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Up in Smoke: The Interplay Between Celebrity Branding and Trademark

NYIPLA Hot Topics in
Trademark & Copyright Law CLE Program

July 20, 2023

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NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION
HOT TOPICS IN TRADEMARK AND COPYRIGHT LAW
JULY 20, 2023

Moderator: Aliya Nelson, Partner Greenspoon Marder, LLP
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PANEL: UP IN SMOKE - THE INTERPLAY BETWEEN CELEBRITY BRANDING AND TRADEMARK LAW

A PRIMER IN CANNABIS AND TRADEMARK LAW

- I. Cannabis and the Current Legal Landscape
 - A. Controlled Substances Act (CSA)
 1. Marijuana - all parts of the plant Cannabis Sativa L.
 2. Schedule I substance - prohibits the manufacturing, distributing, dispensing or possessing of marijuana
 - B. 2018 Farm Bill
 1. Section 297A removed “hemp” from the CSA’s definition of marijuana
 2. Cannabis plants and derivatives such as CBD that contain no more than 0.3% THC on a dry-weight basis are no longer controlled substances under the CSA
 - C. Food, Drug and Cosmetic Act (FDCA)
 1. The use in foods or dietary supplements of any drug or substance undergoing clinical investigations without approval of the US Food and Drug Administration (FDA) is prohibited
 2. The 2018 Farm Bill expressly preserves the FDA’s authority under the FDCA to regulate products containing cannabis or cannabis-derived compounds
 3. The US Trademark Office refuses to register trademarks for foods, beverages, dietary supplements and similar products containing CBD because such CBD (without FDA approval) is unlawful under the FDCA, even if it is derived from hemp and contains less than 0.3% THC on a dry-weight basis
- II. The Basics of Trademark Law Applicable to Cannabis
 - A. Use of a trademark must be lawful under federal law in order to be the basis for a registration under the Trademark Act
 - B. The US Trademark Office refuses to register marks for goods or services that are illegal under federal law regardless of whether they are legal under state law
 - C. Therefore, the US Trademark Office refuses registration of a trademark when an application identifies goods or services involving marijuana, cannabis, or CBD because such goods or services are unlawful under federal law
 - D. Section 297A of the 2018 Farm Bill removed “hemp” from the CSA’s definition of marijuana

1. Cannabis plants and derivatives such as CBD that contain no more than 0.3% THC on a dry-weight basis are no longer prohibited under the CSA, and use of a trademark in connection with such goods or services could be a valid use of the mark in commerce that could support rights under the Trademark Act
 - E. CBD that complies with the Farm Bill can still be prohibited under the FDCA
- III. State Cannabis Regulations Applicable to Trademarks
 - A. Trademark license agreement may need to be disclosed to state regulator
 - B. Trademark owners/licensors may be subject to cannabis license and disclosure requirements
 1. License arrangement may require disclosure and approval of regulator
 2. Form of compensation – profit sharing or revenue sharing
 3. Financial and criminal background searches
 4. Place of residency and residency requirements
 - C. States may deem Licensor an applicant, owner or executive
- IV. What the USPTO has Allowed
 - A. Since the 2018 Farm Bill, the USPTO has permitted registration of marks on cannabis products made from hemp limited to a percentage of no greater than 0.3% delta-8 and delta-9 THC products
 - B. On this basis, trademarks covering the following types of products and services have been registered to cannabis brand owners:
 1. Pharmaceutical and medicinal preparations (otherwise FDA permitted)
 2. Topical preparations
 3. Dietary supplements and nutritional powders
 4. Supplements for pets
 5. Medicinal herbal extracts, aromatherapy packs
 6. Genetically modified seeds
 7. Medical research
 8. Agricultural services
 9. Biomedical research services
- V. How Cannabis Brands Can Protect Their Trademark Rights
 - A. Register for products compliant with the 2018 Farm Bill
 - B. Register for cannabis-adjacent products, such as apparel, or other branded merchandise items that clearly do not contain cannabis
 - C. Obtain and rely on state trademark registrations in states where cannabis is legal and the goods are otherwise compliant
 - D. Rely on state law grounds of trademark infringement (on state registration or common law trademark rights) and unfair competition and passing off
 - E. Utilize contractual agreements when possible

VI. Future Outlook

A. Farm Bill

1. The 2018 Farm Bill is set to expire in December 2023
2. Proposed versions of the 2023 Farm Bill contain an increase in the percentage of THC concentration from .3 percent to 1 percent – which could in theory modify the current restrictions imposed by the Trademark Office
3. It is unclear whether there would be wiggle-room to make such a change during the pendency of a trademark examination
4. The US Trademark Office routinely has held that an application must contain goods and services that were lawful *as of the date of filing*
5. The US Trademark Office previously rejected CBD applications filed before and pending during the enactment of the 2018 Farm Bill on this basis

B. FDA

1. In January 2023, the FDA created a high-level working group (without a timeline) to explore regulatory pathways for CBD products
2. The group has made no further public announcement since its inception

C. The Marijuana Opportunity Reinvestment and Expungement Act (The MORE Act)

1. The MORE Act would decriminalize marijuana by removing it from the list of Schedule I substances under the CSA, and it would eliminate criminal penalties for an individual who manufactures, distributes or possesses marijuana, including CBD
2. The MORE Act has passed the U.S. House of Representatives

D. The Secure and Fair Enforcement Banking Act (The SAFE Banking Act)

1. Would generally prohibit a federal banking regulator from penalizing a bank for providing banking services to a legitimate cannabis-related business
2. Prohibited penalties would include prohibiting or otherwise discouraging a bank from offering financial services to a legitimate cannabis-related business
3. Proceeds from transactions involving legitimate cannabis-related business would not be considered proceeds from unlawful activity
4. A bank would not, under federal law, be liable or subject to asset forfeiture for providing a loan or other financial services to a legitimate cannabis-related business
5. The SAFE Act has passed the U.S. House of Representatives