Cannabis, Consumers, and the Trademark Laundering Trap

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CANNABIS, CONSUMERS, AND THE TRADEMARK LAUNDERING TRAP

VIVA R. MOFFAT, * SAM KAMIN** & TIM MAFFETT***

ABSTRACT

At the moment, cannabis companies cannot acquire federal trademark protection for their marijuana products because the "lawful use" doctrine limits trademark registration to goods lawfully sold in commerce. Given that marijuana remains illegal under federal law, this may not sound like much of a problem, but it has serious consequences for consumers. Without trademark rights, one cannabis company can simply use the brand name of another, more prominent, company on its marijuana products, and consumers will assume that they are getting the products they have come to rely on, with potentially dangerous results. The current approach of the United States Patent & Trademark Office (PTO) and the federal courts does little to protect against this outcome and is thus at odds with trademark law's consumer protection and fair competition goals.

This Article examines how the PTO and the courts have mishandled marijuana marks and identifies how they have interpreted and deployed the lawful use doctrine in ways that undermine and conflict with trademark's stated goals. Given that the PTO is unlikely to abandon the lawful use doctrine anytime soon, we propose changes to the way the PTO applies that doctrine in the trademark

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registration process, as well as changes to the courts’ consideration of trademark disputes involving cannabis companies. These changes will ensure that both consumers and marijuana businesses are protected as the United States transitions from marijuana prohibition to a post-prohibition federal regulatory regime.
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INTRODUCTION

On July 14, 2021, Senate Majority Leader Charles Schumer introduced the Cannabis Administration and Opportunity Act, a 163-page bill that would, among other things, legalize and regulate marijuana at the federal level.\textsuperscript{1} As state after state legalizes marijuana for use by their citizens,\textsuperscript{2} it now appears only a matter of time before the fifty-year-old federal prohibition on marijuana becomes a thing of the past.\textsuperscript{3} Until then, however, federal illegality continues to cast a long shadow over marijuana businesses and their consumers.\textsuperscript{4} Although those businesses are licensed, taxed, and regulated by the states authorizing their activities, federal prohibition means that they must pay onerous federal tax rates\textsuperscript{5} and have little access to even the most rudimentary banking services.\textsuperscript{6} For their part, marijuana consumers risk their employment, public benefits, and even their liberty for engaging in conduct permitted by their states, simply because the federal government continues to prohibit

\begin{itemize}
\item Marijuana is the psychoactive form of the plant \textit{Cannabis sativa L.} We acknowledge that the term marijuana is often derided for its connection to anti-immigrant demagoguery. \textit{See, e.g.}, Matt Thompson, \textit{The Mysterious History of 'Marijuana,'} NPR: CODE SWITCH (July 22, 2013, 11:46 AM), https://www.npr.org/sections/codeswitch/2013/07/14/201981025/the-mysterious-history-of-marijuana [https://perma.cc/UCC6-BYZ6] ("Numerous accounts say that 'marijuana' came into popular usage in the U.S. in the early 20th century because anti-cannabis factions wanted to underscore the drug's 'Mexican-ness.' It was meant to play off of anti-immigrant sentiments."). For our purposes here, it is necessary to distinguish between "marijuana" (which is the substance prohibited by the Controlled Substances Act (CSA), and "cannabis" (which refers to all parts of the \textit{Cannabis sativa L.} plant, legal and illegal).
\item \textsuperscript{5}See, \textit{e.g.}, id.
\item \textsuperscript{6}See, \textit{e.g.}, Julie Andersen Hill, \textit{Cannabis Banking: What Marijuana Can Learn from Hemp}, 101 B.U. L. REV. 1043, 1045 (2021) ("Ever since Colorado legalized recreational marijuana in 2014, marijuana-related businesses have complained about problems accessing banking services. Many banks explain that because marijuana is still a controlled substance under federal law, they will not serve the marijuana industry." (footnotes omitted)).
\end{itemize}
marijuana. This is a strange and unstable legal environment, one Justice Thomas recently described as “a half-in, half-out regime that simultaneously tolerates and forbids local use of marijuana.” According to Justice Thomas, “[t]his contradictory and unstable state of affairs strains basic principles of federalism and conceals traps for the unwary.”

One aspect of this half-in, half-out situation is the difficulty cannabis businesses have in obtaining federal trademark protection for their products. The “lawful use” doctrine prohibits the registration of marks in connection with illegal goods, and the doctrine has been deployed by the United States Patent and Trademark Office (PTO) to preclude registration of trademarks for marijuana products, notwithstanding the legality of the applicant’s business under state law. But the unavailability of federal trademark protection is not just an issue for cannabis companies; it is also a problem for cannabis consumers and thus significantly impedes the goals of the trademark system. Trademarks are not only, and not even primarily, for the benefit of their owners. Instead, by conferring rights on trademark owners, trademark law aims to protect consumers from confusing and deceptive behavior in the marketplace and to ensure fair competition.

While this is true with regard to all branded goods and services—knowing on a road trip that you can get what you like at McDonald’s instead of taking your chances with a roadside diner, for example, or choosing a Seiko watch over a cheaper imitation because of its reputation for reliability and dependability—it is particularly significant with regard to cannabis products. Many cannabis consumers

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9. Id. at 2237.
10. See, e.g., NYCityVAN, LLC v. Thomas, 501 F. Supp. 3d 145, 148 (E.D.N.Y. 2020) (“The Unlawful Use Doctrine denotes a ‘policy of the PTO’s Trademark Trial and Appeal Board [which holds] that use [of a mark] in commerce only creates trademark rights when the use is lawful.’” (alteration in original) (quoting CreAgri, Inc. v. USANA Health Scis., Inc., 474 F.3d 626, 630 (9th Cir. 2007))).
11. See id.
12. See infra note 44 and accompanying text.
are new to the market and may be unsure of which products and modes of delivery are most appropriate for them. Although marijuana is less dangerous than some legal substances like tobacco and alcohol, its overconsumption can still be very disconcerting. In this context, the absence of trademark protection can have serious consequences. For example, when news reports emerged that one Colorado company’s high-CBD, low-THC product, called “Charlotte’s Web,” might be effective in the treatment of epileptic seizures in children, companies in other states started selling fake Charlotte’s Web products, some with very high levels of THC, others containing dangerous pesticides. Because the Colorado company had no federal trademark protection, it had little recourse against those copycat producers, and consumers had no way of distinguishing between the “real” Charlotte’s Web products and the confusing (and potentially dangerous) knock-offs.

Given that trademark law serves to protect consumers and to regulate the marketplace to ensure fair competition—as well as to protect the businesses that own marks—its unavailability in the

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14. See, e.g., Maureen Dowd, Don’t Harsh Our Mellow, Dude, N.Y. TIMES (June 3, 2014), https://www.nytimes.com/2014/06/04/opinion/dowd-dont-harsh-our-mellow-dude.html [https://perma.cc/2PTY-GA2H] (describing a difficult experience with marijuana during a visit to Denver, Colorado: “I felt a scary shudder go through my body and brain. I barely made it from the desk to the bed, where I lay curled up in a hallucinatory state for the next eight hours. I was thirsty but couldn’t move to get water. Or even turn off the lights. I was panting and paranoid, sure that when the room-service waiter knocked and I didn’t answer, he’d call the police and have me arrested for being unable to handle my candy.”).


17. See Schroyer, supra note 16 (outlining the few options for legal recourse available to cannabis entrepreneurs).
marijuana context has only become more problematic as the market has grown. Several years ago, when the cannabis industry was still in its infancy, two of the authors of this Article wrote about the potential hurdles to obtaining intellectual property protection for marijuana businesses.\textsuperscript{18} We noted in particular that some marijuana businesses had begun engaging in what we termed “trademark laundering”: applying for federal trademark protection for a mark to be placed on legal products and then using the mark on both legal \textit{and} illegal goods—on t-shirts \textit{and} marijuana, for example.\textsuperscript{19}

Trademark laundering is a way to sidestep the lawful use doctrine, providing some brand protection for cannabis companies and some degree of consumer information and protection. It is by no means a perfect solution, but we predicted that the practice would expand because it provides a toehold of trademark protection for marijuana businesses even with the federal prohibition in place and may enable those businesses to more easily acquire comprehensive trademark rights thereafter.\textsuperscript{20} We also predicted that lawyers and law firms might hesitate to enter appearances on behalf of marijuana clients because of the ethical complications involved in representing a client engaged in illegal activity in federal court or before a federal agency.\textsuperscript{21}

As the nation appears to be moving toward a post-marijuana-prohibition legal regime, the time is right for assessing the state of marijuana marks today and the predictions we made earlier. While we were right about some things, the reality has been more complicated than we anticipated and, as Justice Thomas describes, the situation has turned into a set of traps for the unwary—unwary


\textsuperscript{19} Id. at 250-51. Although the term “laundering” may have some negative connotations, we make clear that companies and their lawyers engaging in this practice, so long as it is done carefully, are not doing anything unlawful or unethical. Nonetheless, “laundering” is an appropriate word here as it reflects the ongoing illegality of the underlying conduct.

\textsuperscript{20} Id. at 252 (“In the longer term, trademark laundering provides a toehold and the possibility for expansion (both in the scope of the goods and services covered by the mark and geographically) for the marijuana business and, potentially, an opportunity to hold on to a mark in the event that federal law changes.”).

\textsuperscript{21} Id. at 236-40.
cannabis companies, unwary cannabis consumers, and unwary lawyers. 22

When we last wrote on this topic, it seemed plausible that many intellectual property lawyers—who regularly appear in federal court and before federal agencies—would hesitate to represent marijuana businesses in general and, in particular, would be disinclined to engage in trademark laundering because of the potential deception involved. 23 But in fact, mainstream law firms and intellectual property lawyers with a broad federal court practice, many of whom had earlier hesitated to represent marijuana companies, have stepped into the field to assist with, among other things, trademark registration and enforcement. 24 And they have done so by filing a dizzying number of trademark applications for cannabis companies, engaging in the practice of trademark laundering even more aggressively and creatively than we anticipated. 25

On the surface, at least, trademark laundering has been a success. But the trademark rights that cannabis companies have obtained may not be all that they hoped for and are certainly less than we anticipated. An examination of the PTO’s practices concerning marijuana marks and the federal courts’ treatment of trademark disputes involving marijuana companies reveals significant issues. In particular, the PTO’s approach to marijuana marks has turned out to be problematic in ways that undermine the goals of the trademark system. This is, in large part, because the PTO, citing the lawful use doctrine, requires cannabis companies to include disclaimers in connection with many of their trademark applications: cannabis companies must state that they do not seek federal trademark registration for marks used in connection with marijuana or other


23. Kamin & Moffet, supra note 18, at 254 (predicting that ethical concerns “will certainly dissuade some lawyers from representing marijuana businesses”).


25. See infra Part I.B.
illegal goods. At first blush this seems sensible enough—trademark registration is not available for use in connection with illegal goods, after all—but the disclaimers have been applied broadly and, at times, misinterpreted by the federal courts in ways that undermine and conflict with trademark's goals of preventing consumer confusion and policing the marketplace. This dynamic has already played out in trademark infringement litigation, allowing the use of potentially confusing marks to proceed unchecked and inequitably conferring the benefits of trademark protection. As we shall demonstrate, there are a number of instances in which it would have been better for both cannabis companies and their consumers if the companies had simply not registered their marks at all. This is not a sensible result.

This Article proceeds as follows. In Part I, we share the results of our survey of the current state of cannabis trademarking practices and explain why we predicted that trademark laundering would be the best approach for the cannabis industry to secure some degree of trademark protection (and why that would also be good for consumers) while marijuana remains federally illegal. As we predicted, cannabis companies have vigorously sought to protect their marks and have filed federal trademark registrations for marks used in connection with a huge range of (fully legal) goods and services, while also using the very same marks in connection with the sale of (federally illegal) marijuana. In other words, they have engaged in trademark laundering and have done so much more creatively and aggressively than we anticipated. In addition, many lawyers have been willing to assist them in this endeavor.

While cannabis companies have indeed been able to acquire some level of trademark protection, in Part II we describe how the use and misuse of PTO-mandated disclaimers create traps for unwary cannabis companies; for unwary consumers who are more likely to be confused and deceived in the marketplace; and for unwary lawyers who have endeavored to represent cannabis companies in ways that are consistent with their ethical obligations. The PTO and the courts have interpreted and applied the lawful use requirement such that cannabis companies availing themselves of the trademark
registration process may actually be worse off than if they had not sought any federal trademark protection at all. This is a result at odds with trademark law’s role in protecting against consumer confusion and ensuring fair competition in the marketplace.

In Part III, we conclude with a set of proposals to address the problems we identify. First, the PTO should abandon the requirement that companies disclaim unlawful uses in their trademark applications. Instead, the PTO could itself include a statement in trademark registrations indicating that the protections of federal trademark registration extend only to legal goods and services. Along with that change, currently existing disclaimers should be interpreted and understood by courts narrowly; those disclaimers are merely an assertion that federal registration is not being sought for marijuana and marijuana products. Finally, if and when the federal prohibition is lifted, the disclaimers should cease to bind those who made them; the disclaimers are only made necessary by federal prohibition and should be given no effect once that prohibition ends. These changes will not eliminate all of the trademark problems for the marijuana industry, but they provide a solution that will protect marijuana buyers and sellers during this “half-in, half-out” phase of marijuana regulation and put them on proper footing when and if the federal prohibition is lifted.

I. TRADEMARK LAUNDERING: A SUCCESS ON THE SURFACE

Marijuana law reform has accelerated rapidly since we first wrote about trademark laundering a few years ago. In 2016, even with

28. In 2016, we wrote about the state of marijuana law and in particular about intellectual property protection for the nascent industry. See generally Kamin & Moffat, supra note 18. Since that time, other commentators have noted the challenges facing the cannabis industry, including the difficulties of acquiring and enforcing trademark rights. Professor Robert A. Mikos argues that trademark’s lawful use doctrine is both “unauthorized” and “unwise” and ought to be eliminated entirely. Robert A. Mikos, Unauthorized and Unwise: The Lawful Use Requirement in Trademark Law, 75 VAND. L. REV. 161, 165 (2022) (noting that the “lawful use requirement is particularly disruptive in newly emerging industries, where firms are testing the boundaries of the law” and citing the cannabis industry as an example); see also Mike Schuster & Robert Bird, Legal Strategy During Legal Uncertainty: The Case of Cannabis Regulation, 26 STAN. J.L. BUS. & FIN. 362, 392 (2021) (noting the practice of trademark laundering by cannabis firms as well as its limitations: “Consistent with many avoidance strategies, trademark laundering avoids technical breaches of regulations, but still distorts the intent of the law to benefit the firm.”); Ryan Christen, Note, Weed the People:
Donald Trump’s election as president, marijuana swept at the ballot box. Recreational marijuana initiatives passed in Massachusetts, California, and Nevada that year, and Illinois became the first state to adopt marijuana legalization through legislative enactment. With Arizona, Montana, New Jersey, and South Dakota passing marijuana initiatives in 2020 and multiple state legislatures joining the fray as well, eighteen states and the District of Columbia have now passed laws taxing and regulating marijuana like alcohol. In addition, a total of thirty-six states and Washington, D.C. have regulations in place for the use of medical marijuana with a doctor’s recommendation.


33. As of July 1, 2021, marijuana is legal for medical purposes in the states listed in the previous footnote as well as Arkansas, Delaware, Florida, Hawaii, Louisiana, Maryland, Minnesota, Mississippi, Missouri, New Hampshire, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Utah, and West Virginia. Id.
find a state that continues to treat marijuana as a controlled substance under all circumstances. 34

Thus, an increasing number of Americans live in jurisdictions in which their state laws permit them to lawfully purchase and consume marijuana products even as it remains illegal under federal law. And the licit market has grown to meet demand. The legal marijuana market in the United States was estimated at approximately $16 billion in 2020 and is expected to increase by 50 percent over the next five years as more states come online. 35 What is more, with the legalization of marijuana at the federal level in Canada and the listing of Canadian marijuana businesses on major North American stock exchanges, the level of sophistication of the industry has grown remarkably in the last five years. 36

So it should come as no surprise that with more money at stake and with well-funded corporate players replacing the mom-and-pop innovators who predominated during legalization’s infancy, modern marijuana businesses are becoming increasingly sophisticated in their pursuit of intellectual property rights to both protect and expand their businesses. 38 Indeed, cannabis companies increasingly


36. See Ian Austen, Marijuana Legalization in Canada Has Companies Chasing a Green Rush, N.Y. TIMES (Oct. 16, 2018), https://www.nytimes.com/2018/10/16/world/canada/cannabis-legalization-industry.html [https://perma.cc/RM9F-WXC3] (describing how legalization in Canada has created a rush akin to the dot com frenzy of the 1990s and stating that “[t]he top 12 Canadian marijuana companies are now worth nearly 55 billion Canadian dollars, or $42 billion, and investors are snapping up the stock.”). See Robert Ho ban, The Year of Cannabis Industry Consolidation, FORBES (Mar. 22, 2021, 8:00 AM), https://www.forbes.com/sites/robertho ban/2021/03/22/the-year-of-cannabis-industry-consolidation/ [https://perma.cc/A54H-K97N] (“Money is beginning to flow into the industry again and consolidation is happening at all levels—from small marijuana dispensaries to firms joining isolated supply chain components under one entity in the cannabinoid space.”).

act just like other businesses, but with the added complication that much of what they do is illegal under federal law.39

In this Part, we survey the current landscape of trademark protection for cannabis businesses in light of the changes in the market and the predictions we made several years ago. Given the continuing federal prohibition on marijuana, along with the fact that nearly all trademark practice is federal, we anticipated that many intellectual property lawyers would hesitate to represent cannabis entities in the PTO and federal courts.40 That turned out to be wrong; in fact, intellectual property lawyers and firms have jumped into the practice wholeheartedly. We were right, however, that trademark laundering would become a regular practice in the industry.41 Cannabis companies, and their lawyers, have sought—aggressively and creatively—to obtain all the brand protection that they can, in particular by obtaining federal trademark protection for use of marks in connection with everything but marijuana.42

A. Trademark Laundering Explained

We argue below in Part II that although trademark laundering appeared to be the best strategy for cannabis firms under the circumstances—that is, in light of the federal prohibition—it has turned out to be more of a mixed bag, both for cannabis companies and the consumers the trademark system is meant to protect.

39. See Schuster & Bird, supra note 28, at 364-65 ("Cannabis has a disturbingly ambiguous legal status in the United States and is experiencing a chaotic and fitful path toward legalization. Firms that enter the market too early risk sanction from the remaining anti-cannabis regulations still in place. Firms that enter the market too late, and cautiously wait for complete legalization, risk ceding important first-mover advantages to rivals." (footnote omitted)).
40. Kamin & Moffat, supra note 18, at 253-54 ("[E]ven if a lawyer is willing to work with a marijuana business in some capacities, she may balk at being asked to participate in trademark laundering. Lawyers may wonder whether it is consistent with the duty of candor to the tribunal to respond to a trademark examiner's question regarding her client's business by focusing on the goods and services referenced in the trademark application when the client's true interest is in branding the sale of marijuana.").
41. See infra Part I.B.
42. Cannabis companies have also expanded their markets and the scope of their brands in other ways. These include pursuing state-level trademark protections, expanding internationally as laws and regulations have changed, and exploiting new market niches such as CBD and industrial hemp. See infra Part I.B.
Before getting to that argument, we first briefly explain why a company might seek trademark protection in the first place and why trademarks are significant not just for those companies but for consumers as well.

Whether they know it or not, readers of this Article are deeply familiar with trademarks; they pervade our modern life.\(^4\) The Nike swoosh, the Golden Arches, the Apple logo, Lucky Charms’ “magically delicious” jingle: each identifies the source of particular goods and services, and in doing so serves a variety of functions for the companies who use those marks and the consumers who are bombarded by them. Although trademark protection is granted to the companies using the marks, the primary goals of the trademark system are protecting consumers and ensuring fair competition in the marketplace.\(^4\)

As the Supreme Court stated recently, trademarks serve to help consumers “identify goods and services that they wish to purchase, as well as those they want to avoid.”\(^4\) If you like the last pair of shoes you bought with the Nike swoosh, it is easy to identify the same shoes the next time around. If you’re traveling, you will know what to order when you walk into a McDonald’s, or to avoid the restaurant entirely because you know all too well what they serve. These purchasing decisions would be substantially more difficult—in trademark parlance, your search costs would be much higher—in a world without trademarks and trademark law.\(^4\) If anyone could

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43. The Lanham Act, the current trademark statute, defines a trademark as a “word, name, symbol, or device” used in commerce “to identify and distinguish ... goods ... from those manufactured or sold by others and to indicate the source of the goods.” 15 U.S.C. § 1127.

44. This is a matter of substantial academic commentary, and normative arguments on all sides abound. See generally Mark P. McKenna, The Normative Foundations of Trademark Law, 82 Notre Dame L. Rev. 1839 (2007) (describing and questioning the conventional wisdom about the origins of trademark law as consumer protection focused). Notwithstanding this debate, consumer protection is central to trademark law and many trademark doctrines are animated at least in part by the goal of protecting consumers from confusion and deception in the marketplace. See Mikos, supra note 28, at 216 n.272 (“Although scholars disagree about the relative priority of different trademark goals, there is no need to wade into that debate here because the lawful use requirement serves none of the goals of trademark law.”).


46. Peter S. Menell & Suzanne Scotchmer, Intellectual Property Law, in 2 HANDBOOK OF LAW AND ECONOMICS 1473, 1541 (A. Mitchell Polinsky & Steven Shavell eds., 2007) (“Under this now widely accepted view of consumer information economics, trademarks economize on consumer search costs. Consumers benefit from concise and effective designations of the source of products.”) (citations omitted)).
make a lousy sneaker and simply attach the famous swoosh to it, consumers would have difficulty finding the real thing.

This consumer protection function applies equally, if not with even more force, to the marijuana market. As the Charlotte’s Web example makes clear, the potential for confusion is high in a market for new products with large numbers of new entrants and new consumers. And in particular with “experience” goods—those that are difficult to evaluate without actually buying and using them—the “informational function of trademarks is especially valuable.”

To be sure, trademark protection also benefits the companies that own the trademarks, allowing them to build a brand identity and brand loyalty. Famous trademarks are extremely valuable—Coca-Cola’s trademark has been valued at $78 billion, for example, and Google’s at $120 billion—but trademark protection is also justified

47. See supra notes 15-17 and accompanying text.
48. Mikos, supra note 28, at 219 (“[T]he lack of national trademark protection for marijuana brands puts marijuana consumers at risk. After all, they may not understand that two marijuana products bearing similar or even identical marks in two different states are not necessarily made by the same company and may have very different characteristics.”).
49. Gideon Parchomovsky & Peter Siegelman, Towards an Integrated Theory of Intellectual Property, 88 VA. L. REV. 1455, 1481-82 (2002) (“The economics literature draws a distinction between search and experience characteristics of products. Search characteristics are those ‘that the consumer can determine by inspection prior to purchase of the brand.’ Experience characteristics are those that can only be ascertained by actual consumption of the product. Although it is convenient to speak of search or experience goods, in reality virtually all goods exhibit a mixture of search and experience characteristics.”) (footnote omitted) (quoting Phillip Nelson, Advertising as Information, 82 J. Pol. Econ. 729, 730 (1974)).
50. Id. at 1468.
51. There is, of course, a great deal of scholarly dispute about the economics of trademarks and trademark law. See, e.g., Ralph S. Brown, Jr., Advertising and the Public Interest: Legal Protection of Trade Symbols, 57 YALE L.J. 1165, 1169 (1948) (describing how in some circumstances trademarks can be wasteful). More recent scholarship has emphasized the positive aspects of trademarks and advertising more generally, and the law-and-economics school has supported this view. See, e.g., Nicholas Economides, Trademarks, in 3 THE NEW PALGRAVE DICTIONARY OF ECONOMICS AND THE LAW 601, 603 (Peter Newman ed., 1998) (“Trademarks make perception advertising possible and therefore can result in anti-competitive distortions .... Moreover, the legal monopoly on the use of names that are trademarked also creates a potential distortion. However, both of these distortions are expected to be small, and are unlikely to outweigh the benefits of the efficient provision of variety and quality benefits that trademarks facilitate.”).
on the basis that it promotes fair competition in the marketplace.\textsuperscript{53} In a world without trademark protection, firms would not be protected against freeriding, and they would not have as much of an incentive to invest in “maintain[ing] and improv[ing] the quality of their products and services.”\textsuperscript{54} So, trademarks serve both a consumer protection function—protecting against confusion and deception in the marketplace—and an incentive function—encouraging companies to invest in the goodwill represented by the brands.\textsuperscript{55}

Although the scope and strength of federal trademark protection have expanded over time, trademark rights still come with important limitations that are consistent with their consumer-protection function. Most notably, trademark protection extends only to uses of a mark in connection with the particular goods or services that the trademark owner uses in commerce.\textsuperscript{56} For example, the Apple Computer company does not own the word “apple” in any broad sense. It simply has the right to prevent others from using the word in particular ways, in particular contexts.\textsuperscript{57} Consumer confusion is the touchstone for trademark rights; use of a similar or identical word or phrase, without more, is not infringement.\textsuperscript{58} Continuing with the Apple example, the company may control the right to the name “Apple” in connection with computers and phones, but that does not stop someone from using the word “apple” in their business,

\textsuperscript{53.} Parchomovsky & Siegelman, \textit{supra} note 49, at 1468-69 (“[T]rademarks allow consumers to associate product and service attributes with certain firms and base their consumption decisions on this association.... [T]rademark protection spurs firms to maintain and improve the quality of their products and services [and] protects firms against free-riding by competitors.”).

\textsuperscript{54.} Id. at 1468.

\textsuperscript{55.} Id. at 1469 (“Thus, trademarks constitute an important channel of communication between firms and consumers, with the attendant twin effects of motivating the former to improve the quality of their products and services, and enabling the latter to differentiate among various products on the market.”).

\textsuperscript{56.} 15 U.S.C. §§ 1051, 1125.

\textsuperscript{57.} In this way, trademark rights are not property-like rights against the world. Instead, trademark law grew out of common law unfair competition and deception causes of action. See McKenna, \textit{supra} note 44, at 1848 (“Trademark law, indeed all of unfair competition law, was designed to promote commercial morality and protect producers from illegitimate attempts to divert their trade.”).

\textsuperscript{58.} The test for trademark infringement asks whether consumers are likely to be confused. \textit{See, e.g.}, \textit{In re E. I. DuPont DeNemours & Co.}, 476 F.2d 1357, 1360 (C.C.P.A. 1973).
so long as consumers are not likely to be confused. And certainly people (and businesses) can use words that are trademarks in a variety of ways that are not infringing. A grocery store may advertise the price of apples; a newspaper can run a story about an apple orchard or about the Apple Computer company; and consumers can write reviews of Apple’s iPhones—all because trademark rights are generally limited to situations in which consumers are likely to be confused.

A few other attributes of United States trademark law are notable here. First, there is both state and federal protection for trademarks, and entities can pursue protection at both levels. Second, one can seek to register a trademark with the PTO, but it is not necessary to do so in order to have trademark protection or to bring a federal trademark infringement action. The current trademark statute, the Lanham Act, sets forth the requirements for registering a trademark, but the Act also provides a cause of action for infringement of an unregistered mark. Whether a mark is registered or not, the basic test for infringement asks whether

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59. Continuing with the example, we might recommend that someone not name their new restaurant the “Apple Café,” but consumers are very unlikely to think that the Apple computer company is associated with that new restaurant.

60. See Mark A. Lemley & Mark McKenna, Irrelevant Confusion, 62 STAN. L. REV. 413, 414 (2010) (“Trademark law centers its analysis on consumer confusion. With some significant exceptions, the basic rule of trademark law is that a defendant’s use of a mark is illegal if it confuses a substantial number of consumers and not otherwise.”).

61. This is distinct from patent law and copyright law, both of which are areas of exclusive federal jurisdiction. 28 U.S.C. § 1338(a) (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights.”). Although state trademark protection is available, it is substantially weaker and less effective than federal trademark protection. See, e.g., Kamin & Moffat, supra note 18, at 257-59.

62. This makes trademark law distinct from patent law and copyright law in another way. There are no patent rights in the absence of a properly issued patent from the PTO. Copyright rights, on the other hand, arise as soon as a work is created (or in copyright language, “fixed in any tangible medium of expression”), 17 U.S.C. § 102(a), but the owner must register the copyright before initiating an infringement action, id. § 411(a) (“[N]o civil action for infringement of the copyright ... shall be instituted until ... registration of the copyright claim has been made.”).

63. 15 U.S.C. § 1125(a)(1) (“Any person who, on or in connection with any goods or services ... uses in commerce any word, term, name, symbol, or device ... or any false designation of origin ... which ... is likely to cause confusion ... shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.”).
consumers are likely to be confused by the defendant's use of a similar trademark, reflecting trademark law's goal of protecting consumers and the marketplace. 64

Because it is not necessary to register a trademark to enjoy trademark protection, a business must decide whether it is worthwhile to pursue federal trademark registration. There are often good reasons to do so. Most significantly, trademark registration provides nationwide notice of the mark's use. 65 This can be important, for example, for a business starting out regionally but planning to expand nationally or internationally. 66 With a federally registered mark, the business will be deemed to have priority (also referred to as "seniority") with respect to use of the mark nationwide; in the absence of registration, the business would only have seniority for the geographic areas in which it operates. 67 Registration also means that the trademark owner can use the ® symbol, which indicates a federally registered mark. 68 Finally, after five years, a registered mark becomes "incontestable." 69 This does not mean incontestable for any reason, but after the five-year point, a mark can only be challenged on a limited number of grounds. 70


65. See Why Register Your Trademark?, USPTO (July 8, 2021, 11:00 AM), https://www.uspto.gov/trademarks/basics/why-register-your-trademark [https://perma.cc/93YR-ECBP] ("Registering your trademark with the USPTO creates rights throughout the entire United States and its territories, and includes your registration in our publicly accessible database of registered trademarks. You can use the ® symbol and you can generally rely on those rights to protect your trademark as you expand your business across state lines. However, the USPTO is not an enforcement agency, so you will be responsible for pursuing any infringing users.").

66. See id. The notice function may be less significant in a quasi-licit market, in which some market actors are likely to be relatively risk tolerant and potential infringers may be less worried about the threat of litigation (if the participants in the market may be hesitant to appear in court in an effort to enforce rights). See Kamin & Moffat, supra note 18, at 255.


68. Id. The ™ symbol has no legal significance but can be used to "let[ ] consumers ... know you're claiming the trademark as yours." What Is a Trademark?, USPTO (Mar. 31, 2021, 12:00 PM), https://www.uspto.gov/trademarks/basics/what-trademark [https://perma.cc/6LJG-589X].


70. See id. (noting that, with some exceptions set forth in § 1064: "[T]he right of the owner to use such registered mark in commerce for the goods or services on or in connection with
There are also costs associated with federal registration, of course. The process can be time-consuming, expensive, and generally requires a lawyer’s assistance. In an increasingly national (and global) marketplace, however, more and more companies have concluded that the benefits of federal trademark registration outweigh the costs.

Anticipating the boom in the cannabis industry and eyeing eventual decriminalization at the federal level, many cannabis companies have conducted this same cost-benefit analysis and reached the same conclusion. For these companies, though, the analysis comes with an additional layer of complication. Because marijuana is illegal under federal law, the PTO will not grant trademark protection for marks used in connection with marijuana or with drug paraphernalia—this is the “lawful use” requirement. The doctrine has been applied to a range of goods, from insecticides, to beef, to dietary supplements, and, after a brief period in which it seemed that medical marijuana might be excluded from the reach

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71. The vast majority of trademark applicants hire a lawyer to assist with the process, though the percentage has gone down over time. See Deborah R. Gerhardt & Jon P. McClanahan, Do Trademark Lawyers Matter?, 16 STAN. TECH. L. REV. 583, 600-01 (2013) (collecting data from 1984 to 2012). The application fees are $250 at a minimum. Many lawyers offer a flat rate for assisting with the process, but that generally does not include the costs of any bumps in the road that can come in the form of “office actions,” rejections, and administrative litigation. See id. at 589-90.


73. See 37 C.F.R. § 2.69 (1989) (“When the sale or transportation of any product for which registration of a trademark is sought is regulated under an Act of Congress, the [Patent and Trademark] Office may ... make appropriate inquiry as to compliance with such act for the sole purpose of determining lawfulness of the commerce recited in the application.”).
of the doctrine, to marijuana. This basic fact led to the strategy we termed “trademark laundering.”

When states began legalizing marijuana, cannabis companies began, slowly at first, seeking federal trademark protection for their businesses. Citing the lawful use doctrine, the PTO summarily rejected trademark applications from marijuana companies when they stated in their applications that they sought trademark protection in connection with the sale of marijuana.

A more difficult situation arose when trademark applicants associated with the marijuana industry were not explicit about what was covered by their application. In In re Brown, for example, the Trademark Trial and Appeal Board (TTAB) addressed an application for trademark registration of the mark HERBAL ACCESS in connection with “retail store services featuring herbs.” The trademark examiner refused registration “on the ground that the herbs offered for sale in Applicant’s retail store include marijuana.” The TTAB agreed with the examiner that the evidence “support[ed] the conclusion that Applicant is engaged in the provision of marijuana via the retail services.” The Board stated that “the fact that the provision of a product or service may be lawful within a state is irrelevant to the question of federal registration when it is unlawful under federal law.”

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74. The Trademark Manual of Examining Procedure (TMEP) elaborates on the lawful use doctrine and directs the examining attorneys—the PTO employees who review and assess trademark applications—to refuse registration if “the mark itself or the goods or services violate federal law.” TRADEMARK MANUAL OF EXAMINING PROCEDURE § 907 (2021). And the same section refers explicitly to goods that are legal under state law but illegal under federal law, noting “regardless of state law, marijuana, marijuana extracts, and the psychoactive component THC remain Schedule I controlled substances under federal law and are subject to the CSA’s prohibitions.” Id.; see also Kamin & Moffat, supra note 18, at 244-45 (describing the initial possibility for registration of medical marijuana marks and the PTO’s subsequent reversal).

75. Kamin & Moffat, supra note 18, at 220.

76. See id. at 244-45.

77. See, e.g., In re PharmaCann LLC, 123 U.S.P.Q.2d (BL) 1122, 1128 (T.T.A.B. 2017) (PHARMACANN for retail marijuana shop); In re JJ298, LLC, 120 U.S.P.Q.2d (BL) 1568, 1570 (T.T.A.B. 2016) (JUJU JOINTS for smokeless marijuana or cannabis vaporizer apparatus); see also Kamin & Moffat, supra note 18, at 245.


79. Id.

80. Id. at 1352.

81. Id. at 1351. This finding is not entirely surprising given the structure of our federal
evidence establishes that Applicant’s retail store services include the provision of marijuana" and rejected the argument that because selling herbs is (generally) legal, the registration should issue. So even though the applicant did not explicitly seek trademark protection for use of its mark in connection with marijuana products, the lawful use doctrine applied to bar registration of the mark because marijuana was included among the goods sold by the applicant.

Although the TTAB refused to allow trademark registration in the In re Brown dispute, the opinion provides something of a road-map for cannabis businesses seeking federal trademark protection. The Board concluded with a statement that reads like an instruction for trademark laundering:

Because the evidence that Applicant’s mark is being used in connection with sales of a specific substance (marijuana) that falls within both the services identification and the prohibitions of the CSA is unrebutted, we find that Applicant’s retail store services include sales of a good that is illegal under federal law, and therefore encompasses a use that is unlawful.

The identification and description of the goods or services for which the applicant seeks registration is therefore the crucial factor in determining whether federal protection is available. Here, the services as described by the applicant included at least one—selling

system. The Supreme Court has held, for example, that the legality of a defendant’s conduct under state law cannot serve as a defense to a federal prosecution under the CSA. See Gonzales v. Raich, 545 U.S. 1, 29 (2005). There the Court held that compliance with state law “cannot serve to place respondents’ activities beyond congressional reach. The Supremacy Clause unambiguously provides that if there is any conflict between federal and state law, federal law shall prevail.” Id.

83. See id. at 1353.
84. Some commentators have read this (and similar opinions) and concluded that cannabis firms will not be able to obtain any federal trademark protection and that the trademark-laundering strategy will be ineffective. See, e.g., Crocker, supra note 28, at 588, 602 (predicting that the trademark laundering strategy will not work following the TTAB’s decisions in In re Brown and In re JJ20G). While these opinions should provide a note of caution, see infra note 118 and accompanying text, the PTO has continued to allow registration of cannabis companies’ marks on ancillary—in other words, legal—goods on a regular basis, see infra Part I.B.1.
marijuana—that was unlawful. The logical conclusion, however, is that so long as the goods or services as described in the application are legal, registration will not be denied on the basis of the lawful use doctrine, even if other aspects of the applicant’s business are illegal.

Thus, the rise of “trademark laundering.” Cannabis companies realized that if they wanted some degree of federal trademark protection, they could seek to register their marks for use in connection with legal goods and services (t-shirts, for example, or wellness consulting) rather than in connection with marijuana. They would then use those marks in connection with the goods and services described in the trademark application, as well as on marijuana and marijuana-related products. While they would not gain the benefits of registration in connection with the sale of marijuana, there would be nationwide notice of the use of the mark in connection with other goods, helping them build a brand identity and providing a form of spillover rights. All companies are permitted to, and regularly do, use their registered marks on goods not identified in their trademark applications, and in this way expand the scope of their trademark rights over time. And the likelihood of confusion test accounts for this fact. In other words, it is quite possible that if a company sells t-shirts, vape pens, and rolling papers with its mark attached, consumers would be confused if another company started using the same mark in connection with marijuana or marijuana products. As we survey below, this strategy worked, at least on the surface: cannabis companies have in fact been able to obtain federal trademark registration on a regular basis.

Note that federal marijuana prohibition and trademark’s lawful use doctrine change the calculation for cannabis businesses considering whether the benefits of federal trademark registration outweigh the costs. When a cannabis business obtains a federally registered mark, it is of more limited value, as it applies only to the legal goods or services identified in the application and not to marijuana (which in many instances is a company’s primary

86. To be clear, although the word “laundering” generally implies some wrongdoing, in our view trademark laundering is neither illegal nor unethical. Rather, it is a clever (if perhaps too clever?) way to sidestep the lawful use doctrine while being candid with the PTO.
87. See infra Part I.B.1.
It also comes with some additional risk that other, fully licit businesses do not have to contend with. A cannabis business seeking federal registration is making it obvious, in many instances, that it is engaged in the commission of a federal crime. This is because trademark applicants must state that they are using, or intend to use, their marks in interstate commerce, and for the majority of cannabis applicants it is obvious from publicly available sources that they are engaged in the sale of marijuana. This exposes both the cannabis business and the lawyer who represents that business to some level of legal risk—both are acknowledging that they are engaged in or facilitating ongoing federal crimes.

Notwithstanding this different calculation—less benefit, more risk—many cannabis businesses have pursued the trademark-laundering strategy aggressively and creatively. In Part I.B, we describe how they have gone about doing that. Then, in Part II, we explain why the balance between the costs and benefits of federal trademark registration has turned out to be different in practice than it seemed to be in theory.

B. Trademark Laundering in Practice

When we first examined this issue several years ago, only a few marijuana companies were engaging in trademark laundering. We predicted that the practice would become widespread, and we were right: trademark laundering has become standard practice in the

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88. See Kamin & Moffat, supra note 18, at 244.
89. Id. at 236.
90. Id. at 245-46.
91. As we discussed in our previous article, it is unclear whether the phrase "interstate commerce" means the same thing for purposes of the CSA and the Lanham Act:
The Lanham Act, like the Controlled Substances Act, was enacted pursuant to Congress's Commerce Power, but it is not clear whether Congress legislated to its full authority under the Constitution or if the phrase "use in commerce" is meant to have different meanings in different circumstances. That is, there may be conduct that falls under the meaning of commerce for CSA purposes—growing marijuana for personal consumption, say—but that is clearly insufficient to qualify as commerce under Lanham Act.
Id. at 246-47 (footnotes omitted).
92. Id. at 236-37.
93. Id. at 250-56.
industry. What we did not predict is how aggressive and creative the cannabis industry has been in marketing and branding, and in their efforts to gain legal protection for their brands. Now, cannabis firms regularly seek to register trademarks for a wide variety of ancillary—that is, legal—goods and services, while using those same marks in connection with the sale of marijuana itself. In this Section, we first explain how cannabis firms have successfully navigated the trademark registration process and then describe how lawyers have assisted in this pursuit of the trademark-laundering strategy.

While a number of commentators have discussed intellectual property protection in general, and trademark protection in particular, for cannabis firms, no one (so far as we can determine) has looked at how the PTO is actually handling trademark applications from cannabis companies. Examining the application process and the resulting registrations reveals that even though cannabis firms have, in fact, been able to acquire some trademark rights, those rights are substantially limited—more so than one would expect based simply on the lawful use requirement—in ways that are deeply problematic for consumers.

95. In fact, that practice has extended beyond ancillary goods and services such as clothing and rolling papers. Cannabis firms have moved aggressively to market and brand CBD and industrial hemp products and have accordingly extended their trademark registration efforts. Prior to the passage of the 2018 Farm Bill, nearly all parts of the plant cannabis sativa L. were Schedule I drugs. See John Hudak, The Farm Bill, Hemp Legalization and the Status of CBD: An Explainer, BROOKINGS (Dec. 14, 2018), https://www.brookings.edu/blog/fixed/2018/12/14/the-farm-bill-hemp-and-cbd-explainer/ (perma.cc/G9KK-NSX2). The Farm Bill exempted from the CSA those cannabis plants with less than 0.3 percent THC by weight. Id. For the first time, cannabis plants grown for their fibers or oils—so-called industrial hemp—ceased to be prohibited substances. See id. However, the Department of Agriculture and the states regulate industrial hemp production while the Food and Drug Administration regulates the use of hemp distillates such as CBD in products intended for human consumption. Id. Thus, while hemp and CBD are not prohibited substances, they remain subject to significant regulation. Id. Even prior to the loosening of the restrictions on CBD, many cannabis companies pursued trademark protection for the use of their marks in connection with cannabis, and the PTO regularly granted those registrations, notwithstanding CBD’s status with respect to the CSA. See Schuster & Wroldsen, supra note 16, at 146, 151-54 (noting the “curious fact that the USPTO continues to register CBD-related marks” and proposing essentially a trademark-laundering strategy for those companies).
96. See supra note 28.
1. How Cannabis Companies Have Obtained Trademark Registrations, Notwithstanding the Federal Prohibition and the Lawful Use Doctrine

We have done a survey of federal trademark applications by cannabis companies that sell marijuana—that is, applications by firms that sell a product that is illegal under federal law but legal in the state or states in which they operate, and we found a consistent set of practices by these companies and a consistent response from the PTO.\footnote{Viva R. Moffat, Sam Kamin & Tim Maffett, Appendix: Cannabis, Consumers, and the Trademark Laundering Trap [hereinafter Appendix], https://wmlawreview.org/appendix-cannabis-consumers-and-trademark-laundering-trap [https://perma.cc/8JJS-X79H]. The Appendix includes information on over sixty trademark applications filed by twenty cannabis firms from five different states; we catalogued the following: name of the company, name of the lawyer and law firm representing the company, every trademark application for each class of goods, registration status, and whether a disclaimer was required.} After a few unsuccessful efforts,\footnote{See Kamin & Moffat, supra note 18, at 244-45.} cannabis businesses no longer attempt to acquire federal trademark protection for use of their marks in connection with marijuana itself,\footnote{Early on, some businesses sought protection for marks in connection with marijuana itself, but those applications were rejected on the basis of the lawful use doctrine and cannabis companies stopped submitting those types of applications. In other applications, the cannabis entity did not sufficiently limit its application to fully legal goods and services. See supra Part I.A.} so almost by definition, any marijuana company that submits an application to the PTO is engaging in trademark laundering. These companies apply for trademark protection in connection with a legal product or service and then use the very same mark on the illegal drug.\footnote{See Schuster & Wooldsen, supra note 16, at 165.} Nearly all of them submit applications for more than one class of goods or services, and many of them submit multiple applications, seeking registration for use of their mark in connection with everything from clothing to consulting and wellness services to smokers’ articles—everything, that is, but marijuana.

An example is illustrative: Green Brands is a Colorado LLC that does business as “LivWell” or “LivWell Enlightened Health.”\footnote{See About LivWell, LivWELL ENLIGHTENED HEALTH, https://livwell.com/about [https://perma.cc/69DK-F4P8].} There are twenty-one retail stores in Colorado and a new store under construction in Michigan, all operating under the LivWell
LivWell has been selling marijuana in Colorado since 2009, and marijuana presumably constitutes the overwhelming majority of its revenue. Under Colorado law, every facility growing, selling, manufacturing, or transporting marijuana must be licensed by the Department of Revenue’s Marijuana Enforcement Division (MED), and these licenses are transferrable under terms set by statute and the MED. Thus, Green Brands, through its related entities, holds various licenses for different activities at different locations, some of which were issued to Green Brands and some of which it acquired from others. A number of companies, including one called LivWell Holdings, one called Beyond Broadway, and several with variations on the name Kiwi are among the entities that own the state licenses to sell medical and recreational marijuana. These corporate form and licensing arrangements are largely invisible to consumers who simply see the LivWell brand in connection with the production and sale of marijuana (and other items).

Green Brands has not, however, filed trademark applications for use of the LivWell name in connection with the sale of marijuana. Instead, Green Brands engages in trademark laundering: it has filed (at least) seven trademark applications, four for use of its logo on clothing and three for use in connection with e-cigarettes, vaping devices, and other “smokers’ articles.” The PTO granted all of

102. See id. We do not have access to the company’s financial statements, but it is logical to conclude that LivWell and most other cannabis companies derive the vast majority of their income from the sale of marijuana.

103. See id. We do not have access to the company’s financial statements, but it is logical to conclude that LivWell and most other cannabis companies derive the vast majority of their income from the sale of marijuana.

104. See COLO. CODE REGS. § 212-3:1-105 (2021) (“Except as authorized by the Colorado Constitution, article XVIII, sections 14 or 16, the Colorado Marijuana Code, or section 25-1.5-106.5, C.R.S., no person shall possess, cultivate, dispense, [t]ransfer, transport, offer to sell, manufacture, or test Regulated Marijuana unless said person is duly licensed by the State Licensing Authority and approved by the relevant Local Jurisdiction(s) and/or licensed by the relevant Local Licensing Authority(ies).”).

105. See generally COLO. CODE REGS. § 212-3:2-245 (2021) (describing the ways in which ownership of a marijuana license may be transferred under Colorado law).

106. This search was conducted using the Colorado Secretary of State’s website and the Colorado Department of Revenue’s search function. See MED Facility Search, COLO. DEPT. REVENUE, https://www.colorado.gov/MEDLicenseVerification/Search.aspx?facility=Y [https://perma.cc/2QQ5-9YXT].

107. See Appendix, supra note 97.
these trademark applications, and they are now registered trademarks of the Green Brands corporation.\textsuperscript{108} To be clear, the company does indeed use the name LivWell to sell t-shirts, vape pens and so on, but it is principally a marijuana business and uses the name LivWell in connection with its sale of marijuana.\textsuperscript{109} This is precisely the kind of trademark laundering we saw emerging five years ago and predicted would continue and expand.

LivWell is not an outlier; many, many other companies that sell marijuana do exactly the same thing. In the Appendix, we include information on over sixty trademark applications filed by twenty cannabis businesses, all of them seeking to register marks for use in connection with legal goods and services.\textsuperscript{110} All of them also use these very same trademarks in connection with their sale of marijuana or drug paraphernalia. For example, Medicine Man filed applications for use of its mark in connection with coffee mugs, beanies, and smokers' articles.\textsuperscript{111} Native Roots' application was for use in connection with “apparel for promotional purposes only” and “retail and online services featuring ‘legal’ CBD.”\textsuperscript{112} Simply Pure uses its mark to “provide information and news relating to cannabis.”\textsuperscript{113} All of these companies are marijuana businesses that, although they use the marks in the ways described in their trademark applications, principally use those registered trademarks in connection with the sale of marijuana and marijuana-related products.\textsuperscript{114}

\textsuperscript{108} Id.
\textsuperscript{109} Id.
\textsuperscript{110} See Appendix, supra note 97.
\textsuperscript{111} Id.
\textsuperscript{112} Id.
\textsuperscript{113} Id.
Not surprisingly, perhaps, cannabis businesses act much like other companies when they seek to protect their brands. We focus here on federal trademark registration, but they also invest in advertising and marketing (as permitted by state law), work on developing the goodwill in their companies, send cease-and-desist letters to competitors they believe are infringing their marks, and so on. The goal of this brand cultivation is to develop goodwill, consumer recognition, and identification of the brand. Like any other company, marijuana businesses strive to market their products and to build positive consumer associations.

This brand development also serves consumers; if the trademark system functions as intended, consumers will know what to expect when they purchase LivWell products, for example. While these companies might behave very much like others—in trademarking and building their brands—an important difference persists: marijuana products, which remain the primary business of these companies, do not enjoy federal trademark protection.

So long as marijuana remains illegal at the federal level—and so long as the PTO continues to apply the lawful use doctrine to deny trademark protection to prohibited substances—this gap in protection will continue to exist. But there is an added wrinkle that we did not anticipate when we discussed this issue previously, and it has seemingly gone unnoticed by commentators and those in the cannabis industry. This new wrinkle is the fact that even as the

[https://perma.cc/2UC2-9MFZ].
115. See Kamin & Moffat, supra note 18, at 282-83.
116. See id. at 243.
117. See supra Part I.A.
118. Although the PTO regularly grants trademark protection for cannabis companies knowing that they sell marijuana and, presumably, that the companies are using the registered mark in connection with marijuana as well as the legal products for which the mark is registered, there are some statements from the TTAB that should serve as notes of caution. For example, in a recent opinion, the TTAB rejected an argument that the applicant’s intent to use the mark in connection with marijuana did not violate the lawful use doctrine because marijuana might become lawful in the future. In re Joy Tea Inc., 2021 WL 4129794, at *5 (T.T.A.B. Sept. 1, 2021). In that opinion, the TTAB stated that “it has been consistently held that the use of a mark in commerce must be lawful, and that any goods for which the mark is used must not be illegal under federal law.” Id. at *2 (emphasis added). If this language is taken literally, it would seem to indicate that the TTAB, and perhaps the PTO more broadly, seeks to prohibit the use of registered marks on illegal goods. This is arguably beyond the scope of the PTO’s authority, but it does cast some confusion on the process and add even more uncertainty for those attempting to navigate the process.
PTO regularly grants trademark applications from cannabis firms, it often requires registrants to explicitly disclaim trademark rights in connection with illegal goods or services. For example, a cannabis company seeking a trademark for use in connection with smokers’ articles may be required to include a statement that it does not seek trademark registration for use of the mark in connection with marijuana. These disclaimers have, in turn, been interpreted by courts in ways that substantially and unnecessarily limit the company's trademark rights and in ways that ignore consumer behavior and understanding. We describe and explain the disclaimers here and, in the next Part, demonstrate why they have turned out to be so problematic.

To take LivWell as an example again: in addition to seeking registration for use of the LivWell mark in connection with clothing, Green Brands also sought registration for use of the mark in connection with items like “smokers’ articles,” vaporizers, and cigarette tubes. In considering this application, the PTO issued an office action preliminarily refusing registration on the ground that the “applied-for mark is not in lawful use in commerce.” The examining attorney concluded that the application sought protection for “drug paraphernalia” used in connection with a controlled substance—marijuana.

119. The Trademark Manual of Examining Procedure does not explicitly require these statements, but it does provide that “examining attorneys may require additional information about the goods or services and inquire about compliance with federal laws to support a refusal or otherwise facilitate proper examination.” TRADEMARK MANUAL OF EXAMINING PROCEDURE, supra note 74, § 907. It is this written colloquy that results in the disclaimers that we discuss here.

120. See id.


123. Id. Drug paraphernalia is prohibited by federal law and is defined as:
[A]ny equipment, product, or material of any kind which is primarily intended or designed for use in manufacturing, compounding, converting, concealing, producing, processing, preparing, injecting, ingesting, inhaling, or otherwise introducing into the human body a controlled substance, possession of which is unlawful under this subchapter. It includes items primarily intended or designed for use in ingesting, inhaling, or otherwise introducing marijuana, cocaine, hashish, hashish oil, PCP, methamphetamine, or amphetamines into the human body.

The trademark examiner's response to an earlier application for the same mark included a number of questions for Green Brands. One was “[d]o applicant’s identified goods include or contain marijuana ... or any other illegal controlled substances?” and another asked whether the identified goods are “intended for use with marijuana?” Green Brands responded carefully, and truthfully, to these questions, stating that the goods “covered in the application do not contain marijuana” and that they “are not specifically intended for use with marijuana.” Note that the trademark examiner asked about the “identified goods” and that Green Brands responded to that question truthfully. It did not respond by saying “we do not sell marijuana,” which would be false. Green Brands also responded that it—Green Brands LLC—“is not licensed to sell or distribute marijuana, marijuana-based preparations, or marijuana extracts or derivatives, synthetic marijuana, or any other illegal controlled substances.” This statement is also truthful; Green Brands is not the entity that sells marijuana, and it does not hold any licenses for the sale of medical and recreational marijuana in Colorado—in other words, it would be illegal for Green Brands to sell marijuana in Colorado. But it would have been manifestly clear to the examining attorney that the “LivWelf” mark, although registered for use in connection with clothing and smokers’ articles and the like, was being used primarily in connection with the sale of marijuana. In fact, this clearly was apparent to the examiner because the registration was originally refused on the ground that it was sought in connection with the sale of illegal goods. Notwithstanding this, and in response to
Green Brands’ disclaimers, the PTO reversed its original decision and issued a certificate of registration for the mark on December 11, 2018.132

The successful trademark-laundering strategy thus involves the strategic use of corporate structure and careful drafting of trademark registration documents.133 Green Brands, and its lawyers, were able to respond to the trademark examiner’s questions truthfully.134 As of this writing, Green Brands has acquired as much federal trademark protection as it can, given that marijuana remains a Schedule I drug, prohibited by the CSA.135

Green Brands is far from the only company to pursue this strategy and to use disclaimers to satisfy the PTO that the mark is not being registered for use on federally illegal goods; in fact, this appears to be a very common, if not nearly universal, approach. For example, Nuka Enterprises, which owns the popular 1906 brand, included this typical language in its application: “The goods or services identified in the application comply with both the Controlled Substances Act (CSA), 21 U.S.C. §§ 801-971 and Federal Food, Drug, and Cosmetic Act (FDCA), 21 U.S.C §§ 321-399i.”136

Nuka Enterprises does not disclaim the sale of marijuana; it merely indicates that it is seeking registration for use of its mark on goods that do not violate the CSA or the FDCA.137

Another typical disclaimer involves responses by the applicant to the examiner’s request for additional information, as in LivWell’s case. For example, Kiva Brands, a company that, according to its website, sells the “World’s Finest Cannabis Edibles,”138 filed a trademark application for use of the mark “KIVA” in connection with a

132. LIVWELL ENLIGHTENED HEALTH, Registration No. 5,628,259.
133. With this kind of corporate structure, standing doctrines may pose an obstacle to a company’s trademark infringement claims. In the patent context, standing arguments have been raised by defendants when the named plaintiff is simply an IP holding company. See Dennis Crouch, The Right to Sue for Infringement Is No Longer a Standing Question, PATENTLY-O (June 15, 2021), https://patentlyo.com/patent/2021/06/infringement-standing-question.html [https://perma.cc/T32J-J6CN] (discussing a case in which the judge dismissed the suit for lack of standing when the IP-holding company was the plaintiff).
134. See supra notes 126-29 and accompanying text.
135. See Appendix, supra note 97.
137. See id.
“website featuring health, wellness, and nutritional information, news, and commentary all in the field of herbal remedies, medical benefits of cannabis, medical cannabis strains, therapeutic uses and indications, and effects of medical cannabis.” The examiner’s request for additional information included the following question: “Do applicant’s identified services involve the sale, provision, and/or possession of marijuana, marijuana-based preparations, marijuana extracts or derivatives, or any other illegal controlled substance?”

Kiva truthfully replied, “No.”

Some companies have adopted a more proactive approach. Curaleaf, a Massachusetts company that sells medical and recreational marijuana in multiple states, filed a trademark application and included a disclaimer in its initial application—that is, before the PTO requested any clarification. Curaleaf identified the services for which it sought protection as “[r]etail and online store services featuring smoker’s articles, namely, smoking pipes and oral smokeless vaporizers, tobacco storage boxes, tobacco grinders, none of the foregoing intended for use with cannabis.”

In each of these cases, the trademark applicant sells marijuana. In each of these cases, the trademark examiner is aware that the applicant sells marijuana. In each of these cases, the applicant is truthful with the PTO with regard to the goods and services for which it seeks federal trademark registration. And in each of these cases, the federal trademark was granted, subject to the applicant’s disclaimers.

But, as we shall see, in each of these cases the applicant has made statements on the record, under penalty of perjury, that may come back to haunt them.

Trademark laundering has been a success in some ways. First, marijuana businesses have, in fact, been able to secure valid trademarks for their legal goods and services, including for things such as vaping devices, rolling papers, and other items very closely

139. Statement of Use (Mar. 19, 2019), KIVA, Registration No. 5,758,114.
140. Response to Office Action (Nov. 10, 2017), KIVA, Registration No. 5,758,114.
141. Id.
144. Id. (emphasis added).
145. See supra notes 126-44 and accompanying text.
146. See supra notes 126-44 and accompanying text.
related to marijuana.¹⁴⁷ As described above, cannabis companies have aggressively sought to acquire as much trademark (and, more generally, brand) protection as they can, registering many marks with the PTO, and these companies have in fact been able to secure federal trademark protection relatively easily.¹⁴⁸ This has all happened with the help of lawyers. And, as we describe in the next Subsection, the ability of cannabis companies and their lawyers to successfully navigate—and avoid—the potential legal and ethical pitfalls of trademark laundering has been crucial to the success of this approach.

2. How Lawyers Have Helped in the Pursuit of Trademark Laundering

While we expected marijuana firms to pursue all possible paths to trademark protection, we also expected them to have difficulty finding lawyers willing to assist them with the process.¹⁴⁹ As we reported in our previous article, marijuana’s continuing federal prohibition presents both legal and ethical quandaries for lawyers.¹⁵⁰ Federal law prohibits not just producing and distributing marijuana products, but also conspiring with another to commit a crime “against the United States”¹⁵¹ and aiding, abetting, commanding, or inducing another to commit an offense “against the United

¹⁴⁷. See Appendix, supra note 97.
¹⁴⁸. Ten years ago, or even five years ago, it was not at all obvious that this would be the case.
¹⁴⁹. See Kamin & Moffat, supra note 18, at 248. One does not need an attorney to file a trademark application. Do I Need an Attorney?, USPTO, https://www.uspto.gov/trademarks/basics/do-i-need-attorney [https://perma.cc/JYZ7-PL83] (only foreign-domiciled applicants are required to have an attorney represent them). But many companies engage lawyers to assist with the process. See Kamin & Moffat, supra note 18, at 238-39.
¹⁵⁰. Kamin & Moffat, supra note 18, at 248 (“[M]any lawyers will at least hesitate before taking on marijuana clients, and some will decline such representation altogether. Even if they are willing to represent clients in some matters, lawyers licensed to practice in federal court may be particularly unwilling to help clients with federal issues such as the registration and enforcement of trademarks.”).
¹⁵¹. 18 U.S.C. § 371 (“If two or more persons conspire either to commit any offense against the United States, or to defraud the United States, or any agency thereof in any manner or for any purpose, and one or more of such persons do any act to effect the object of the conspiracy, each shall be fined under this title or imprisoned not more than five years, or both.”).
States." Thus, not only those in violation of the CSA but also those who help them or join in their violations are punishable under federal law. At least theoretically, this could apply to lawyers, accountants, and others who work with those in the state-regulated marijuana industry.

The likelihood of a prosecution under these theories, however, remains remote. Over the last ten years, no marijuana business in clear compliance with robust state regulations has been prosecuted under the CSA, even during the presidency of Donald Trump, whose first Attorney General, Jeff Sessions, was an avowed opponent of state marijuana law reform. The likelihood that the federal government, particularly under a more sympathetic Democratic president, would prosecute not only state-compliant marijuana businesses, but also those providing legitimate services to them, seems even more remote.

152. 18 U.S.C. § 2(a) ("Whoever commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal.").

153. In addition, lawyers and other professionals who work with marijuana enterprises open themselves to both the criminal and civil provisions of the Racketeer Influenced and Corrupt Organizations Act (RICO). Id. §§ 1961-1964. Although no affiliated professionals have been criminally charged under this Act, some professionals who provided services to marijuana businesses have been named in civil RICO actions. See, e.g., Ricardo Baca, Anti-Pot Racketeering Suit Settles, Opens Door for Future RICO Claims, DENVER POST (Oct. 2, 2016, 3:22 PM), https://www.denverpost.com/2015/12/30/anti-pot-racketeering-suit-settles-opens-door-for-future-rico-claims/ [https:l/perma.cc/WMY3-SYCD] (describing a RICO claim brought against not just a marijuana business but also its bank, insurer, and accountant).

154. Christopher Ingraham, Trump's Pick for Attorney General: 'Good People Don't Smoke Marijuana', WASH. POST (Nov. 18, 2016), https://www.washingtonpost.com/news/wonk/wp/2016/11/18/trumps-pick-for-attorney-general-good-people-dont-smoke-marijuana/ [https://perma.cc/BX3S-B25V]. Although marijuana production and sale are illegal throughout the country, the Department of Justice has not made enforcing federal criminal laws a priority against those in compliance with state marijuana regulations. See Sam Kamin, Cooperative Federalism and State Marijuana Regulation, 85 U. COLO. L. REV. 1105, 1108-12 (2014). In a series of memoranda issued under the Obama administration, the Justice Department set forth criteria to assist United States Attorneys around the country in deciding whether to pursue such cases. Id.

155. In addition, a spending rider, in place continually since 2015, prohibits the Justice Department from using funds allocated to it to interfere with state efforts to legalize medical marijuana. JOANNA R. LAMPS, CONG. RESCH. SERV., LSB10655, DOES THE PRESIDENT HAVE THE POWER TO LEGALIZE MARIJUANA 4 (2021). This rider has been interpreted by federal courts as prohibiting the prosecution of those in compliance with state medical marijuana provisions. United States v. McIntosh, 833 F.3d 1163 (9th Cir. 2016). By extension, this rider would presumably also protect from prosecution those working with such compliant businesses.
More challenging, however, are a lawyer's ethical obligations. Model Rule of Professional Conduct 1.2(d) states:

A lawyer shall not counsel a client to engage, or assist a client, in conduct that the lawyer knows is criminal or fraudulent, but a lawyer may discuss the legal consequences of any proposed course of conduct with a client and may counsel or assist a client to make a good faith effort to determine the validity, scope, meaning or application of the law. 156

This is arguably a stricter prohibition than the one imposed by criminal law; it forbids a lawyer from assisting a client with conduct that she knows to be criminal. 157 The specific intent to facilitate criminal conduct, likely required for either an accomplice liability or co-conspirator conviction, need not be shown under Rule 1.2(d). 158

A straightforward application of Rule 1.2(d) would thus seem to preclude almost all work by attorneys on behalf of marijuana businesses. 159 Because any competent attorney knows that marijuana-related conduct is prohibited by federal law, if she provides legal services to a marijuana business, then she is assisting that client in conduct she knows to be criminal in clear violation of the rule. 160

However, this literal reading of the rule would defeat the purpose underlying state efforts to reform their marijuana laws: to tax and regulate marijuana like alcohol. 161 If marijuana businesses cannot obtain legal services, it is virtually impossible for them to comply with the complex web of state and local regulations that states have put in place to ensure that marijuana production and sale is done in a manner consistent with both state policy goals and federal

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156. Model Rules of Prof. Conduct r. 1.2(d) (Am. Bar Ass'n 2020).
157. See id.
158. See Sam Kamin & Eli Wald, Marijuana Lawyers: Outlaws or Crusaders?, 91 Or. L. Rev. 869, 886-99 (2013) (discussing the mental states required for accomplice and co-conspirator liability in this context).
159. Attorneys may clearly advise clients about the existence and scope of the federal prohibition; the provision of such information does not constitute “assistance” with criminal conduct. Obviously, however, sophisticated marijuana businesses want more than information. They want trademarks applied for, contracts drafted, and other legal work carried out.
160. See Model Rules of Prof. Conduct r. 1.2(d) (Am. Bar Ass'n 2020).
enforcement guidelines. For that reason, most states that have considered this issue have concluded that Rule 1.2(d) does not apply to attorneys working with state-licensed businesses to help those businesses comply with state and local regulations.\footnote{162. See Dennis A. Rendleman, Ethical Issues in Representing Clients in the Cannabis Business: “One Toke over the Line?,” 26 PRO. LAW., July 2019, https://www.americanbar.org/groups/professional_responsibility/publications/professional_lawyer/26/1/ethical-issues-representing-clients-the-cannabis-business-one-toke-over-line/ [https://perma.cc/25CC-ENHA] (surveying state ethics opinions and concluding that most state ethics panels have either permitted marijuana business representation under Rule 1.2(d) or else amended the rule to expressly permit lawyers to assist marijuana businesses in complying with state law).}

It is important to note, however, that the matter is considerably more complicated in the federal courts than in the states. Because the federal courts need not concern themselves with matters of state policy, they are less likely to read Rule 1.2(d) to permit the representation of marijuana businesses.\footnote{163. Id.} In fact, the District of Colorado, the one federal court to weigh in on the matter, has rejected a statement of the Colorado Supreme Court creating a safe harbor for lawyers helping marijuana firms comply with state law.\footnote{164. Compare COLO. RULES OF PRO. CONDUCT r. 1.2(d) cmt. 14 (“A lawyer may counsel a client regarding the validity, scope, and meaning of Colorado constitution article XVIII, secs. 14 & 16, and may assist a client in conduct that the lawyer reasonably believes is permitted by these constitutional provisions and the statutes, regulations, orders, and other state or local provisions implementing them. In these circumstances, the lawyer shall also advise the client regarding related federal law and policy.”), with D. COLO. LOC. ATT’Y RULES r.2(b)(2) (adopting the Colorado Rules of Professional Conduct but explicitly excluding Comment 14).} Although it adopted the rest of the state’s ethics rules wholesale, the district court made a point of refusing to ratify the comment from the state supreme court permitting representation of compliant businesses.\footnote{165. See D. COLO. LOC. ATT’Y RULES r.2(b)(2).} Thus, such practice is, at best, ethically ambiguous in the federal courts in Colorado and, presumably, elsewhere in the federal system.

In light of this uncertainty regarding federal practice on behalf of marijuana companies, we predicted that many lawyers would shy away from representing marijuana businesses before the PTO.\footnote{166. Kamin & Moffat, supra note 18, at 247-50.} In some ways, we were correct; some lawyers and law firms have refrained from servicing the marijuana industry—in particular, with regard to legal issues that require representation in federal
proceedings, including their intellectual property needs.\textsuperscript{167} Remarkably though, entities that we did not expect to enter the fold have in fact done so in substantial numbers.\textsuperscript{168} Both “Big Law” and cannabis boutiques alike now regularly “launder” trademarks for their marijuana clients.\textsuperscript{169} Large firms are both registering trademarks for their marijuana clients and representing them in federal court.\textsuperscript{170} Of the twenty marijuana businesses that we reviewed, six had large firms (consisting of more than three hundred attorneys) file their federal trademark applications for them.\textsuperscript{171} And, while there has been relatively little marijuana trademark litigation in federal court, the two principal cases that we discuss in the next Part, \textit{Woodstock} and \textit{BBK}, involve controversies in which the cannabis entities were represented by large national law firms.\textsuperscript{172}

Thus far, we have addressed only the ethics of representing marijuana businesses generally. But practice before the PTO and especially the practice of trademark laundering raise additional ethical questions. As we define it, trademark laundering involves a business that sells marijuana seeking registration of a trademark for use on non-marijuana products—such as clothing or “smokers' items”—and then using that same mark on marijuana products themselves.\textsuperscript{173} Above we discussed the specific ways that cannabis companies have navigated the trademark registration system to obtain some measure of protection.\textsuperscript{174} This includes a strategic use of the corporate form—one entity sells marijuana; another entity applies for trademark protection—and careful drafting, making

\textsuperscript{167}. One lawyer we spoke with told us that his firm will represent marijuana clients only in state court; if the matter is removed to federal court, the firm withdraws from the representation. The lawyer believed that opposing counsel have at times used the removal procedure strategically in order to get the firm off the case. Conversation with Denver Attorney, November 1, 2019.

\textsuperscript{168}. See Appendix, supra note 97.

\textsuperscript{169}. See \emph{id}. As used in this article, “Big Law” refers to firms with over three hundred attorneys.

\textsuperscript{170}. See \emph{id}. The firms involved in federal court litigation include Duane Morris LLP, Hunton Andrews Kurth LLP, and Fenwick & West. \emph{Id}.

\textsuperscript{171}. \emph{See id}.

\textsuperscript{172}. \emph{See infra} Part II.

\textsuperscript{173}. \emph{See supra} Part I.A.

\textsuperscript{174}. \emph{See supra} Part I.B.1.
clear that the protection sought does not extend to marijuana or other illegal goods and services.175

We argue that lawyers do not violate their duty of candor to the PTO when they engage in such trademark laundering. Section 11.303 of the PTO Rules of Professional Conduct states that a practitioner shall not knowingly make a false statement of fact to the PTO.176 At first glance, the trademark laundering approach certainly seems to implicate this rule; after all, the attorney is registering a trademark on ancillary goods when she knows full well that the company will also use the mark on federally illegal marijuana products.177 Yet, we found that the disclosures made by lawyers assisting their clients to engage in trademark laundering are forthright and truthful (so far as we can determine).178 Attorneys seeking trademarks on behalf of marijuana businesses do not deny to the PTO that their client is a marijuana business; some even volunteer that information.179 And nowhere in the applications do the cannabis companies seek registration for use of the mark in connection with marijuana goods. Rather, they simply refrain from asking for federal registration for that portion of the business—they ask for trademark protection only for legal goods and services such as clothing or consulting.180 This candor is not undone by the fact that the marijuana business will then use the mark it has obtained—and that it has disclaimed for marijuana products—on marijuana products. It is neither illegal nor unethical to use a mark granted for one product on another.181 What has been disclaimed, at most, is any attempt to seek federal trademark registration for marijuana and marijuana-related products, not the use of the mark in connection with marijuana products.182 Indeed, many of the

175. See supra Part I.B.1.
177. See Kamin & Moffat, supra note 18, at 250-56.
178. See Appendix, supra note 97. For more examples, applicants can be found in the Appendix and then searched on the PTO Trademark Search Database. Id.
180. See supra Part I.B.1.
181. Recall that a company need not register a mark at all either to use it in interstate commerce or to bring a federal trademark infringement claim based on that mark. See supra Part I.A.
182. See supra Part I.A.
disclaimers are simple statements like “the goods identified in this application are lawful.”

Furthermore, the PTO either knows or should know, at least in all of the instances we have encountered, that the cannabis companies seeking trademark protection sell marijuana and use their marks in connection with the sale of marijuana. In fact, it is this knowledge that leads the PTO to require some applicants—those in the business of selling marijuana and related goods—to make disclaimers while other businesses are not required to do so. But in determining the entitlement to a trademark registration, the PTO rightly focuses on the products for which registration is sought and determines whether those goods, not the registrant’s business as a whole, comply with federal law.

Thus, the duty of candor is satisfied by the truthful representations attorneys make before the PTO: they do not deny that their clients are in the marijuana business, they do not seek to register trademarks on the sale of marijuana products, and, when asked to do so, they disclaim any intention to register a trademark for the sale of marijuana products. So far as can be determined, the PTO has never sanctioned an attorney for involvement in the trademark-laundering process. And given the PTO’s awareness of the trademark-laundering strategy together with the specific details of the application and the limited scope of protection offered, we believe it would be unfair to hold lawyers in violation of the PTO’s rule of professional conduct regarding candor towards the tribunal.

183. See supra Part I.B.1.  
185. See supra Part I.B.1.  
186. See supra Part I.B.1.  
187. See supra Part I.B.1; see also 37 C.F.R. § 11.303. For similar reasons, we do not believe that an attorney assisting a client in trademark laundering violates section 11.303(d): “In an ex parte proceeding, a practitioner shall inform the tribunal of all material facts known to the practitioner that will enable the tribunal to make an informed decision, whether or not the facts are adverse.” Although a trademark registration is an ex parte proceeding, the attorney has not failed to disclose a material fact; the fact that the mark is being used in connection with marijuana sales is neither unknown to the tribunal nor material to whether the mark can be registered with respect to the sale of legal items such as shirts and hats. See Appendix, supra note 97.  
More than we expected, cannabis companies have been willing to disclose their federally illegal activities to the PTO and have nonetheless been granted registrations for their marks.\textsuperscript{189} To this extent, one would have to call trademark laundering a success. Moreover, lawyers, including those from large national firms and those with regular federal court practices, have been willing to represent cannabis firms and to navigate the potential ethical pitfalls we feared would deter them.\textsuperscript{190} But, as we describe more fully below, the existence of the disclaimers in so many trademark applications, along with the ways they have been interpreted by courts and wielded by competitors, undercuts that success and puts the entire trademark-laundering strategy in jeopardy. The disclaimers create a set of traps for the unwary—cannabis companies, consumers, and attorneys.

II. THE TRADEMARK LAUNDERING TRAPS

The apparent success of the trademark-laundering strategy obscures significant concerns. The way that the PTO and the courts have interpreted and applied the lawful use doctrine has led to a situation in which there may be more downside than upside to federal registration for marijuana firms. What is more, the current downsides of trademark registration are likely to become more problematic, presenting significant hurdles to marijuana companies as the United States inches closer to federal legalization. We explain in this Part why the current situation presents more problems than we anticipated and what it implies for the future—for cannabis companies, for their lawyers, and for consumers.

A. For Cannabis Companies and Cannabis Consumers, Registration Is a Trap

The fact that the PTO requires disclaimers from (some) marijuana companies, and the way in which courts have interpreted and applied those disclaimers, means that marijuana companies are

\textsuperscript{189} See Appendix, supra note 97.

\textsuperscript{190} See id.
getting much less benefit than they might have expected from their federal trademark registrations. Indeed, in some circumstances, it would have been better for the companies not to have sought trademark protection at all. Perhaps more significantly, consumers are made worse off as well. The PTO’s handling of these marks is creating, rather than preventing, consumer confusion, and encouraging, rather than punishing, deception and unfair competition.

A recent district court opinion provides a good illustration of this dynamic. In this Section, we discuss the case and its implications. We then explain why the implications are so problematic by using a counterfactual hypothetical, and we close with some suggestions that we believe would address these concerns.

1. The WOODSTOCK Dispute as an Illustrative Example

Woodstock Ventures LC v. Woodstock Roots, LLC involves competing trademark claims between marijuana businesses. The plaintiffs, Woodstock Ventures, are, you might say, the original Woodstock—they have registered the mark “WOODSTOCK” for use in connection with music festivals. “Ventures” (as we will refer to them here) asserted that the sale of recreational marijuana was within their “natural zone of expansion,” effectively providing them with rights to the mark in connection with the sale of marijuana. The defendants, Woodstock Roots (collectively, “Roots”), claimed that they had used the same mark—WOODSTOCK—in connection with a radio station for more than thirty-five years.

Roots acquired a federal trademark registration for use of the WOODSTOCK mark in connection with “smokers’ articles and related goods and services” in 2018. In doing so, Roots appears to have engaged in what has become the standard trademark laundering practice. Their trademark application sought protection for
the mark in connection with smokers' articles, and the PTO sought
clarification, asking for a disclaimer with respect to use of the mark
in connection with marijuana. 198 Roots responded in the way now
typical for cannabis companies seeking federal registration of
marks: carefully and truthfully (at least in a narrow way). 199 Roots
stated in their office action response that "the identified goods do
not contain marijuana ... nor any other illegal controlled sub-
stance." 200 Roots also clarified that "[a]pplicant's goods are lawful
pursuant to the Controlled Substances Act." 201 Note that both of
these statements reference "the identified goods"—smokers' articles
and related items—which are not illegal, so Roots did not misrepre-
sent itself to the PTO.

Ventures sued Roots for trademark infringement in 2018. 202
Ventures had by that point decided to expand into marijuana (and
other forms of cannabis) sales. 203 Ventures claimed that, for
trademark purposes, recreational marijuana fell within the "natu-
ral zone of expansion" of their entertainment business. 204 Roots
counterclaimed with its own trademark infringement suit. 205 Roots
asserted senior user rights in the WOODSTOCK mark as applied to
smokers' articles and claimed that consumers were likely to be
confused by Ventures' use of the mark in connection with the sale
of marijuana. 206 That is, Roots contended that because they had
been using the mark on their vape pens and other smokers' articles,
consumers might think that marijuana sold with the same name
came from Roots rather than from another company. 207 This is a
classic likelihood of confusion argument.

Ventures alleged that Roots did so. Id. 198. Office Action (Jan. 22,
2014), U.S. Trademark Application Serial No. 86/082,199 (filed
Oct. 3, 2013) ("[A]pplicant must submit a written statement indicating whether the goods
identified in the application comply with the Controlled Substances Act."). 199. See supra Part I.B.1. 200. Response to Office Action (July 18,
201. Id. 202. See Woodstock, 387 F. Supp. 3d at 310. 203. See id. 204. Id. 205. Id. 206. See id. 207. See id. at 310-11.
Roots, which held the federally registered trademark, sought a preliminary injunction against Ventures’ use of the mark in connection with marijuana products. The court declined to decide which party had prior use of the WOODSTOCK mark because it held that Roots had not “shown a likelihood of confusion between their WOODSTOCK-branded products and [Ventures’] sale of WOODSTOCK-branded recreational marijuana and vaping devices.” In doing so, the court invoked the lawful use doctrine (and the concomitant disclaimers required by the PTO).

The court applied the traditional multi-factor likelihood of confusion test to the Woodstock dispute. With respect to the “proximity of the goods” factor—which is typically quite important in trademark suits in which the products at issue are not identical—the court relied heavily on the fact that Roots had “disavowed the notion that their products are intended for use with recreational marijuana.” The court pointed to Roots’ trademark application and the disclaimer included in Roots’ response to the office action, holding that “even if the parties’ products are marketed through the same or similar trade channels, this fact does not suggest a likelihood of confusion, because [Ventures’] products either constitute or are intended for use with recreational marijuana, while [Roots’] ‘smokers’ articles’ are not intended for use with recreational marijuana.”

That is, rather than looking to the relevant facts regarding the market and consumer understanding, the court simply pointed to the disclaimer in Roots’ application and used that disclaimer against Roots. That would be a problem on its own—the court should have inquired as to whether the goods sold by the parties were sufficiently closely related such that consumers might be

208. Id.
209. Id. at 315.
210. See id. at 315-20. Different courts use a different combination of factors, but a typical approach assesses the following: strength of the mark, proximity of the goods, similarity of the marks, evidence of actual confusion, marketing channels used, type of goods and the degree of care likely to be exercised by the purchaser, the defendant’s intent in selecting the mark, and the likelihood of expansion of the product lines. AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979).
211. Woodstock, 387 F. Supp. 3d at 318.
212. Id.
213. Id.
214. See id. at 319.
confused. But worse than that, the court misconstrued the language and the import of Roots’ disclaimer. 215 Roots did not state that their products were “not intended for use with recreational marijuana.” 216 Roots simply stated that the goods identified in the application were legal and that they “do not contain marijuana.” 217

Moving on to the next factor, “bridging the gap,” which refers to the “senior user’s interest in preserving avenues of expansion and entering into related fields,” 218 the court again held Roots’ disclaimers against the company: “when [Roots] registered their mark for ‘smokers’ articles,’ they represented to the U.S. Patent and Trademark Office that their trademark in ‘smokers’ articles’ would not be used to market marijuana.” 219 Again, this is simply not true. The court stated that it could not “give weight to [Roots’] alleged intent to expand into the area of selling recreational marijuana, because the sale of recreational marijuana is illegal under federal law.” 220 Once again, the court read the disclaimer both broadly and inaccurately: Roots did not assert to the PTO that their trademark would not be used to market marijuana. 221 Instead, Roots simply stated, accurately, that their trademark application was for use in connection with legal goods. 222 But, again, the court pointed to the disclaimer and ignored the (highly relevant) possibility that consumer confusion might exist. 223

215. See id.
216. See id. at 318.
217. See Response to Office Action, supra note 200. This is an example of the problems that result when the courts import the lawful use doctrine into the infringement analysis. As described by Bethany Rabe, the lawful use doctrine as applied by the PTO affects only registration, not use of a mark, but as applied by the federal courts, it sweeps much more broadly. Bethany Rabe, Adapting the USPTO’s Unlawful Use Doctrine for the Federal Courts, 17 WAKE FOREST J. BUS. & INTELL. PROP. L. 286, 333 (2017) (arguing that the reasons given by the courts for adopting the lawful use doctrine ignore the potential harm to consumers).
218. Woodstock, 387 F. Supp. 3d at 318.
219. Id. at 319. Note that this is not quite an accurate description of Roots’ assertions to the PTO. Rather than stating that it would not use the mark in connection with the sale of marijuana, the company represented that the “identified goods”—that is, smokers’ articles—“do not contain marijuana.” Response to Office Action, supra note 200.
220. Woodstock, 387 F. Supp. 3d at 318.
221. See Response to Office Action, supra note 200.
222. Id.
223. See Rabe, supra note 217, at 339 (“Courts must be mindful that when they accept an unlawful use argument, they are changing the priority of use; a junior user is becoming a senior user, and a senior user is losing its right to use a mark that it may have used for a long time ... [and] consumers may also be confused.”).
In this dispute, the court used the lawful use doctrine (and Roots’ disclaimer before the PTO) to deny trademark protection to Roots.\footnote{224} Ironically, this has the effect of benefitting Ventures, which was itself admittedly using the mark in connection with the sale of an illegal drug.\footnote{225} This result elevates form (the lawful use requirement) over substance (actual marketplace behavior, the potential for consumer confusion, and trademark law’s role in eliminating deception). In this way, the consumer protection function of the trademark system is undermined. As Professor Mikos explains, “the lawful use requirement seems more likely to cause consumer confusion than to dispel it. The requirement strips a senior user of its priority over a mark, thereby enabling another party to use the mark on its own products even when such use would confuse consumers.”\footnote{226} The Woodstock dispute is a perfect example of Professor Mikos’s concern.

To be clear, both companies here are in the business of selling a product that is illegal under federal law. One of them registered a mark for “smokers’ articles,” an item very closely related to marijuana, and was required to make a disclaimer.\footnote{227} The other also had a federal trademark registration, for music festivals, and was not required to make a disclaimer.\footnote{228} It is a confounding result that Ventures can wield the lawful use doctrine against Roots even as they engage in the very same illegal activity as Roots.\footnote{229}

Application of the lawful use doctrine in trademark law makes sense as a general matter: the doctrine is premised on the concept that the federal government should not confer federal rights of benefits on a federally illegal enterprise.\footnote{230} However, the application of
the doctrine to these facts produces a nonsensical result. Both Ventures and Roots are in the business of selling marijuana and both have trademarks they are seeking to use in connection with those sales. But because Roots received a federal trademark for products related to the sale of marijuana—smokers' articles such as rolling papers and vape pens—they were forced to make disclaimers which the court used against them. The trademark goal of avoiding consumer confusion is ill-served by this analysis and result.

2. The Counterfactual

We predicted that trademark laundering would have some short-term benefits for those marijuana companies that employed the strategy and that it was a sensible approach for the "half-in, half-out" phase of marijuana regulation. It turns out, however, that Roots and marijuana consumers in New York might have been better off if Roots had not sought any federal trademark protection at all.

To see why, assume for a moment an alternate universe in which Ventures has a registered trademark for the WOODSTOCK mark in connection with music festivals and that Roots has been using the WOODSTOCK mark for approximately twenty-five years in connection with a radio station. In this counterfactual story, Roots does not seek federal registration of its mark, but they do begin selling smokers' articles as well as marijuana when it is legalized for recreational purposes in New York. Well after Roots begins selling marijuana, Ventures decides that they wish to move into the cannabis space as well. Under this version of the story, Roots has a valid, though unregistered, trademark in WOODSTOCK in connection with marijuana and smokers' articles, and it is the senior user of the mark in that context. So, when Roots sues Ventures for trademark infringement, a court could easily conclude Roots owns

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made by a particular vendor, and it required such use to be 'in commerce' to ensure that Congress had constitutional authority to regulate the use of the mark. Neither of these functions hinges on or is even advanced by a mark owner's compliance with other laws governing the sale of goods.

231. See Kamin & Moffat, supra note 18, at 250-52.

232. Recall that one can both obtain federal trademark rights and bring a suit in federal court for trademark infringement without registering that mark with the PTO. See supra note 62 and accompanying text.
the mark for use in connection with smokers’ articles (and possibly marijuana, though the lawful use doctrine may still be invoked here to deprive Roots of trademark rights in connection with marijuana itself). Roots will assert that Ventures’ sale of marijuana under the WOODSTOCK mark is likely to cause confusion with Roots’ rights in connection with smokers’ articles.

This is where the outcome diverges from the real-world dispute. In this alternate story, because Roots has not sought any form of federal trademark protection—and they have not laundered their trademark—they have not been required to file a disclaimer indicating that they are not seeking registration for use of the mark in connection with marijuana. In this scenario, Roots would be able to point to the proximity of the goods and to indicate that they have expanded into marijuana sales or that they plan to do so when the federal prohibition is lifted. In this alternative universe, there would be no statement to the contrary in PTO records that the court could use against Roots. Roots would not have submitted any documents to the PTO from which a court could conclude that their goods were “not intended for use with recreational marijuana.” This alternate-universe Roots would thus be much more likely to prevail on a likelihood of confusion argument than the actual Roots was. It seems quite logical that a company selling smokers’ articles and vaping devices, even if only for tobacco, would be likely to expand into marijuana sales (certainly more likely than an entertainment company that puts on music festivals).

3. Consequences for Consumers and a Way Out for Courts

Having walked through this alternate scenario, it becomes clear that the “trap” for cannabis companies is also a trap for consumers and for the consumer protection and fair competition goals of the trademark system. If, in fact, Roots was the first user of the WOODSTOCK mark for marijuana and marijuana-related items, it is quite possible that consumers in the area of Woodstock, New

233. Roots could, of course, pursue state-level trademark infringement claims, but those are much less potent than the federal counterpart. See Kamin & Moffat, supra note 18, at 258-59.

York, and maybe even farther afield, will be confused if Ventures begins using the same mark in connection with marijuana sales. In other words, if the WOODSTOCK mark has become associated in marijuana consumers’ minds with Roots, there will be confusion in the marketplace if Ventures is permitted to use the very same mark on the same or closely related goods. 235

The litigation over the WOODSTOCK mark continues, and thus the district court still has an opportunity to straighten things out. The court should, at a minimum, read Roots’ disclaimer narrowly, avoiding overstating or misstating what Roots actually claimed and disclaimed in their trademark applications. Nowhere did Roots say that they did not and would not sell marijuana. 236 Second, the court should engage in a likelihood of confusion analysis that focuses on the real world facts: What does Roots sell? What does Ventures sell? How long have they been doing so? Are consumers familiar with their marks? How much advertising do they do? We propose below a broader fix to this problem, but, in the interim, courts nonetheless have the opportunity, and indeed the responsibility, to minimize the problems posed by the application of the lawful use doctrine in this context.

B. Traps for Trademark Lawyers

A dispute in its early stages in federal court in Arizona provides another example of a situation in which a company might have been better off if it had not applied for a federal trademark at all. 237 It also serves as a warning for the lawyers who assist cannabis firms in obtaining trademark rights.

235. Professor Mikos again predicts exactly this result. See Mikos, supra note 28, at 168 ("By making it more difficult for firms to protect their marks from infringement, the lawful use requirement enables rivals to engage in predatory practices that not only rob mark owners of the goodwill they have imbued in their marks, but also deceive consumers. For example, because of the requirement, nothing currently prevents a cannabis firm in one state from stealing the brand name of an out-of-state rival and using that name to hawk its own cannabis products. As a result, consumers may not realize that the cannabis they see in stores in different states is not necessarily the same, even if it bears the identical mark.").

236. See Response to Office Action, supra note 200.

BBK Tobacco & Foods (BBK), an Arizona company, sued Central Coast Agriculture, Inc., of California, for infringement of BBK's RAW trademark, which it uses in connection with a variety of smokers' articles intended, it claims, for use in connection with tobacco products. Central Coast Agriculture (CCA) sells marijuana in California and merchandise nationwide using variations on names including the word “raw”—“Raw Garden” and “Raw CO2,” for example—and it maintains two websites: rawgarden.farm and rawgarden.co. As with the Woodstock dispute, the factual and procedural background is convoluted, but the facts relevant here are that BBK owns a number of trademarks that include the word “RAW,” and it appears to have engaged in trademark laundering in filing its applications.

In the lawsuit, CCA has counterclaimed, seeking “to cancel BBK's trademarks due to their apparent connection to cannabis, which is a prohibited controlled substance under the Controlled Substances Act.” CCA asserted that BBK committed fraud on the PTO by “represent[ing] to the USPTO that the BBK Marks would be used in connection with the BBK Products” when in fact, according to CCA's allegations, they were intended or designed for use in connection with cannabis rather than tobacco. In particular, CCA pointed to BBK's statement to the PTO that its products were “lawfully used in commerce.” In essence, CCA accused BBK of trademark laundering and asserted that it is a fraudulent practice and therefore grounds for invalidating BBK's federal registration.

238. See id. at *1.
239. Id.
240. BBK has a trademark for the word “RAW” for use in connection with ashtrays. RAW, Registration No. 5,580,764. BBK also has trademarks for RAW BLACK and RAW CONNOISEUR for use in connection with cigarette and tobacco rolling papers. RAW BLACK, Registration No. 6,469,902; RAW CONNOISEUR, Registration No. 6,469,900. It does not appear that BBK sells marijuana, but CCA alleges that BBK's goods are “unlawful, non-exempt drug paraphernalia.” BBK Tobacco, 2021 WL 1751134, at *13. Smokers' items are considered drug paraphernalia under federal law if they are “primarily intended or designed for use in manufacturing, compounding, converting, concealing, producing, processing, preparing, injecting, ingesting, inhaling, or otherwise introducing into the human body a controlled substance.” 21 U.S.C. § 863(g).
241. BBK Tobacco, 2021 WL 1751134, at *10. As in the Woodstock dispute, this appears to be a cynical move, as CCA itself sells marijuana.
242. Id.
243. Id.
244. See id.
The court denied BBK’s motion to dismiss this claim, concluding that “CCA has sufficiently explained the ‘who, what, when, where, and how’ of the alleged fraud, and why it was false.”245 Although BBK’s lawyers have not themselves been accused of fraud—there are no allegations of wrongdoing against the lawyers and no ethical complaint has been filed—it would obviously be problematic for attorneys assisting cannabis companies if trademark laundering as currently practiced was deemed “[f]raud on the USPTO.”246

CCA also brought a counterclaim seeking to cancel BBK’s trademarks for unlawful use, contending that BBK’s goods are non-exempt drug paraphernalia that are intended to be used in connection with marijuana.247 BBK argued that its rolling papers and other items have long been used in connection with tobacco products and are therefore exempt, but the court rejected this argument, stating that “CCA has plausibly alleged that the BBK products at issue are not, in fact, traditionally intended for use with tobacco products.”248 Although this case is at a very early stage, the arguments put forth by CCA—and accepted at least as a preliminary matter by the district court—threaten the entire trademark-laundering strategy. BBK obtained trademark registrations for use of a mark on legal goods, and, so far as can be determined, BBK was forthright with the PTO in doing so.

If the court ultimately concludes that BBK has committed a fraud on the PTO and that its marks should be cancelled because they are used (at times) in connection with unlawful goods, every federal trademark registration by a cannabis company is at risk. BBK submitted trademark applications seeking protection for use of its marks in connection with lawful goods, and it stated, on numerous occasions, that it was not seeking trademark protection in connection with unlawful goods.249

As in the Woodstock dispute, if BBK had not submitted trademark applications, it could still have brought a § 43(a) claim for trademark infringement against CCA, but CCA would not have been able to counterclaim for cancellation based on fraud on the PTO or

245. Id. at *11.
246. Id. at *10.
247. Id. at *11.
248. Id. at *13.
249. See id.
for unlawful use. To be sure, BBK's claims against CCA would not necessarily succeed in the absence of its federal trademark application, but this is another situation in which the downsides of federal trademark registration may well outweigh the benefits.

The case also serves as a warning for lawyers involved in trademark laundering. As discussed above in Part I, many intellectual property lawyers and other federal court practitioners have indeed been willing to represent cannabis companies (and in much larger numbers than we anticipated). We argue that they have done so in ways that avoid the potential ethical pitfalls that inhere in representing clients engaged in the widespread violation of federal law. They, and their clients, have been aboveboard and truthful in their statements to the PTO. But if CCA's arguments prevail—if the court finds that BBK (and perhaps its lawyers) have engaged in a fraud on the PTO—that would be effectively the end of the trademark-laundering strategy, and many lawyers will likely refuse to represent cannabis clients before the PTO and possibly in federal court as well.

III. ELIMINATING THE TRADEMARK LAUNDERING TRAPS

As with the Woodstock case, the BBK Tobacco dispute has implications not just for these two private companies but for consumers in the cannabis market and for the ability of the trademark system to help regulate those markets by reducing (or eliminating) the possibility of consumer confusion. Both cases involve one entity engaged in violations of federal law using the other party's alleged violations of the very same law as a defense. As between two such entities, both selling marijuana or marijuana-related products in compliance with state law but in violation of federal law, it is not clear where the equities lie. But it is a strange—and, we argue, indefensible—result that the courts refuse even to acknowledge, much less attempt to remedy, possible confusion in the marketplace.

250. See supra Part II.A.
251. See supra Part II.
252. See supra Part II.A.
The Woodstock and BBK Tobacco disputes demonstrate that even the short-term benefits of trademark laundering we anticipated may be somewhat illusory in practice. Marijuana entities are able to obtain federal trademark registrations, and those registrations surely provide some degree of notice to others and some protection for consumers. However, the disclaimers required by the PTO are effectively boxing the trademark owners in, restricting the scope of their marks to a significant and unnecessary extent, and providing fodder for competitors to point to as evidence that there can be no confusion or that there has been fraud on the PTO. Both Roots and BBK Tobacco might be better off in these disputes if they had not made these statements to the PTO or even applied for federal trademark protection in the first place.

Moreover, the way that the disclaimers have been deployed affects the long-term prospects of the trademark-laundering strategy. Many cannabis firms operate today on the assumption that marijuana will be descheduled on the federal level at some point, and investors in the market are also behaving as if that will happen. While marijuana is already a lucrative business, full legalization will allow rapid expansion and increased profits.

In our previous article, we posited that trademark laundering would provide a toehold for cannabis businesses to expand the scope of their marks when (and if) the federal prohibition is lifted. For example, if a company has a registered trademark for the name “LivWell” in connection with smokers’ articles, clothing, and health services, it should not be difficult for it to expand the scope of the trademark to include use of the mark in connection with marijuana once it is legalized. But if the disclaimers that LivWell was required to make in connection with its applications are interpreted and applied as they were in the Woodstock and BBK Tobacco cases, this expansion will be stymied. If competitors, courts, or the PTO continue to deploy the disclaimers in the same way—that is, essentially interpreting them as rigid limitations on the scope of trademark rights—trademark laundering may well prove counterproductive in the long term as well as the short term.

253. See supra notes 37-38 and accompanying text.
254. See generally Kamin & Moffat, supra note 18.
Another hypothetical situation loosely based on the Woodstock scenario helps explain the possible dynamic and why it would create perverse results. Recall that Roots has a registered trademark for use of the WOODSTOCK name in connection with smokers' articles. They have also been selling marijuana under the Woodstock name for a number of years. When, hypothetically, the federal prohibition on marijuana is lifted, Roots will likely want to expand the scope of its registered trademark to include marijuana, a registration that would no longer be prohibited by the lawful use doctrine. If it filed a trademark application, however, it is entirely possible that the PTO would respond by pointing to Roots' previous disclaimer and concluding that Roots could not or should not assert a contradictory position at a later date. Even if the PTO acknowledges the change in the legal status of marijuana, Roots may be forced to, in effect, start from scratch in terms of proving consumer association between the WOODSTOCK mark and marijuana. This would be, again, an elevation of form over function, pointing to the disclaimer to create a fiction that Roots had not been selling marijuana and, more to the point, that consumers had not come to understand that Roots was doing so. Again, the principal losers here would be not just Roots, but the consumers who had come to associate WOODSTOCK branding on marijuana and related products with Roots.

This highlights a serious issue for the marijuana market: the trademark laundering strategy, although meant to benefit a marijuana company and its consumers during prohibition, is ultimately designed to pave the way for an orderly transition to a post-prohibition legal regime. While priority of trademark use is important during the federal prohibition, the goal of many sizeable marijuana companies is to be the Budweiser or Jack Daniels or Marlboro of marijuana once the prohibition is lifted. And whatever one might think, as a policy matter, of the marijuana industry modeling itself on the alcohol or tobacco industries, fully legal

256. Id. at 315.
257. See, e.g., Kamin, supra note 161, at 638 (“A change in the current federal prohibition raises a specter that almost everyone involved in marijuana law and policy seeks to avoid—the prospect of a Big Marijuana industry along the lines of Big Tobacco, Big Pharma,
marijuana firms will want to use their trademarks and the associated goodwill to establish themselves as industry leaders. If, however, they are punished for having sought trademark protection during the prohibition regime, companies that have been providing products that have developed a positive reputation in the market may be shunted aside in favor of businesses that have not developed a reputation with consumers. Those newcomers could simply start using established brand names and then point to the disclaimers made by those established brands to defend their actions.\textsuperscript{258} One need not have much sympathy for those who were selling marijuana when it was illegal to do so to see that such a result is inconsistent with the goals and policies of trademark law.

Even if the PTO takes a more lenient approach to disclaimers after legalization, acknowledging the change in the legal status of marijuana and adopting our suggestion to ignore all pre-legalization disclaimers, litigants may still point to the disclaimers either to advance their own claims (as in the Woodstock case) or defeat claims against them (as in both the Woodstock case and the BBK dispute).\textsuperscript{259} There is no reason to think that this dynamic will change in the post-legalization world. To be clear, this means that marijuana businesses that attempted to avail themselves of existing legal regimes will be punished in favor of those that did not, to the detriment of consumers and a fair, competitive market.

Short of eliminating the lawful use doctrine entirely,\textsuperscript{260} we propose changes to the PTO’s procedure and to the approach taken by courts so far. There are four steps that can and should be taken, not just, or most importantly, for the protection of the cannabis industry but for its consumers and the marketplace as it continues its rapid expansion.

\begin{itemize}
  \item \textsuperscript{258} See supra note 220.
  \item \textsuperscript{259} See supra Part II.A.
  \item \textsuperscript{260} Mikos, supra note 28, at 166-69.
\end{itemize}
First, the PTO should stop requiring disclaimers from cannabis companies when they apply for federal trademark protection. Rather than requiring disclaimers, the PTO should (or at least could, if it chooses) include its own statement that the federal trademark registration extends only to legal goods and services. That is, the PTO could, *sua sponte*, make clear that it is issuing trademark registrations in connection with lawful—but not unlawful—goods. This would spare marijuana businesses the risk of making disclaimers that might later be used against them, and it would insulate attorneys from the fear that they might be committing fraud on the PTO. Statements from the PTO, rather than from trademark applicants, would make clear that the lawful use doctrine prevents the registration of a mark for use in connection with illegal goods while preventing the collateral consequences of the disclaimers discussed above.

This would certainly entail a change in the PTO’s practices, but it would not require any statutory or rulemaking change. The Trademark Manual of Examining Procedure provides that the examiner “may require additional information about the goods or services,” but it does not require any particular form of response from the applicant. 261 Thus it is not necessary for applicants to include disclaimers; instead applicants can provide information about the identified goods, and the examining attorney can include statements about the scope of the registration.

Second, both the PTO and the courts should interpret the disclaimers that are already in place as narrowly as possible. Ideally, they would be read in a way that is consistent with the proposed PTO statement above; that is, they would simply be an acknowledgment that federal trademark registration extends only to legal goods and services. What is more, courts should bear in mind the distinction between disclaiming registration of a mark for the sale of marijuana and disclaiming the sale of marijuana. The PTO is well aware that marijuana businesses are seeking to register trademarks on ancillary items. And the PTO is granting those trademark applications subject only to the disclaimer that the registration covers a business’s lawful—not its unlawful—products. 262 That

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disclaimer is not a disclaimer of the illegal conduct itself. The PTO, aware of that illegal conduct, is not asking marijuana businesses, and in particular their lawyers, to lie. Rather, it is simply asking applicants to disclaim the protections of registration with respect to their illegal goods. Courts should bear this distinction in mind when considering the import of such disclaimers.

To be sure, the PTO’s and the TTAB’s statements have not been perfectly consistent with regard to marijuana-related marks. At times, they have hinted that registration will not be granted at all if the marks will be used on illegal goods as well as legal ones. The PTO has, however, regularly issued such registrations when it knows or should know that the marks for which registration is sought are being used in connection with the sale of marijuana. If the PTO actually intends the stricter application of the lawful use doctrine, it should proceed in a way consistent with that interpretation. This would require a substantial change in the PTO’s approach to marijuana marks, however, and would certainly disrupt the settled expectations of the many marijuana businesses that have obtained trademark registrations and proceeded accordingly.

Third, courts assessing trademark disputes involving cannabis businesses should not elevate the disclaimers, or the lawful use doctrine, above the facts of a given case. The trademark infringement analysis is fact-based, and the relevant facts should guide the outcome. Courts should not create fictions based on disclaimers. If a marijuana business that has disclaimed trademark registration for marijuana products has been selling marijuana products in compliance with state law, that fact should not be seen as inconsistent with the statements made by the business (and its lawyers) before the PTO. Rather, the focus should be, as it is in every trademark dispute, on the likelihood of consumer confusion.

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263. See, e.g., In re Brown, 119 U.S.P.Q.2d (BL) 1350, 1351 (T.T.A.B. 2016) (“We have consistently held that, to qualify for a federal service mark registration, the use of a mark in commerce must be ‘lawful.’ Thus, any goods or services for which the mark is used must not be illegal under federal law.” (citations omitted)).
265. See supra note 58 and accompanying text.
266. See supra note 58 and accompanying text.
particular mark, that fact should be acknowledged by courts and should weigh heavily in the multi-factor balancing test. Put another way, the likelihood of consumer confusion should remain the touchstone of a trademark infringement case.

Finally, if and when marijuana is de-scheduled, any pre-legalization disclaimers should be given no weight by the PTO and the courts. This is the most straightforward, but probably most important, of our recommendations. The disclaimers the PTO has been requiring are dictated, at least in the view of the PTO, by the fact that marijuana is currently a prohibited substance under federal law. But if and when that ceases to be the case—if and when the federal prohibition disappears—the disclaimers should as well. It makes no sense to hold an applicant to its disclaiming of the use of a mark in connection with marijuana once marijuana is legal under federal law.

Imagine for a moment if the result were otherwise. Company A sells marijuana, as authorized by state law, prior to federal legalization, and it makes a high-quality, consistent, and reliable product that is a hit with consumers. Unable to register a trademark for its marijuana products, Company A secures registration for a mark used in connection with smokers’ articles and clothing in order to obtain some protection for its products; in the process, the PTO, aware that Company A sells marijuana, requires Company A to disclaim registration with regard to its marijuana products. Now, imagine that, on the day that marijuana is legalized, Company B seeks registration for all of Company A’s trademarks in connection with the sale of marijuana. Company B could argue, quite reasonably, that Company A had disclaimed the use of those marks in conjunction with the sale of marijuana and that it is now estopped from objecting when Company B seeks to use those marks on its own marijuana products. Yet by any metric, Company A is the senior user of the trademark and should be allowed to use that mark in conjunction with marijuana products. Consumers would be confused, and likely suffer, if Company B began to use the mark they had come to associate with Company A.

This example makes the stakes clear: the current situation is a problem for the marijuana industry, but it is also a problem—now and in the future— for consumers of marijuana products. The "half-in, half-out" approach to marijuana regulation has resulted in a
system that undermines the consumer protection and market regulation functions of trademark law.

CONCLUSION

In this Article, we describe the use by marijuana businesses of a strategy we have previously dubbed trademark laundering. We demonstrate that the disclaimers the PTO requires of cannabis businesses can lead to perverse results that are inconsistent with the consumer protection goals of U.S. trademark law. The legal changes we suggest in this Article will lead to better results in the short term while marijuana remains prohibited under federal law. And, given the fact that nearly everyone, including Justice Thomas,\(^\text{267}\) seems to believe that marijuana will no longer be federally illegal sometime in the near future, our suggestions will help create a sensible legal regime for the post-prohibition world.

\(^{267}\) See supra notes 8-9 and accompanying text.