Blazing A New Trial: How Recording Artists Are Partnering with the Liquor, Wine, Beer, and Marijuana Industries to Create Customized Artist-Branded Products

Friday, October 7, 2016
11:15am-12:45pm

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Program Description
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News Alert! Recording artists such as Megadeth, Dave Matthews, and Iron Maiden, as well as the estates of Bob Marley and Snoop Dogg are partnering with liquor and marijuana industries to create custom artist-branded products. Using the celebrity’s name and recognition, these products are then aggressively marketed to the public. Join our panelists as they examine this new trendsetting marketing and endorsement concept and the progressive opportunities being negotiated behind closed doors.
Proceed with Caution

Drafting Considerations for Cannabis Industry Agreements
Trademarks

• Identify the Source of goods and services

• Distinguish one’s goods or services from those of others

• Are registered per Class of goods and services
Trademark Symbols

- **TM** signifies a state common law trademark on goods
- **SM** signifies a state common law trademark on services
- **®** signifies federal registration has been approved on the Principal Register or Supplemental Register
**Trademark Spectrum**  
Most distinctive to least distinctive

Most distinctive qualify for trademark registration

- **Fanciful** e.g. Xerox, Exxon, Kodak
- **Arbitrary** e.g. Amazon, Apple
- **Suggestive** e.g. Microsoft, Staples

Least distinctive

- **Descriptive (including surnames)** e.g. McDonald’s, CitiBank – can qualify if mark acquires secondary meaning
- **Generic** e.g. Smartphone - cannot qualify for trademark registration
- **Trademark must be used and enforced or mark will be forfeited** (e.g. Dumpster, Formica, Aspirin, Cellophane, Escalator, Kerosene, Heroin, Laundromat)
Challenges presented in Branding Related to an Illegal Substance

• WILLIE’S RESERVE™

• Controlled Substances Act - Schedule 1 Drug

• Cole Memorandum

Federal Trademark Registration Challenges – use in commerce must be lawful
Office Actions

• Applicant must submit a written statement indicating whether all the goods and/or services identified in the application will comply with relevant federal law, including the Controlled Substances Act (CSA), 21 U.S.C. §§801-971. See 37 C.F.R. §2.69; TMEP §907. The CSA prohibits, among other things, manufacturing, distributing, dispensing, or possessing certain controlled substances, including marijuana and marijuana-based preparations. 21 U.S.C. §§812, 841(a)(1), 844(a); see also 21 U.S.C. §802(16) (defining “[marijuana]”).

• The CSA also makes it unlawful to sell, offer for sale, or use any facility of interstate commerce to transport drug paraphernalia, i.e., “any 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 [the CSA].” 21 U.S.C. §863.

• Typical question - CANNABLISS: “Do applicant’s identified goods contain marijuana....?”
Sample Questions
“TWEED” Website, Newsletters, Bags

• “Do applicant’s identified Class 9 or 16 goods provide a way for users to purchase or otherwise obtain marijuana, marijuana-based preparations, or marijuana extracts or derivatives, synthetic marijuana, or any other illegal controlled substances?;”

• “Are applicant’s identified Class 18 goods intended for use in holding or containing marijuana, marijuana-based preparations, or marijuana extracts or derivatives, synthetic marijuana, or any other illegal controlled substances?;”

• “Are the applicant’s goods/services lawful pursuant to the Controlled Substances Act?”
Late breaking precedential decision....

• Trademark Trial and Appeal Board Decision of July 14, 2016
• In re Morgan Brown Serial No. 86362968
• HERBAL ACCESS - Denied registration
• Class 35 - Retail Store services featuring herbs.
• But website for dispensary proved fatal for trademark application. Herbs offered for sale include marijuana, a substance that cannot be lawfully distributed or dispensed. Any goods or services for which the mark is used cannot be illegal under federal law.
• Application- relative activities involve a per se violation of the CSA which are encompassed by the identification of services. Applicant is engaged in the provision of marijuana via the retail services ...advertised on the website.
Current Strategies

• Prepare for Office Actions
• State Registrations

• When applicable, some countries like Canada, the Netherlands and Israel permit registration at the federal level.
Drafting Challenges presented in Branding Related to an Illegal Substance

- Contract Provisions
- Assume there is no fully reliable boilerplate.
- Each provision must be well thought out, looked at anew and shaken upside down and backwards.
Ordinarily a provision requiring a party to comply with all applicable laws would be a no brainer.

- Consider typical language from a real estate lease:

Lessee shall not cause or permit the property to be used in any way that constitutes a violation of any law, ordinance, or governmental regulation.

- Yet an example found in a lease, while perusing Westlaw, shows this can potentially confound a practitioner challenged with drafting a contract for a warehouse within which cannabis is to be grown:

“Legal Compliance: Landlord acknowledges and agrees that Tenant intends to cultivate retail marijuana on the Premises and agrees that such use is permitted pursuant to this Lease. Tenant and its licensees and invitees shall comply with and abide by all federal, state, county, and municipal laws and ordinances in connection with the occupancy and use of the Premises. Landlord and Tenant understand that any and all marijuana activities are illegal under federal law.”
Ordinarily a worldwide territory requires little if no explanation, unless of course the practitioner is a paranoid entertainment attorney who insists on defining the Territory as The Universe, all planets, the Sun the Moon and the Stars.

- **Territory:** Worldwide with a caveat.
- With respect to each class of licensed product, only to the extent such licensed product and use thereof is currently lawful under applicable local laws (“Territory”). It is acknowledged that the Territory shall expand, without further action by the parties, to include all states and all countries, wherein and to the extent that each state and country legalizes each class and use of licensed product.
Like the payment of rent for a lease of real estate, the payment of royalties in a licensing agreement would seem obvious. Not so fast.

- Colorado imposes limitations on ownership of marijuana establishments. All ownership interests must be disclosed to the Colorado Marijuana Enforcement Division ("the MED") and the applicable local licensing authority.
- Current laws impose a 2-year residency requirement. All owners are subject to background checks, standards of good moral character, and other limitations. (Colorado Retail Marijuana Code, Rules 201(E) and 231(C)).
- Most pertinent to our discussion is a person or entity that has a beneficial interest in a marijuana business and/or substantial control over a marijuana business is considered an "owner". A beneficial interest has been defined informally as being paid based on profits (whether gross or net). See (Colorado Retail Marijuana Code, Rules 204 and 304).
- Every situation of ownership by the MED is assessed on a “case-by-case” basis.

**Implications**
- If you are a landlord, no percentage rent and no additional insured status
- If you are a lender, no secured interest in fixture and furniture,
- If you are a rights holder, no royalties in licensing agreements
Practice Tip: **Draft for changes in the law**

In the new realm of cannabis laws, the regulations change often.

Consider obligating the parties to **renegotiate** the terms of the contract in good faith periodically or **in the event of a change in law**.

In Colorado, for example, a **new law, effective January 1, 2017, will permit royalties** to be paid for the licensing of intellectual property in direct connection to the marijuana plant, whereas as just noted before a royalty structure could have resulted in the IP owner being considered an owner of the marijuana establishment.

Deals have had to be more creative and flat fees negotiated.
Compliance Issues

Due to regulatory constraints applicable to the cannabis industry, payment of a royalty may require confirmation from state regulators of compliance with applicable state statutory and regulatory requirements. No party makes any representation or warranty to the others as to the compliance with applicable law of the parties’ relationship established hereunder or the structure of compensation set forth above. Licensee will work in good faith towards obtaining any necessary regulatory approvals. If any such necessary approvals are not forthcoming, then the parties will work together in good faith to develop or establish alternative relationships and/or payment arrangements and execute any alternative agreements that are fully compliant with all applicable laws, rules and regulations and are mutually acceptable to the parties.
Choice of Law and Dispute Resolution

• This Agreement shall be governed in accordance with the laws of the State of Colorado and shall be construed in accordance with the laws of Colorado applicable to contracts entered into and to be wholly performed therein (without giving effect to any conflict to laws principles under Colorado law).

• Dispute resolution—Given that cannabis is illegal under federal law, contracts can be deemed unenforceable (except for states like Colorado where the law prohibits this). Arbitration and mediation provisions can permit the parties to resolve dispute without risky and costly litigation.
Special Consideration for Rights of Publicity

• The laws of the state of domicile of an individual govern that individual’s right of publicity. See Marilyn Monroe Shaw Family Archives Ltd. v. CMG Worldwide, Inc., 486 F. Supp. 2d 309, 312 (S.D.N.Y. 2007)

• To the extent that another State’s laws might be invoked as being applicable, Licensor affirmatively waives and renounces the rights of publicity statutes of Licensor’s residence and domicile, currently the State of __________, and similarly the situs of any future residence or domicile as they may be used to challenge the enforceability or legality of the Agreement.
Thank You.

And special thanks to Suzette Toledano’s Colorado co-counsel Shawn Hauser and Dave Waller for their friendship, assistance and guidance regarding the Colorado Marijuana Laws and Regulations.
This Opinion is a Precedent of the TTAB

Mailed: July 14, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

In re Morgan Brown

Serial No. 86362968

Matthew H. Swyers of The Trademark Company, for Morgan Brown.


Before Taylor, Bergsman and Adlin, Administrative Trademark Judges.

Opinion by Bergsman, Administrative Trademark Judge:

Morgan Brown ("Applicant") seeks registration on the Principal Register of the mark HERBAL ACCESS (in standard characters) for "retail store services featuring herbs," in International Class 35.\(^1\) Applicant disclaimed the exclusive right to use the word "herbal."

The Trademark Examining Attorney refused registration of Applicant’s mark under Sections 1 and 45 of the Trademark Act, 15 U.S.C. §§ 1051 and 1127, on the

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\(^1\) Application Serial No. 86362968 was filed on August 11, 2014, based upon Applicant's claim of first use anywhere and use in commerce since at least as early as July 21, 2014.
ground that the herbs offered for sale in Applicant’s retail store include marijuana, a
substance which cannot be lawfully distributed or dispensed under federal law.

We have consistently held that, to qualify for a federal service mark registration,
the use of a mark in commerce must be “lawful.” E.g., The John W. Carson Found. v.
Toilets.com, Inc., 94 USPQ2d 1942, 1947-48 (TTAB 2010); In re Midwest Tennis &
Track Co., 29 USPQ2d 1386, 1386 n.2 (TTAB 1993); In re Stellar Int’l, Inc., 159 USPQ
48, 50-51 (TTAB 1968). Thus, any goods or services for which the mark is used must
not be illegal under federal law. See, e.g., In re Midwest Tennis & Track Co., 29
USPQ2d at 1386 n.2 (noting that “[i]t is settled that the Trademark Act’s requirement
of ‘use in commerce,’ means a ‘lawful use in commerce,’ and [that the sale or] the
shipment of goods in violation of [a] federal statute . . . may not be recognized as the
basis for establishing trademark rights’.” (quoting Clorox Co. v. Armour-Dial, Inc.,
214 USPQ 850, 851 (TTAB 1982)); In re Pepcom Indus., Inc., 192 USPQ 400, 401
(TTAB 1976). Thus, the fact that the provision of a product or service may be lawful
within a state\(^2\) is irrelevant to the question of federal registration when it is unlawful
under federal law.\(^3\)

\(^2\) Applicant is located in the State of Washington where adults can possess 1 ounce of useable
marijuana, 16 ounces of marijuana-infused product in sold form, and 72 ounces of marijuana-
infused product in liquid form pursuant to RSW § 69.50.101 et. al.

\(^3\) We need not, and do not, address in this decision the question whether a product or service
lawful under federal law, but not under state law, may be considered unlawful use and
insufficient to support a federal registration. Similarly, we do not address whether use not
lawful under federal law, but not prosecuted by federal authorities, is thereby rendered
sufficiently lawful to avoid the unlawful use refusal.
Generally, the USPTO presumes that an applicant’s use of a mark in commerce is lawful under federal law. Thus, registration generally will not be refused based on unlawful use in commerce unless either (1) a violation of federal law is indicated by the application record or other evidence, such as when a court or a federal agency responsible for overseeing activity in which the applicant is involved, and which activity is relevant to its application, has issued a finding of noncompliance under the relevant statute or regulation, or (2) when the applicant’s application-relevant activities involve a per se violation of a federal law. See Kellogg Co. v. New Generation Foods Inc., 6 USPQ2d 2045, 2047 (TTAB 1988); Santinine Societa v. P.A.B. Produits, 209 USPQ 958, 964 (TTAB 1981) (petition for cancellation on ground of failure of registrant to comply with labeling requirements for cosmetics dismissed); see also id. at 967 (“I agree completely that it would be anomalous for the Patent and Trademark Office to accord recognition to the use of a mark when the use relied upon was unlawful. To cite an extreme example, it would be unthinkable to register a mark for use on heroin.”) (Kera, member, concurring).

The Examining Attorney does not contend that a finding of noncompliance covers the case at hand and relies on an asserted per se violation of federal law by Applicant, in certain activities in which Applicant is engaged, which are encompassed by the identification of services. The Examining Attorney relied upon the evidence set forth below to support the unlawful use refusal. The evidence establishes that Applicant’s retail store services include the provision of marijuana:
1. Applicant’s specimen of use, submitted with his application, features two photographs of Applicant’s retail establishment. One photograph includes a green cross prominently displayed on a window with a larger image of what appears to be the same green cross superimposed over the photograph. The second photograph appears to be a close-up image of the door next to the window with the green cross. The wording HERBAL ACCESS appears on the door.

2. Applicant’s website (herbalaccess.com) homepage displays the following advertising text for its retail services superimposed over a picture of a marijuana plant inviting customers to “stop by” the store to “find exactly what you are looking for”:

   Your Access Is Granted!
   Call or stop by today and find out why people consider our marijuana to be the best of the best!
   Now Come Check Us Out!4

   The webpage also includes a map showing the location of the retail establishment that includes the wording “Marijuana For The Masses.”

As noted above, applicant’s specimen showing use of the mark HERBAL ACCESS in connection with its retail services also includes two images of a green cross. The evidence from Jeff Duntemann’s Contrapositive Diary (contrapositivediary.com),5

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5 December 4, 2014 Office Action.
Every Joe website (everyjoe.com), Amazon.com, Patch.com, and O'Shaughnessy’s online (beyondthc.com) clearly indicates that a green cross has become the symbol of the organized medical marijuana industry.

In addition, Applicant’s website homepage encourages visitors to the page to call or stop by Applicant’s retail establishment. The address and phone information, as well as the facility hours posted on the page are a further invitation to shop at applicant’s establishment. The specimen and the webpage, taken together, support the conclusion that Applicant is engaged in the provision of marijuana via the retail services provided at the facility shown in the specimen and advertised on the website.

Thus, Applicant’s services include the provision of an illegal substance, i.e., marijuana, in violation of the federal Controlled Substances Act (CSA), 21 USC §§ 812, 841(a)(1), 844(a). See also 21 U.S.C. § 802(16) (defining marijuana). The CSA prohibits, among other things, manufacturing, distributing, dispensing or possessing certain controlled substances, including marijuana and marijuana-based preparations. 21 U.S.C. §§ 812, 841(a)(1), 844(a). Regardless of individual state laws that may provide for legal activities involving marijuana, marijuana and its

\[\text{6} \text{ Id.}\]
\[\text{7} \text{ Id.}\]
\[\text{8} \text{ June 30, 2015 Office Action.}\]
\[\text{9} \text{ Id.}\]
\[\text{10} \text{ In addition, the CSA makes it unlawful to sell, offer for sale, or use any facility of interstate commerce to transport drug paraphernalia (i.e., “any equipment, product, or material of any kind which is primarily intended or designed for use in manufacturing, compounding, converting, concealing, producing, processing, preparing, injecting, ingesting, inhaling, or otherwise introducing into the human body a controlled substance, possession of which is unlawful under [the CSA].”). 21 U.S.C. § 863.}\]
psychoactive component, THC, remain Schedule I controlled substances under federal law and are subject to the CSA’s prohibitions. 21 C.F.R. § 1308.11. See also U.S. Const. art. VI., cl. 2; Gonzales v. Raich, 545 U.S. 1, 27, 29 (2005); United States v. Oakland Cannabis Buyers’ Coop., 532 U.S. 483, 491 (2001). In view of the foregoing, we find that there is a per se violation of the CSA and, therefore, Applicant’s use of HERBAL ACCESS as evidenced by the record, includes unlawful activity under the CSA.\footnote{This finding of fact should not be interpreted as a finding of criminal activity under federal law, which is a subject not within the Board’s jurisdiction.}

Applicant argues that his recitation of services is “retail store services featuring herbs” and that there is nothing illegal about herbs; but acknowledges that he “may also sell marijuana” and that such sale is “admittedly illegal under the CSA.”\footnote{Applicant’s Brief, p. 5 (5 TTABVUE 6).}

The sale of herbs does not constitute a violation of the CSA. Notwithstanding this fact, the Examining Attorney issued the refusal based upon evidence that the Applicant may also sell marijuana through retail services legal in the Applicant’s state although admittedly illegal under the CSA.\footnote{Id.}

* * *

[T]here remains no evidence of actual use of the trademark in connection with the sale of marijuana.\footnote{The argument ignores Applicant’s own website and Facebook page evidence referenced supra.} Thus, the issue before the Board is a critical interpretation of the scope to which a refusal to register a trademark should be applied under the CSA. In short, to affirm the Examining Attorney’s refusal to register the instant trademark in connection with the lawful selling of legal herbs is akin to pronouncing that a specific class of Applicant, namely
those who may also sell substances illegal under the CSA but legal in their respective states, may never be the holders of a federal trademark even if the trademark applied for is for use in connection with legal goods or services.\textsuperscript{15}

The converse of this argument was rejected in \textit{Santinine Societa v. P.A.B. Produits}, 209 USPQ at 966, wherein the petitioner argued that an unrestricted identification contemplated that the registrant might change its marketing in the future to a method that would violate applicable federal labeling requirements. In the case at hand, the evidence bears on what Applicant is now engaged in and is not dependent on what Applicant might do in the future. Likewise, the identification of services contemplates the services that the Applicant is engaged in, in violation of the CSA, so there is no need to speculate on whether there is unlawful use. The mere fact that lawful use is also contemplated by the identification does not aid Applicant’s cause.

This is analogous to how we assess the scope of the identification of goods and services in other contexts. Thus, in cases involving whether a mark is descriptive, we look to whether the mark would be descriptive of any specific goods or services that fall within the identification of goods and services, or even any subset of such goods or services. \textit{See} TMEP § 1209.01(b) and cases cited therein. After all, if the application matures into a registration, it will be presumed to include all types of specific goods and services that fall with the identification in the registration. \textit{See, e.g., Canadian Imperial Bank of Commerce v. Wells Fargo Bank, Nat’l Ass’n}, 811 F.2d 1490, 1492-\textsuperscript{15}

\textsuperscript{15} Applicant’s Brief, p. 6 (5 TTABVUE 7).
93, 1 USPQ2d 1813, 1815 (Fed. Cir. 1987) (registrability decisions must be made in the context of the goods or services described in the application, “because any registration that issues will carry that description” and because “although a registrant’s current business practices in connection with which the mark is used may be quite narrow, they may change at any time”) (internal quotation marks, brackets, and citation omitted). Accordingly, it was entirely proper for the Trademark Examining Attorney to look to evidence such as the Applicant’s specimen of use and website to ascertain that the word “herbs” in the description of services encompasses marijuana.

There is also objective evidence in the record that marijuana is an “herb.” Moreover, Applicant does not dispute that marijuana is an herb or that Applicant sells marijuana. As mentioned above, Applicant argues only the Examining Attorney’s evidence does not specifically show the use of the mark specifically in connection with one particular herb: marijuana. This argument does not directly address or rebut the evidence that marijuana is an herb and Applicant sells marijuana. The Federal Circuit has previously rejected attempts to use generalized language in goods and services identifications in order to sidestep refusals where a particular good or services falls within the generalized identification and the evidence shows the applicant’s actual usage involves the specific good or service that is the subject of the refusal. See, e.g., In re Reed Elsevier Props. Inc., 482 F.3d 1376, 1379, 82 USPQ2d 1378 (Fed. Cir. 2007) (avoiding the word “lawyers” in the identification

of services); *In re Water Gremlin Co.*, 635 F.2d 841, 208 USPQ 89 (CCPA 1980) (avoiding the word “sinker”); *In re Am. Soc’y of Clinical Pathologists, Inc.*, 442 F.2d 1404, 169 USPQ 800 (CCPA 1971) (avoiding the term “registry”).

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.

**Decision:** The refusal to register Applicant’s mark HERBAL ACCESS is affirmed.