickert, supra note 1.
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5. See sources cited supra note 4 and accompanying text. See also Kraft Foods Grp. Brands LLC v. Cracker Barrel Old Country Store, Inc., 735 F.3d 715, 739 (7th Cir. 2013) (“A trademark’s value is the saving in search costs made possible by the information that the trademark conveys about the quality of the trademark owner’s brand. . . . Once the reputation is created, the firm will obtain greater profits because repeat purchases and word-of-mouth endorsements will add to sales and because consumers will be willing to pay a higher price in exchange for a savings in search costs and an assurance of consistent quality.”).
purchased; consumers can trust that the trademark used to identify the brand is only used to identify that specific brand.\(^7\) In trademark parlance, consumer confusion is reduced when companies can protect their trademarks.\(^8\)

The United States Patent and Trademark Office (USPTO) took concrete steps to reduce transaction costs to consumers purchasing medical marijuana products by creating a category for medical marijuana products within International Class 5.\(^9\) However, that decision was rescinded quickly.\(^10\) Then, the USPTO overreached its statutory authority by ordering a wholesale prohibition of federal registration for medical marijuana trademarks.\(^11\) This Comment argues that because the USPTO overreached its statutory authority in prohibiting federal registration for medical marijuana trademarks, it should reinstate the category for medical marijuana products and allow medical marijuana producers to seek federal registration of their trademarks. Part I provides an overview of the new category created for registering medical marijuana and its subsequent revocation. Part II is a statutory analysis of the Lanham Act\(^12\) and regulations to illustrate that the Lanham Act does not preclude registration of medical marijuana marks. It will also illustrate how the USPTO overreached its statutory authority by preventing registration of any

7. See Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 163–64 (1995) (“In principle, trademark law . . . reduce[s] the customer’s costs of shopping and making purchasing decisions . . . for it quickly and easily assures a potential customer that this item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past.” (internal citation omitted)); New Kids on the Block v. News Am. Pub’g, Inc., 971 F.2d 302, 305 n.2 (9th Cir. 1992) (“In economic terms, trademarks reduce consumer search costs by informing people that trademarked products come from the same source.”).


10. See infra Part I.

11. See infra Part II.

trademarks associated with medical marijuana products. Part III continues by analyzing the inconsistencies in how the term “lawful” has been interpreted by the Trademark Trial and Appeal Board and federal circuit courts. Finally, Part IV will address the alternatives to federal trademark registration and argue that the available alternatives are not adequate in the face of the rapid expansion of medical marijuana laws and policy throughout the country.

I. FEDERAL PROHIBITION OF MARIJUANA TRADEMARKS

For a few short months starting in April 2010, producers and processors of medical marijuana were given an opportunity to apply for federal registration of trademarks for the medical marijuana-based products they produced.13 The USPTO introduced a new category in International Class 5 specifically for medical marijuana;14 however, the registration window was quickly closed on the advice of the government’s lawyers.15 Because the registration window was short, there is little information as to why the category was introduced and then quickly removed. The USPTO simply announced that the introduction of the category was a mistake.16 During this time, the USPTO received numerous applications for registration of trademarks under this new designation,17 but the agency did not grant registration to any of them.

In addition to the category being removed, further prohibition is found in the Trademark Manual of Examining Procedure18 (TMEP). The


16. McCallion, supra note 9; Scheck, supra note 15; see also HUMBOLDT FARMS, Serial No. 85029555, Paper Correspondence Outgoing (explaining that “the Office’s Acceptable Identification of Good and Services Manual (ID Manual) mistakenly included entries for certain medical marijuana-related goods and services”) (on file with the author).


TMEP was developed to aid examiners\(^\text{19}\) in evaluating trademark applications and contains self-made rules that are updated periodically by the agency.\(^\text{20}\) The manual is the only source of authority that explicitly prohibits federal registration for trademarks related to marijuana, medical or otherwise. The language of that prohibition has evolved significantly over the years. In July 2015, Section 907 of the TMEP specified that, “[r]egardless of state law, the federal law provides no exception . . . for marijuana for ‘medical use.’”\(^\text{21}\) By October 2015, the language of Section 907 changed to state that “regardless of state law, marijuana and its psychoactive component, THC, remain Schedule I controlled substances under federal law and are subject to the [Controlled Substances Act]’s prohibitions.”\(^\text{22}\) This language persists through the most recent version of the TMEP dated January 2017.\(^\text{23}\)

II. TRADEMARK LAW’S STATUTORY BASIS & THE USPTO’S RULEMAKING AUTHORITY

A. The Lanham Act & Federal Regulations

United States trademark law is codified in the Lanham Act\(^\text{24}\) and related regulations. The laws are administered by the USPTO, an agency under the Department of Commerce.\(^\text{25}\) The Lanham Act created two federal trademark databases: the principal register\(^\text{26}\) and the supplemental register.\(^\text{27}\) The principal register is for trademarks “by which the goods of the applicant may be distinguished from the good of others.”\(^\text{28}\) In contrast, the supplemental register is for trademarks “capable of distinguishing applicant’s good or services, and not registrable on the principal

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\(^\text{20}\) See TMEP, supra note 18, at Introduction.

\(^\text{21}\) U.S. PATENT AND TRADEMARK OFFICE, TRADEMARK MANUAL OF EXAMINING PROCEDURE § 907 (July 2015).

\(^\text{22}\) U.S. PATENT AND TRADEMARK OFFICE, TRADEMARK MANUAL OF EXAMINING PROCEDURE § 907 (Oct. 2015).

\(^\text{23}\) See TMEP, supra note 18, at § 907.


\(^\text{27}\) Id. § 1091 (2013).

\(^\text{28}\) Id. § 1052 (2013).
The principal register, as the name implies, comprises the majority of federal trademarks.

Because the USPTO falls under the Department of Commerce, the foundational requirement for federal trademark registration is “use in commerce,” specifically interstate commerce. The Lanham Act defines “commerce” to mean “all commerce which may lawfully be regulated by Congress.” A plain language interpretation of this definition reveals ambiguity as to the meaning of what type of commerce may be regulated. Currently, the USPTO interprets this definition to mean that the commerce covered by the trademark must be lawful under federal law. Effectively, the USPTO has changed the language of the statute from “use in commerce” to “lawful use in commerce.” However, the USPTO has entertained the interpretation that commerce was not intended to mean lawful under federal law. In 1999, the USPTO amended the Code of Federal Regulations to eliminate the requirement that an applicant specify the type of commerce on which the trademark was used. Through the amendment process, the USPTO reasoned that the definition of “commerce” in Section 45 of the Act is “all commerce which may lawfully be regulated by Congress,” and “the Office will presume that an applicant who states that the mark is in use in commerce is stating that the mark is in use in a type of commerce that Congress can regulate.” This Comment argues that this latter interpretation—that commerce is all commerce that is within the authority of Congress to regulate under the Commerce Clause—is the proper statutory interpretation.
The regulations promulgated by the USPTO to fill in the gaps of the Lanham Act reveal a similar ambiguity. Section 2.69 states that “[w]hen the sale . . . of any product for which registration of a trademark is sought is regulated under an Act of Congress, the [USPTO] may make appropriate inquiry as to compliance with such Act for the sole purpose of determining lawfulness of the commerce.” The USPTO has adopted the interpretation that this permissive regulation is in fact a mandatory regulation requiring that the product to which the trademark is affixed must be lawful under federal law. However, a plain language interpretation of this statute does not provide such clear requirement.

The regulations form the basis of the TMEP. In fact, in the first two editions of the TMEP, the USPTO simply reprinted the regulations in many of the sections for examiners. The TMEP now provides, in addition to the regulatory language, greater explanation to examiners based on judicial changes to the statutory interpretation of the Lanham Act and regulations. This Comment will explore both the underlying regulatory authority and the TMEP.

B. The USPTO’s Rulemaking Authority & Statutory Overreach

The USPTO’s rulemaking authority is derived from Section 2 of Title 35 of the United States Code. This section “authorizes the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office to establish regulations, not inconsistent with law, for the conduct of proceedings in the USPTO.” The development of Section 2.69 described above is inconsistent with the statutory language of the Lanham Act, and its promulgation was an overreach of the USPTO’s rulemaking authority.

Trademark law underwent a major revision with the passage of the 1946 Lanham Act. Before the Lanham Act, trademark law was governed by the Trademark Act of 1905. In the 1905 Act, the statute provided for a bar on registration of trademarks “used in unlawful business.”

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39. See In re Morgan Brown, 19 U.S.P.Q.2d 1350, 2 (T.T.A.B. 2016) (“Thus, any goods or services for which the mark is used must not be illegal under federal law.” (citations omitted)).
41. See TMEP, supra note 18, at Introduction.
42. 35 U.S.C. § 2.
43. TMEP, supra note 18, at Introduction (emphasis added).
45. Id. § 21; see also Iver P. Cooper, “Unclean Hands” and “Unlawful Use in Commerce”: Trademarks Adrift on the Regulatory Tide, 71 TRADEMARK REP. 38, 43 (1981).
Similarly, the 1938 federal regulations stated: “[N]o trade-mark will be registered which is used in unlawful business . . . .”46 These two very explicit prohibitions were not carried forward into the 1946 Act or regulations.47 The legislative history of the 1946 Act is extensive, and Congress spent a considerable amount of time crafting a carefully tailored statute that codified contemporary trademark practices.48 It can be reasoned that Congress was not concerned with trademarks for unlawful business if it did not use this language, or any language suggesting such a prohibition, in the original language of the 1946 Act.49

In conjunction with the new trademark act, the USPTO submitted a notice of proposed rulemaking to revise the regulations in accordance with the language of the Lanham Act on April 25, 1947.50 The new regulations went into effect on July 5, 1947, and with them came the first instance of a requirement that a trademark comply with another federal statute. Section 100.141 required that applications for trademark registrations for products that required prior approval of the product’s label before being put into the stream of commerce be accompanied by the label and a certification from the designated government agency approving such label.51 This regulation applied to “cases specified by this section” and were enumerated within a schedule.52 The schedule in Section 100.141 called out “meat products . . . which are subject to Federal inspection” and “[l]abels for wines . . . and for distilled alcoholic liquors.”53

The rule was subsequently revised to be more encompassing by eliminating the specific schedule from the original 1947 version. In 1954, the USPTO submitted a notice of rulemaking to the Federal Register54 with a proposal to modify the regulations in a significant manner. The notice

46. 37 C.F.R. § 5.19 (1938) (superseded by 37 C.F.R. § 100 (1947)). Section 100 was subsequently superseded in 1955. 37 C.F.R § 2 (1955).
47. See Cooper, supra note 45, at 55 (“First, in enacting the Lanham Act, Congress chose not to retain the ‘unlawful business’ provision of Section 21 of the Act of 1905.”).
49. See NORMAN J. SINGER & SHAMBIE SINGER, 2A SUTHERLAND STATUTES AND STATUTORY CONSTRUCTION § 46:6 (7th ed. 2016) (“When the legislature uses a term or phrase in one statute . . . but excludes it from another, courts do not imply an intent to include the missing term . . . where the term or phrase is excluded.”).
51. 37 C.F.R. § 100.141 (1947) (superseded by 37 C.F.R. § 2.69 (1955)); see also 12 Fed. Reg. 3,956, 3,962 (June 19, 1947). Part of the new regulations included a complete supersedure of the original Part 5 trademark regulations; the new regulations were numbered using the Part 100 series.
outlined all the changes that the USPTO wanted to make to regulations, including Section 100.141. The proposed regulation called out “meat products” in a parenthetical as an example of products that may require prior governmental approval, but it also retained the requirement that the trademark owner submit in the application “a statement that the sale of the product, or products, in such commerce is authorized by the appropriate [government] agency.” At the end of the notice of rulemaking, the USPTO added the following language: “Other sections, including the forms, are also proposed to be amended to coordinate language and references with the amendments in the above listed sections which may be adopted and to make minor revisions in language; the arrangement and numbering of the sections are also proposed to be amended.”

The pivotal change in the regulations occurred in 1955 when the final regulations based on the 1954 notice were promulgated. The promulgated rules differed significantly from the proposed rules without an intervening notice being issued. In the final regulations, the USPTO replaced Section 100 with Section 2. While many of the revisions were simply to the numbering of the section, other changes were more significant. During this rule change, the USPTO introduced the first instance of Section 2.69, which read:

When the sale or transportation of any product for which registration of a trademark is sought is regulated under an Act of Congress, the Office may, before allowance, make appropriate inquiry as to compliance which such act for the sole purpose of determining lawfulness of the commerce recited in the application.

Many scholars believe that the new Section 2.69 is far broader than the original Section 100.141. Professor Thomas McCarthy, the preeminent authority on trademark law, posits that Section 2.69 raises the question: “[T]o what extent PTO Examiners should become ‘super-enforcers’ of the current plethora of federal regulatory statutes.” Another critic lamented that “the PTO’s enforcement of regulatory laws is entirely uncontemplated by Congress, beyond the competency of its personnel, arbitrary and capricious in nature, and beyond the stated intent of the Act.” This sentiment was echoed by contemporary scholars who believe that the rule

57. See 20 Fed. Reg. 4,797, 4,797 (July 7, 1955) (“Part 100 is abolished to be replaced by new Part 2 established herein.”).
58. Id. at 4803.
59. MCCARTHY, supra note 4, § 19:124.
60. Cooper, supra note 45, at 55.
is “broader indeed than the rule which it replaces” and may be the “most far-reaching new rule.”

To lend more support to the argument that the statute does not contemplate the USPTO policing all federal statutes, in 1970, the Secretary of Commerce established the Public Advisory Committee (Committee) for Trademark Affairs to advise the USPTO on ways to increase the efficiency and effectiveness of trademark administration. This comprehensive multi-year study reviewed the purpose of the trademark system, the functions of the USPTO, and the operations of the USPTO. The study focused on “selected aspects of the system which were considered to present the most serious problems from the viewpoint of its public purposes.” The Committee provided the USPTO with more than 128 recommendations for improvement. In the 1978 report, the Committee recommended that the USPTO “should delete Trademark Rule 2.69” because “the office should not concern itself with the policing of other statutes.”

Finally, as a policy matter, the USPTO’s own practices do not support the policy of prohibiting registration of trademarks used in commerce that may be in violation of federal law. In 2016, the Trademark Trial and Appeal Board (Board) reiterated that examining attorneys are not necessarily looking to whether the underlying goods or services associated with a registration application are truly lawful under federal law. The Board stated:

Generally, the USPTO presumes that an applicant’s use of a mark in commerce is lawful under federal law. Thus, registration generally will not be refused based on unlawful use in commerce unless either (1) a violation of federal law is indicated by the application record or other evidence, . . . or (2) when the applicant’s application-relevant activities involve a per se violation of a federal law.

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61. Walter J. Derenberg, The Eighth Year of Administration of the Lanham Trademark Act of 1946, 45 TRADEMARK REP. 987, 991–92 (1955); see also Trademark Comm. of the Patent Law Ass’n of Chi., Digest of Changes in New Trademark Rules, 38 J. PATENT OFF. SOC’Y 180, 187 (1956) (“The new rule is much broader but it is believed that the word ‘may’ mean that the Patent Office will use considerable discretion before investigating compliance with other governmental regulations.”).


64. Id.

65. DeSimone & Banner, supra note 62.

66. Id. at 664.


68. Id. at 3 (citations omitted) (first emphasis added).
Moreover, the Federal Circuit has made it clear that the role of the USPTO “is to protect owners of trademarks by allowing them to register their marks,” not to perform duties of the court. It does not follow that if the Lanham Act prohibited registration of trademarks associated with illegal products or services, the USPTO would presume that the underlying products or services were lawful. If Congress mandated such a prohibition, then the USPTO would likely have to devote more resources to investigating all underlying products or services for their compliance with any relevant law or regulation that may affect the product or service rather than relying on a presumption of lawfulness.

III. INCONSISTENT USE & INTERPRETATION OF “LAWFUL”

The term lawful is peppered throughout the Lanham Act. Through actions by the USPTO, the Board, and a few circuit courts, the meaning of lawful within the Lanham Act has been conflated and not consistently applied throughout the years. Basic tenants of statutory construction and interpretation dictate that when interpreting a statute, “each part or section should be construed in connection with every other part or section to produce a harmonious whole.” The inconsistent interpretation of lawful reinforces the proposition that Congress did not intend to require products to which marks are affixed to be lawful under federal law and that this prohibition was created by the USPTO contrary to the statutory language.

The TMEP states that if “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.” The cited authority for this requirement includes In re Stellar International, Inc., and Gray v. Daffy Dan’s Bargaintown. In each of these cases, the definitions of lawful and commerce were not consistently applied.

One of the earliest cited authorities for the interpretation that use in commerce requires lawful use in commerce is In re Stellar International, Inc. In that case the applicant was denied registration because of the product’s label, which failed to list certain information as required by statute. The applicant asserted that Rule 2.69 “does not extend the scope of prohibitions to register [a mark] which are clearly spelled out in

69. In re Four Seasons Hotel Ltd., 987 F.2d 1565, 1566 (Fed. Cir. 1993).
71. TMEP, supra note 18, § 907.
73. 823 F.2d 522 (Fed. Cir. 1987).
Sections 1 and 2 of the [Lanham Act].”75 The applicant further argued that because “the mark was used on goods sold in commerce which may be lawfully regulated by Congress, the refusal of registration is not only improper but is not contemplated by Section 1 or Rule 2.69.”76 However, the Trademark Trial and Appeal Board rejected this argument stating that the applicant’s assertion was “illogical and incongruous.”77 While the Board acknowledged that there is “no reference to ‘lawful [use in] commerce’ in Section 1 of the [Lanham Act,]”78 it nevertheless concluded that it was “evident that the term ‘commerce’ whenever and wherever used in the trademark statute must necessarily refer to ‘lawful commerce.’”79 This interpretation has carried on, albeit not consistently, for decades.80

Four years later, the Board had the opportunity to construe the meaning of lawful as it was used in describing the requirements for registration on the supplemental register and the Board construed the term differently than it was used in In re Stellar International, Inc. In Kwik-Kopy Franchise Corp. v. Dimensional Lithographers, Inc.,81 the Board had to construe the term lawful in a way that reconciled the language used in the Lanham Act of 1946 with the language of the Act of 1920.82 The Act of 1920 established the supplemental register and allowed “registration of matter that was merely capable of distinguishing goods and services.”83 The applicant “had to have made ‘bona fide’ use of its mark for at least a year.”84 In contrast, the Lanham Act permits registration to “[a]ll marks capable of distinguishing applicant’s goods or services and not registrable on the principal register . . . which are in lawful use in commerce by the owner . . . .”85

In reconciling the differences between the Act of 1920 and the Lanham Act, the Board reasoned: “[T]he corresponding provision of the two statutes must be similarly construed. Since ‘bona fide’ has been consistently interpreted [in the Act of 1920] to mean ‘exclusive,’ the term

76. Id.
77. Id.
78. Id.
79. Id.
80. As described in Christopher McElwain’s article, the USPTO uses In re Stellar as the basis for justifying any denial of registration for lawful reasons. See McElwain, supra note 17, at pt. III.A (“In general, when they provide any justification for the Lawful Use Rule beyond noting that ‘it is settled,’ these decisions merely cite Stellar’s concern about creating an ‘anomaly.’” (internal footnote omitted)).
83. LaLonde & Gilson, supra note 30, at 839.
84. Id.
‘lawful’ in [the Lanham Act] must similarly be construed. Thus, in an instance where Section 23 of the Lanham Act explicitly calls for lawful use, the Board has reasoned that the statute did not mean lawful in the ordinary sense of the word.

Other instances of ambiguous uses of “lawful” occur in Section 2(d) of the Lanham Act governing concurrent registration. The USPTO has used Gray v. Daffy Dan’s Bargaintown as a basis for denying federal registration for medical marijuana trademarks. The USPTO cites this case for the proposition that “[a] valid application cannot be filed at all for registration of a mark without ‘lawful use in commerce.’” However, this is not the end of the court’s sentence, and this cherry-picking of the opinion’s language misconstrues the court’s point. In Daffy Dan’s Bargaintown the applicant argued, based on precedent, that “by showing such use, his ‘entitlement’ to a concurrent use registration is established.”

In correcting the applicant’s interpretation of the precedent, the court stated: “In Beatrice Foods, the court spoke of the requirement for an applicant’s lawful use in commerce outside of the conflicting claimant’s area as being ‘jurisdictional in nature.’” The court went on to finish the phrase cited by the USPTO above, stating:

A valid application cannot be filed at all for registration of a mark without ‘lawful use in commerce’ . . . where a claim is made of concurrent rights, such use must begin prior to the filing date of any application by a conflicting claimant to the mark. In this sense, the requirement is ‘jurisdictional.’

Ultimately, this case resolved based on an analysis of likelihood of confusion and nothing in the opinion suggested that the goods associated with the trademark necessarily violated any federal law.

More ambiguity exists as to whether lawful within Section 2(d), governing concurrent use, means jurisdictional or in good faith. In Bright Beginnings, Inc. v. Care Committee, Inc., the court interpreted the term lawful, as applied to a junior user seeking concurrent registration, to mean

86. Kwik-Kopy Franchise Corp., 173 U.S.P.Q. at *4. Cf. LaLonde & Gilson, supra note 30, at 839 n.45 (citing Walter J. Derenber, The Third Year of Administration of the Lanham Trademark Act of 1946, 40 TRADEMARK REPORTER 914, 923 (1950) (“I submit that the word ‘lawful’ in section 23 of the 1946 Act should be construed to mean ‘substantially exclusive’ and that upon any proposed revision of the Lanham Act, these words should be substituted for ‘lawful.’”)).


88. Id. § 1052(d) (2013). Concurrent registration is permitted when it is determined the confusion will not occur from the use of similar marks by more than one person. See id.


90. Id. at 525–26 (relying on In re Beatrice Foods Co., 429 F.2d 466 (C.C.P.A. 1970)).

91. Id. at 525 (citing In re Beatrice Foods Co., 429 F.2d at 473).

92. See note 89 and accompanying text.

93. Daffy Dan’s Bargaintown, 823 F.2d at 526 (internal citations omitted) (emphasis added).
that the junior user “must have adopted the mark in good faith.”94 This interpretation is consistent with the interpretation of lawful adopted by the Federal Circuit in Action Temporary Services, Inc. v. Labor Force, Inc.95 In Labor Force, the court concluded that a user was a lawful user because the user did not have constructive notice of another user’s mark.96 In these cases the term lawful was interpreted to mean in good faith.97

It was not until 2007 that the Ninth Circuit took up the issue of whether commerce inherently means commerce that is legal under federal law. In CreAgri, Inc. v. USANA Health Sciences, Inc.,98 the court “agree[d] with the PTO’s policy and [held] that only lawful use in commerce can give rise to trademark priority.”99 The court reasoned that to “hold otherwise would be to put the government in the ‘anomalous position’ of extending the benefits of trademark protection to a seller based upon actions the seller took in violation of that government’s own laws.”100 In re Stellar International, Inc. was the cited authority for this reasoning, which was arbitrarily decided, as argued above.101

These inconsistencies in the use of lawful within the Lanham Act support the conclusion that commerce, as used in the statute, does not inherently mean lawful commerce. As aptly stated by Christopher McElwain: “If ‘commerce’ always means ‘lawful commerce,’ then what does ‘lawful use in commerce’ mean when used in connection with concurrent use and the supplemental register? Does ‘lawful use in [lawful] commerce’ require an extra level of lawfulness?”102 The interpretation problem extends to more than a simple academic exercise in parsing a statute; the effects of this prohibition are significant.

IV. BENEFITS OF FEDERAL TRADEMARK REGISTRATION

Under the USPTO’s current policy, trademarks identifying medical marijuana products and medical marijuana retail stores will be denied federal registration. Until recently, many intellectual property attorneys recommended applying for trademark registration for products that are

95. 870 F.2d 1563 (Fed. Cir. 1989).
96. Labor Force, Inc., 870 F.2d at 1565–66; see also My Aching Back, Inc. v. Klugman, 6 U.S.P.Q.2d 1892, 1988 WL 252501 at *2 (T.T.A.B. 1988) (holding that the applicant could not be considered a “lawful concurrent user” when “it had constructive notice of the use of [the] identical mark for virtually identical services by another party”).
97. LaLonde & Gilson, supra note 30, at 848 n.92.
98. 474 F.3d 626 (9th Cir. 2007).
99. Id. at 630 (first emphasis added).
100. Id. (citing In re Stellar Int’l Inc., 159 U.S.P.Q. at 51).
101. See supra notes 74–80 and accompanying text.
102. McElwain, supra note 17, at 21 (alteration in original) (internal footnote omitted).
similar to, but not necessarily used in conjunction with, marijuana plant matter.\textsuperscript{103} One attorney went as far as suggesting that an owner could create “a separately-owned business, apart from the marijuana dispensary business, that sells such products and services and have that business own the trademark.”\textsuperscript{104} This strategy is suitable only for those businesses that may have a separate business or non-marijuana products to which the trademark can attach and still be used correctly with medical marijuana products.

However, in July 2016, the USPTO disallowed this practice. In a sweeping case marked as precedent for the USPTO,\textsuperscript{105} the Board denied registration for a trademark in international class 35 for “retail store services featuring herbs.”\textsuperscript{106} In this case, Morgan Brown, owner of a medical marijuana dispensary that also sold other herbs to consumers, sought registration for the trademark HERBAL ACCESS in connection with the store.\textsuperscript{107} The trademark was denied registration on the basis that it was used in connection with marijuana.\textsuperscript{108} The Board reasoned that if the trademark was granted registration, then the registration would broadly encompass all products that are classified as herbs, including marijuana.\textsuperscript{109} Furthermore, the Board found it of no consequence that the trademark was also being used to identify products that were not subject to federal restriction or prohibition.\textsuperscript{110} This single finding will likely be used to prohibit registration of marks that are not used in connection with marijuana if the examining attorneys can find some link to the controlled substance.

Absent federal registration, owners of medical marijuana trademarks can pursue common law trademark rights; state registration, where available; or federal registration of a mark unrelated to medical marijuana.\textsuperscript{111} However, these alternatives are inadequate in light of the rapid expansion of medical marijuana laws throughout the country. Trademark rights are granted by use and not exclusively by registration, but federal registration confers significantly more rights and privileges.

\textsuperscript{103} See, e.g., Caulderwood, supra note 8; Glazer, supra note 15; McCallion, supra note 9.
\textsuperscript{104} McCallion, supra note 9.
\textsuperscript{105} Not all cases are considered precedential decisions within the agency. See TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE § 101.03 (June 2016).
\textsuperscript{107} Id.
\textsuperscript{108} Id. at *2.
\textsuperscript{109} Id. at *7–8.
\textsuperscript{110} Id. at *7 (“The mere fact that lawful use is also contemplated by the identification does not aid Applicant’s cause.”).
\textsuperscript{111} See discussion infra.
than an unregistered common law trademark.112 Common law trademark rights arise by use within a specific geographic area where the trademark is used in commerce, but those rights do not extend to areas in which the mark owner may extend business but has not yet done so.113 Common law rights are also limited to the specific use of the trademark.114 As a result, there is seldom a reliance on common law rights.

State registration of a trademark offers more protection for the mark than common law rights but is significantly less advantageous than federal registration.115 One of the disadvantages is that owners of state-registered trademarks may not be able to assert their rights in federal district court.116 This can lead to problems when policing the trademark online.117 Because a trademark may not be able to take advantage of the federal court system, the transaction costs associated with policing the mark, such as travelling to a distant forum for a lawsuit, may reduce the likelihood that an owner will seek redress for a violation of their intellectual property. The transaction costs are also increased to trademark owners, who must register their mark in each state in which they do business.

In contrast to the state and common law systems, which may require the trademark owner to register separately in each jurisdiction it does business, federal registration permits the trademark owner to file one registration and receive nationwide protection. Federal registration also constitutes constructive use and grants nationwide priority to the trademark.118 This means that even if an owner has not yet entered a market, the trademark will still have priority in the market against most other users.119

In addition to the discussion in this Comment about the lawfulness requirement, federal registration requires that a trademark be used in interstate commerce.120 Particularly important to medical marijuana companies is that, as intellectual property, trademarks are permitted to cross state lines without violating federal drug trafficking laws. Thus, a trademark can be used in interstate commerce by being used in more than one state without ever violating federal law. As of the writing of this

112. See McCARTHY, supra note 4, § 19:8. These rights and privileges include nationwide enforcement and a presumption of constructive use. Id. § 16:5.
113. Id. § 19:3.
114. Id.
115. See McCallion, supra note 9.
117. Id.
119. Priority does not extend to common law trademarks that were already in a particular market prior to federal registration of a confusingly similar trademark. See McCARTHY, supra note 4, § 16:17.
Comment, forty-five states, plus the District of Columbia, Guam, and Puerto Rico, have some type of statute that allows for use of medical marijuana.\textsuperscript{121} In theory, this means that a producer of medical marijuana could license its trademark to another producer in up to forty-seven other jurisdictions.\textsuperscript{122} The nascent market is continuing to grow nationwide, and producers of medical marijuana, who have created valuable, effective medicine, have a strong interest in protecting their brand from less effective imposters who are hoping to free ride off their goodwill.

**CONCLUSION**

Allowing federal registration of medical marijuana trademarks is one step in helping consumers make safe and informed decisions about their medicine. The parents of children that benefit from the use of medical marijuana-based products will be confident they are providing their children with safe, reliable medicine. A federally registered medical marijuana trademark will also reduce transaction costs for consumers that may be purchasing medicine from various states by eliminating the time-consuming research that they will be forced to do if they cannot rely on a product’s trademark as an identification of its source.

The culture surrounding and the attitude toward medical marijuana is shifting. The USPTO’s policies should reflect this shift, and they should serve to both benefit consumers and protect patients. The USPTO did not make a mistake when it created the category of identification for medical marijuana in 2010. Rather, the USPTO was acting within the statutory authority of the Lanham Act to accept applications for these types of trademarks. The USPTO was not permitted to prohibit registration of trademarks for products that may be in violation of federal law. In light of the varying interpretations of lawful use in commerce, the USPTO should permit registration of trademarks related to medical marijuana-based products.


\textsuperscript{122} The nuances of trademark licensing as it relates to medical marijuana laws are beyond the scope of this Comment.