

Challenges of New Hemp Brands

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February 5, 2020



Trademarks include the elements that constitute a 'brand.' Trademarks typically consist of words, phrases, symbols, designs, or any combination of those things, identifying and distinguishing the source of the goods or services of one party from the goods or services of

another.

The December 20, 2018 enactment of the Agriculture Improvement Act of 2018 ("2018 Farm Bill"), among other things, decriminalized hemp and hemp-derived CBD, and opened the doors for brand protection at the U.S. Patent and Trademark Office ("USPTO"). Hemp breeders, growers, processors, manufacturers, distributors, and retailers can now seek federal registration for trademarks or service marks (collectively, "marks") by submitting an application. However, there are some limitations to this open door.

In May 2019, the U.S. Patent and Trademark Office provided guidance for the industry with, Examination Guide 1-19: The Examination of Marks for Cannabis and Cannabis-Related Goods and Services after Enactment of the 2018 Farm Bill. Here, the USPTO provides options for existing trademark applications and strategies for future trademark applications. The main takeaway from the [Examination Guide](#) for future trademark applications? The USPTO refuses to register marks that violate federal law.

If examination is more scrutinized in this industry, you may ask yourself why it is worth going through the process. Even though registration of a trademark is not required (rights are acquired through continuous use of the mark in commerce), registration for new hemp brands affords the owner:

- the presumption of exclusive nationwide rights;
- the ability to prevent others from using confusingly similar trademarks for the same or similar products or services;
- constructive notice of rights to third parties;
- the right to use the registration designation (R in circle - ®); and
- the right to expand nationwide.

The advantages are plentiful, but there are some considerations necessary before submitting an application with the USPTO, and before even choosing a trademark.

When selecting a trademark, it is tempting to choose a trademark that describes something about the products or services that will be provided under the brand – for example, using the term "CBD." This approach can understandably minimize the expenses required to tie the brand to the product or services or to otherwise convey certain qualities or characteristics about the products or services.

Yet, a trademark must be distinctive and capable of distinguishing the goods or services of one party from another. Descriptive terms, or terms that are not distinctive, are not afforded enforceable trademark rights without longstanding use, demonstrating the existence of a secondary meaning. Since this is a relatively new industry, it will be very difficult to claim trademark rights to any terms that *describe* a quality or characteristic of the products or services at issue. That type of protection only follows long-term, continuous use in the marketplace.

It can also be tempting to choose a geographic location as the hemp brand. Geographic locations are tricky, and the rules vary by country, but generally, if the trademark primarily indicates a geographic location, rather than the source of products or services, it will fail to function as a trademark. As a result, use of a geographic location as a trademark affords limited to no trademark rights.

The most distinctive trademarks, in order of strength, are:

- Fanciful (no meaning other than as a trademark—EXXON®, XEROX®, KODAK®);
- Arbitrary (no relation to the good or services—APPLE® for computers and QUICKSILVER® for clothing); and,
- Suggestive—(suggests, but doesn't describe, the goods or services).

When adopting a trademark, note that trademark law prevents the use and registration of a trademark that is confusingly similar to another trademark. Refusals based on the likelihood of confusion are probably the most common and difficult obstacle to trademark registration. In simple terms, two similar marks for related goods or services cannot both be registered.

This confusingly similar standard covers similarities such as phonetically sounding the same, roughly translating to similar meanings, and having an overall similar commercial impression. Adding descriptive terms, superlatives, or pluralizing or modifying the tense of a term is not sufficient to distinguish a confusing trademark or overcome likelihood of a confusion rejection.

The current challenge for new hemp brands is assessing what *related goods and services* mean.

A conservative approach would avoid similar marks used not just for hemp-derived CBD products, but similar marks used for any smokable products (i.e., cigarettes, cigars, e-liquids), lotions, salves, oils, dietary/nutritional supplements, foods, or beverages, regardless of whether or not the products contain CBD derived from hemp. Because quality-minded consumers arguably take extra care in purchasing products in the hemp industry, a degree of care may eliminate a likelihood of confusion between hemp marks and non-hemp marks. But since this is a new area, there is little precedent to rely on. For that reason, a broad assessment is recommended.

To avoid infringement risks, and a likelihood of confusion refusal, the first step is to ensure the availability and registrability of a trademark before adopting it.

When identifying the products and services in a trademark application, care is needed. U.S. trademark law requires a certain level of specificity when defining the goods and services in an application. Identifications that are too broad or vague will extend the time and expense of the application process. While specificity is required, too narrowly defining the goods or services can result in a registration that does not

provide the protection needed. It can also often lead to issues with the samples of use. Finally, misidentifying goods or services can result in a need to refile and cause the loss of federal priority rights.

The USPTO [Examination Guide](#) advises that the identification of products and services in the hemp industry expressly clarifies that the products offered contain less than 0.3% THC on a dry-weight basis.

Applications for products or services related to or derived from marijuana (including marijuana-derived CBD) will continue to be denied as they are still considered controlled substances under federal law. Applications for products or services related to or derived from hemp (including hemp-derived CBD) will be scrutinized for their lawful use, including compliance with the Federal Food, Drug and Cosmetic Act, the 2018 Farm Bill, and other laws and regulations that govern the industry.

For now, it appears that the USPTO will follow the U.S. Food and Drug Administration's lead and refuse registration of marks for food, beverages, dietary supplements, or pet treats containing CBD as unlawful products, even if derived from hemp. Companies desiring federal registration should ensure that their goods, activities, or services related to the industry comply with federal laws and regulations.

In summary, hemp growers, processors, manufacturers, distributors, and retailers that own or submit federal trademark applications should be aware that the USPTO may still issue a refusal or inquiry (called an "Office Action") that questions whether use of the mark in commerce complies with federal law. If an Office Action issues, the applicant must amend the application, submit information and documentation about how its use complies with federal law, submit arguments to overcome the Office Action or submit a new application. Each trademark application is reviewed on a case-by-case basis, and examination depends on the examiner assigned.

The ability to register marks relating to hemp and hemp-derived CBD is a huge step forward for the industry. But, as indicated above, not all marks will receive federal registration and the protections that follow. The USPTO's guidance is clear: marks for products or services that violate federal law (or the USPTO's interpretation of federal law) will not register.

We encourage anyone considering brand protection for hemp and hemp-derived CBD marks to seek legal counsel before adopting use of a mark and before submitting an application to register the mark. Our Hemp Law team can help with the process.

The article was first published by the Remedy Review.

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