

The Ninth Circuit Addresses Judicial Power over Trademark Applications and the Lawful Use of Trademarks on Cannabis (I Mean, Tobacco) Products

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The Ninth Circuit issued two opinions in *BBK Tobacco & Foods LLP v. Central Coast Agriculture, Inc.* finding judicial power over pending trademark applications and an exception shielding trademark registrations for marks used with cannabis products.

BBK Tobacco & Foods LLC (“BBK”) markets a variety of smoking accessories, including rolling paper, rolling machines, lighters, shredders, and grinders under the RAW brand, largely marketed to cannabis users. Central Coast Agriculture, Inc. (“CCA”) on the other hand markets cannabis concentrates and pre-rolled cannabis products under the RAW GARDEN brand.

While BBK sued CCA for trademark infringement, unfair competition, and related claims, the interesting development in this case relates to each party’s attempt to cancel the other party’s trademarks.

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CCA filed four trademark applications for RAW GARDEN relating to various smoking accessories and products. Each application was filed on an intent to use basis under Section 1(b) of the Lanham Act. BBK sought to void the RAW GARDEN applications, alleging that CCA lacked the requisite *bona fide* intent to use the marks in commerce. CCA, for its part, lodged a counterclaim seeking to cancel BBK’s RAW trademark registrations, alleging that they are based on “unlawful use” because BBK’s products are “drug paraphernalia” marketed for use with cannabis. On appeal, the Ninth Circuit addressed these claims in two separate opinions.

For BBK’s attempt to void CCA’s applications, the Ninth Circuit, for the first time, addressed whether federal district courts have the power to alter or void pending trademark applications. In a published opinion, the split Ninth Circuit panel said “yes.” The majority examined 15 U.S.C. § 1119, which provides that “in any action involving a registered mark the court may determine the right to registration. . . and otherwise rectify the register with respect to the registrations of any party to the action.” It found that the plain language of the statute grants a district court jurisdiction to consider challenges to a pending application, so long as the action involves a registered trademark, here BBK’s RAW registrations. This is because a challenge to an application “necessarily affects the applicant’s ‘right to a registration.’” Further, the parties and the Court have an interest in resolving all registration disputes in one action.

The dissent disagreed. It read Section 1119 as permitting federal courts to cancel registrations only, not “to prematurely cancel pending trademark registration applications.” According to the dissent, the language of Section 1119 requires a completed registration—a Court cannot “determine the right to registration” or “rectify the register” absent an issued registration. The dissent also notes that the Trademark Trial and Appeal Board (“TTAB”) agrees, having previously found that district court authority under Section 1119 “concerns registrations” and that courts are “without authority to

direct the USPTO to grant or deny pending applications.”

Still, the majority opinion rules. In its appeal, CCA did not contest the district court’s finding that it lacked a *bona fide* intent to use the RAW GARDEN mark on the applied-for goods. As a result of the Ninth Circuit’s opinion, those applications are ordered to be voided.

While the panel did not agree on the Section 1119 issue, all of the judges agreed that CCA’s counterclaim seeking to cancel BBK’s registrations is dead in the water. In an unpublished memorandum opinion, the Ninth Circuit found BBK’s RAW marks are not subject to cancellation for unlawful use.

Only lawful use of a mark can be a basis for a trademark registration. Generally speaking, this means a party cannot obtain or maintain a trademark registration if the mark is used for illegal conduct, including the sale of illegal products. The Controlled Substances Act (“CSA”) prohibits the sale of controlled substances and “drug paraphernalia” including products designed to aid in preparing or inhaling controlled substances. While the legal status of cannabis has been in flux for some time, cannabis is still considered a controlled substance under federal law and is subject to the CSA. Luckily for BBK, the CSA includes a “tobacco exception” which excludes products that are “traditionally intended for use with tobacco products, including any pipe, paper, or accessory” from the CSA’s definition of “drug paraphernalia.”

The court found that RAW rolling papers, rolling machines, shredders, grinders, and other smoking accessories are traditionally used with tobacco and shielded by the tobacco exception. The fact that BBK advertises its RAW products for use with cannabis was not sufficient to make BBK’s trademark use unlawful. Indeed, according to the Ninth Circuit, BBK’s subjective intent is wholly irrelevant to whether the tobacco exception applies. Finding RAW products fall within the exception, CCA’s counterclaim went up in smoke and the RAW trademarks remain valid.

The unpublished memorandum gives some hope and guidance to cannabis companies seeking to protect their brands. But, they still face hurdles obtaining trademark registrations in the first place. The Trademark Manual of Examining Procedure (TMEP) is clear that “evidence indicating that the identified goods or services involve the sale or transport of a controlled substance or drug paraphernalia in violation of the [CSA]” is a basis for refusal of a trademark application. TMEP § 907. It even directly addresses cannabis stating: “regardless of state law, marijuana and marijuana extracts remain Schedule I controlled substances under federal law and are subject to the CSA’s prohibitions.” *Id.*

As we reported previously, when applying these rules, the USPTO has considered a party’s advertising and denied registration of marks that relate to cannabis. For example, in *In Re Brown*, the applicant sought to register HERBAL ACCESS for “retail store services featuring herbs.” As with the RAW marks, the claimed services encompass legal activity—the sale of legal herbs. Nonetheless, the USPTO examined the applicant’s website and determined that the mark also, perhaps primarily, encompasses unlawful

activity—the sale of cannabis. The TTAB, reviewing this advertising, affirmed the refusal to register the HERBAL ACCESS mark.

Still, if cannabis companies are able to obtain registrations for products traditionally used with tobacco, the Ninth Circuit's opinion suggests those registrations will not be disturbed, regardless of how the products are marketed.