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Commercializing Cannabis: Confronting the Challenges and Uncertainty of Trademark and Trade Secret Protection for Cannabis-Related Businesses

John Mixon

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Commercializing Cannabis: Confronting the Challenges and Uncertainty of Trademark and Trade Secret Protection for Cannabis-Related Businesses

Cover Page Footnote

Term Law Clerk, U.S. District Court for the Northern District of New York. J.D. 2020, St. John's University School of Law; B.S. 2016, SUNY Cortland. I want to thank the entire staff of the WJLTA for their feedback and assistance in preparing and reviewing this article for publication.

COMMERCIALIZING CANNABIS: CONFRONTING THE CHALLENGES
AND UNCERTAINTY OF TRADEMARK AND TRADE SECRET
PROTECTION FOR CANNABIS-RELATED BUSINESSES

*John Mixon**

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ABSTRACT

Over the last couple of decades, society has become more accepting of recreational cannabis and an ever-growing number of states have passed pro-cannabis legislation. With this change, the cannabis industry has, to some extent, exploded into a booming enterprise in states that have legalized marijuana. Nonetheless, cannabis' status as a Schedule I banned substance under the Controlled Substances Act of 1970 remains unchanged. As a result, businesses in the cannabis industry face the unique challenge of having to toe the line between "legally" operating under state law and violating federal law, which trumps state law. One particular situation in which the challenges of inconsistent state and federal laws is acutely felt by cannabis businesses is when such businesses attempt to protect their trademarks and trade secrets. For trademarks, this challenge is due to trademark law being almost exclusively governed by federal law, which does not recognize the legality of cannabis. To the extent that state law does provide some form of trademark protection it is much more limited than federal law, and thus, cannabis businesses are left

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largely unable to garner the national protection for their logos and brands that federal trademark law typically provides. As to trade secrets, the challenge comes from the fact that trade secrets have largely been governed by state common law, but more recently have become subject to the federal Defend Trade Secrets Act. This adds uncertainty as to how cannabis trade secrets would be treated under federal law and begs the question of whether cannabis businesses will be able to obtain recourse under federal law if a competitor misappropriates their trade secrets. This paper analyzes recent developments in both trademark and trade secret law as it pertains to protecting cannabis-related trademarks and trade secrets in the ever-growing cannabis industry, proposes various workaround solutions for cannabis businesses looking to protect their trademarks or obtain recourse for misappropriated trade secrets, and proposes a solution for federal courts facing the challenges of applying trademark and trade secret laws in the face of regularly changing state and federal cannabis legislation.

TABLE OF CONTENTS

Introduction	3
I. Understanding the Commercial Nature of Trade Secrets & Trademarks.	7
II. Getting Over the Lanham Act’s High Hurdle for Cannabis Trademark Protection.	9
A. Trademark Trial & Appeal Board (“TTAB”) and Federal Court Application of the “Lawful Use in Commerce” Requirement to Marijuana Trademarks.....	11
B. Patchwork Protection & A Suggested Solution for the USPTO.	16
1. <i>Using Copyright Law to Protect Graphic Marks.</i>	16
2. <i>Registering Trademarks in Connection with Legal, but Related Goods</i>	18
3. <i>Using the Cole Memo as a Framework to Permit Marijuana Marks.</i>	19
III. Exploring the Uncertainty of DTSA Protection for Cannabis Trade Secrets.....	21
A. Initial Application of the DTSA to Cannabis Trade SECRETS	23

B. Courts Should Read Siva to Protect All Cannabis-Related Trade Secrets	25
Conclusion.....	27

INTRODUCTION

Despite marijuana’s current status as a Schedule I banned substance under the Controlled Substances Act of 1970 (“CSA”),¹ the drug has generally been treated favorably throughout much of American history.² Upon America’s founding, cannabis was among the most popular crops grown on plantations mainly due to its ability to be used in various ways.³ In fact, many of America’s Founding Fathers were proponents of marijuana use and production – albeit for industrial, as opposed to recreational, use.⁴ This widespread, multi-purpose use of marijuana continued through the nineteenth century as the scientific community began taking advantage of its medicinal properties, and partially into the twentieth century as recreational use became more prominent.⁵

¹ 21 U.S.C. § 812 (2018).

² Helia Garrido Hull, *Lost in the Weeds of Pot Law: The Role of Legal Ethics in the Movement to Legalize Marijuana*, 119 PENN ST. L. REV. 333, 336 (2014) (“Cannabis, more commonly known as marijuana, played an integral role in early American society. It was grown commercially in America for much of its history.”); Marty Ludlum & Darrell Ford, *Katie’s Law: Oklahoma’s Second Puff of Medical Marijuana*, 41 OKLA. CITY U. L. REV. 169, 173 (“Marijuana was not always illegal in the United States.”).

³ D. Mark Anderson et al., *Medical Marijuana Laws, Traffic Fatalities, and Alcohol Consumption*, 56 J.L. & ECON. 333, 335 (2013) (“Marijuana was introduced in the United States in the early 1600s by Jamestown settlers who used the plant in hemp production”); Allison E. Don, *Lighten Up: Amending the Single Convention on Narcotic Drugs*, 23 MINN. J. INT’L L. 213, 213 (2014) (“Its durability made it a popular material for clothing, rope and other commercial items.”).

⁴ See Don, *supra* note 3, at 213; MOUNT VERNON LADIES’ ASS’N, *Did George Washington Grow Hemp?*, <https://www.mountvernon.org/george-washington/facts/george-washington-grew-hemp/> (last visited Feb. 5, 2020).

⁵ Elena Quattrone, *The “Catch-22” of Marijuana [Il]egalization*, 22 B.U. J. SCI. & TECH. L. 299, 301 (2016) (“[M]arijuana was included in the United States Pharmacopeia from 1850 until 1942”); PBS, *Marijuana Timeline*, <https://www.pbs.org/wgbh/pages/frontline/shows/dope/etc/cron.html> (last

As recreational marijuana use became popular in the early 1900s, regulations were quickly introduced on the state level and federal regulations followed shortly thereafter.⁶ These regulations ranged from severely restricting marijuana use to prohibiting it outright and were motivated partially by fears of addiction, violence, and criminality, as well as partially by racism.⁷ Criminalization of cannabis continued throughout much of the twentieth century, reaching its peak when Congress enacted the CSA in 1970.⁸ Since the CSA's enactment, marijuana's legal status has remained mostly the same at the federal level;⁹ however, marijuana's legal status at the state level saw a major shift in 1996 when California defiantly passed Proposition 215.¹⁰

Proposition 215 legalized the cultivation and use of marijuana for medical purposes upon physician recommendation or approval.¹¹ Over the last two and a half decades, more than thirty

visited Feb. 5, 2020) (“After the Mexican Revolution of 1910, Mexican immigrants flooded into the U.S., introducing to American culture the recreational use of marijuana.”).

⁶ Quattrone, *supra* note 5, at 306–07 (“The first U.S. ordinance directly banning the sale or possession of marijuana was passed in 1914 in El Paso, Texas, which led other states to follow suit.”); Melanie Reid, *The Quagmire That Nobody in the Federal Government Wants to Talk About: Marijuana*, 44 N.M. L. REV. 169, 170 (2014) (“Production of marijuana-based drugs also came to a halt after Congress passed the Marijuana Tax Act of 1937 . . .”).

⁷ Quattrone, *supra* note 5, at 301, 306–07 (“By 1937 all forty-eight states had some law restricting the use of marijuana, and thirty-five states had criminalized its use.”); Ludlum & Ford, *supra* note 2, at 174 (“States implemented anti-marijuana laws, often with highly charged racial motives); Reid, *supra* note 6, at 170.

⁸ Comprehensive Drug Abuse Prevention and Control Act of 1970, Pub. L. No. 91-513, Title II, 84 Stat. 1242 (1970) (codified at 21 U.S.C. §§ 801–904 (2018)). In addition to banning the use or possession of marijuana and other drugs, the CSA prohibits the sale or offering for sale of paraphernalia meant to be used in connection with drugs banned under the CSA. 21 U.S.C. § 863.

⁹ Although psychoactive cannabis remains a Schedule I banned substance under the CSA, it is worth noting that in 2018 Congress passed the Agriculture Improvement Act of 2018, which effectively legalized the production and use of the *Cannabis sativa* L. plant (hemp) where it contains a THC concentration of “not more than 0.3 percent on a dry weight basis.” 7 U.S.C. § 1639o(1); 21 U.S.C. § 802(16)(B).

¹⁰ CAL. HEALTH & SAFETY CODE § 11362.5 (West 2020).

¹¹ *Id.*; Michael Vitiello, *Proposition 215: De Facto Legalization of Pot and*

other states and the District of Columbia, have followed California's lead in legalizing medical marijuana to some degree.¹² In turn, this has led fifteen states, as well as the nation's capital, to completely legalize recreational use of marijuana, seemingly sparking the overnight creation of the cannabis industry.¹³ The shifting stance on cannabis by state legislatures and society as a whole has allowed marijuana-related businesses to flourish in states where the plant has been legalized to some degree. Indeed, in 2013, in light of state legislation legalizing marijuana, then United States Attorney General James Cole issued a memorandum (the "Cole Memo") clarifying the federal government's marijuana enforcement priorities.¹⁴ The memo clarified that so long as states

the Shortcomings of Direct Democracy, 31 U. Mich. J.L. Reform 707, 707–08 (1998).

¹² Audrey McNamara, *These states now have legal weed, and which states could follow suit in 2020*, CBS NEWS (Jan. 1, 2020, 3:55 PM), <https://www.cbsnews.com/news/where-is-marijuana-legal-in-2020-illinois-joins-10-other-states-legalizing-recreational-pot-2020-01-01/>.

¹³ *Id.*; Jeremy Berke, *Cannabis has gone from a criminalized drug to a multibillion-dollar global boom in just a few years. Here's everything you need to know about the emerging legal cannabis industry.*, BUSINESS INSIDER (Dec. 9, 2019, 3:40 PM), <https://www.businessinsider.com/latest-cannabis-business-news-2019-6>. In the 2020 Election, voters in Arizona, Montana, New Jersey, and South Dakota approved ballot initiatives to legalize recreational marijuana. See Catherine A. Cano et al., *Voters in Five States Approve Marijuana Ballot Initiatives on Election Day*, THE NATIONAL LAW REVIEW (Nov. 4, 2020), <https://www.natlawreview.com/article/voters-five-states-approve-marijuana-ballot-initiatives-election-day>. Arizona's measure does not have a delayed effective date, Montana's and New Jersey's measures will be effective on January 1, 2021, and South Dakota's measure will be effective on July 1, 2021. See *id.* New Jersey's measure also requires enabling legislation, which has already been approved by the New Jersey's Senate Judiciary Committee. See Suzette Parmley, *Senate Panel Approves Pair of Cannabis Bills, Including Enabling Legislation to Regulate New Industry*, NEW JERSEY LAW JOURNAL (Nov. 10, 2020, 7:12 AM), <https://www.law.com/njlawjournal/2020/11/10/senate-panel-approves-pair-of-cannabis-bills-including-enabling-legislation-to-regulate-new-industry/>

¹⁴ The listed priorities were to prevent the following: (1) "distribution of marijuana to minors;" (2) "revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels;" (3) "diversion of marijuana from states where it is legal under state law in some form to other states;" (4) "state-authorized marijuana activity from being used as a cover or pretext for the

legalizing marijuana did not interfere with those priorities, the Department of Justice (“DOJ”) would defer to the states to regulate and enforce marijuana-related activity.¹⁵ Nevertheless, the Cole Memo has since been rescinded and cannabis is still banned under the CSA.¹⁶ This has forced cannabis-related businesses to operate in the gray area between federal illegality and state legality, which has given rise to a multitude of issues that non-cannabis businesses normally do not face.¹⁷

One such issue that cannabis businesses have faced is a novel combination of heightened difficulty and doubt in obtaining federal protection for their trade secrets and trademarks.¹⁸ Although every

trafficking of other illegal drugs or other illegal activity;” (5) “violence and the use of firearms in the cultivation and distribution of marijuana;” (6) “drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;” (7) “growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands;” and (8) “marijuana possession or use on federal property.” Memorandum from Deputy Attorney General James M. Cole to All U.S. Attorneys, (Aug. 29, 2013) (on file with U.S. Department of Justice) [hereinafter “Cole Memo”].

¹⁵ Cole Memo, *supra* note 14.

¹⁶ Despite Attorney General Sessions’ 2018 memorandum rescinding the Cole Memo, the DOJ has mostly maintained the same lenient attitude towards cannabis in states that have legalized the drug. *See* Ross O’Brien, *How the Feds Protect the Cannabis Industry and How Things Could Change*, ENTREPRENEUR (Jan. 23, 2020), <https://www.entrepreneur.com/article/343429>.

¹⁷ Natalie Fertig, *The Great American cannabis experiment*, POLITICO (Oct. 14, 2019, 8:01 AM), <https://www.politico.com/agenda/story/2019/10/14/cannabis-legal-states-001031/>; AMERICAN BAR ASSOCIATION, *Navigating the Conflicting Federal and State Laws for Doing Business With Cannabis Companies*, (Sept. 13, 2019) https://www.americanbar.org/groups/business_law/resources/materials/2019/annual_materials/fed_state_laws/.

¹⁸ Eric Misterovich, *Trade Secret Protection for Marijuana Businesses*, 97-AUG MICH. B.J. 28, 29 (2018) (“The extent to which federal courts will enforce the intellectual property rights of businesses licensed to grow, process, test, transport, and sell marijuana under state law is unresolved.”); Tiffany Hu, *Marijuana Marks Still Not ‘Lawful,’ TTAB Says*, LAW360 (July 22, 2019, 7:34 PM), <https://www.law360.com/articles/1180650/marijuana-marks-still-not-lawful-ttab-says> (discussing the Trademark Trial & Appeal Board’s continued stance that “state-level marijuana legalization does not make cannabis products lawful for federal trademark registration purposes.”).

state has its own trademark and trade secret laws, the federal laws for these forms of intellectual property provide uniformity, broader geographic protection, and particularly for trademarks, more expansive property rights.¹⁹ To fully understand the uncertainty and challenges that accompany federal trade secret and trademark protection in the cannabis industry, a brief overview of the commercial roots underlying the two forms of intellectual property is required.

I. UNDERSTANDING THE COMMERCIAL NATURE OF TRADE SECRETS & TRADEMARKS.

Similar to cannabis, upon America's founding intellectual property was viewed as serving an important role in advancing American society. As such, the Framers explicitly granted Congress the authority to establish intellectual property systems in the Constitution.²⁰ Article I, Section 8, Clause 8 of the Constitution, known as the "Intellectual Property Clause," states that Congress has the power "[t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."²¹ However, trademarks and trade secrets do not serve to "promote the progress of science and useful arts," but rather serve commercial purposes.²² As such, the Lanham Act, which protects trademarks, and the Defend Trade Secrets Act

¹⁹ *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985) ("The Lanham Act provides national protection of trademarks"); *Brand Energy & Infrastructure Services, Inc. v. Irex Contracting Group*, No. 16-2499, 2017 WL 1105648, at *7 (E.D. Pa. Mar. 24, 2017) ("Congress intended the DTSA to apply in substantially the same way as the states' trade secrets laws, but with a much broader geographic and jurisdictional reach.").

²⁰ U.S. CONST. art. I, § 8, cl. 8.

²¹ *Id.*

²² *In re Trade-Mark Cases*, 100 U.S. 82, 94 (1879) ("The ordinary trade-mark has no necessary relation to invention or discovery."); Alexander Bussey, *Traditional Cultural Expressions and the U.S. Constitution*, 10 BUFF. INTELL. PROP. L.J. 1, 18 (2014) ("[The Commerce Clause] is currently the justification for trademark and trade secret laws, because those regimes are highly commercial in nature.").

(“DTSA”), which protects trade secrets, were enacted pursuant to the Commerce Clause.²³

Under the Lanham Act, “trademark” is defined as “any word, name, symbol, or device, or any combination thereof (1) used by a person, or (2) which a person has a bona fide intention to *use in commerce* . . . to identify and distinguish his or her goods”²⁴ This means that mark owners are required to illustrate actual use, or actual intent to use, the mark commercially to gain federal protection.²⁵ Along the same lines, the DTSA requires, *inter alia*, information to “derive[] independent *economic value*, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain *economic value* from the disclosure or use” of the information to be a trade secret.²⁶ The fact that Congress required “use in commerce” and “economic value” as prerequisites to trademark and trade secret protection, respectively, illustrates that these doctrines serve commercial purposes.

More importantly the Lanham Act provides *national* protection for trademarks being used in commerce regardless of whether the mark owner’s business operates locally or nationally so long as it affects interstate commerce.²⁷ The DTSA also aims to provide trade secret owners with *national* protection from misappropriation

²³ U.S. CONST. art. I, § 8, cl. 3 (granting Congress the authority “to regulate commerce . . . among the several states”); Laura G. Pedraza-Fariña, *Spill Your (Trade) Secrets: Knowledge Networks as Innovation Drivers*, 92 Notre Dame L. Rev. 1561, 1606 (2017) (“The DTSA enacts a private, federal cause of action for trade secret misappropriation based on congressional power under the Commerce Clause.”); *I.P. Lund Trading ApS v. Kohler Co.*, 11 F.Supp.2d 127, 129 (D. Mass. 1998) (“Congress’ authorization to protect trademarks derives from the Commerce Clause of the Constitution”).

²⁴ 15 U.S.C. § 1127 (2018) (emphasis added).

²⁵ *Kiva Health Brands LLC v. Kiva Brands Inc.*, 402 F. Supp. 3d 877, 888 (N.D. Cal. 2019).

²⁶ 18 U.S.C. § 1839(3) (2018) (emphasis added).

²⁷ *Thompson Tank & Mfg. Co., Inc. v. Thompson*, 693 F.2d 991, 993 (9th Cir. 1982) (“Section 45 of the Lanham Act, 15 U.S.C. § 1127, defines the word ‘commerce’ as used in the Lanham Act to include ‘all commerce which may lawfully be regulated by Congress.’ It is well settled that so defined ‘commerce’ includes ‘intrastate commerce’ which ‘affects’ interstate commerce.”) (citation omitted).

so long as the trade secrets “relate[] to a product or service used in, or intended for use in, interstate commerce.”²⁸ Hence, the commercial nature of these two intellectual property forms illustrate that having national protection is a desirable asset for cannabis businesses as the industry continues to see rapid growth throughout the United States.

However, as mentioned above, the CSA *nationally* criminalizes cannabis altogether regardless of whether it is cultivated inter or intra-state.²⁹ Herein lies the (possibly very expensive) question for the cannabis industry: how can marijuana related businesses operating legally under state law obtain and enforce federal trademark and trade secret rights when they cannot *lawfully* conduct their businesses – intra or interstate – in the eyes of the federal law? The challenges confronted by marijuana-related business owners attempting to protect their trade secrets and trademarks federally come fully into focus upon taking a closer look at each doctrine’s statutory requirements and how courts have applied them.

II. GETTING OVER THE LANHAM ACT’S HIGH HURDLE FOR CANNABIS TRADEMARK PROTECTION.

As mentioned *supra* in Section I, the Lanham Act requires that a mark be used in commerce to garner federal trademark protection. This is a relatively low bar for mark owners to satisfy as illustrated by courts’ willingness to find the “use in commerce” requirement met even where little to no actual sales occur.³⁰

²⁸ 18 U.S.C. § 1836(b)(1) (2018).

²⁹ *See* *Gonzales v. Raich*, 545 U.S. 1, 22 (2005) (“We need not determine whether respondents’ activities, taken in the aggregate, substantially affect interstate commerce in fact, but only whether a ‘rational basis’ exists for so concluding. . . . That the regulation ensnares some purely intrastate activity is of no moment. As we have done many times before, we refuse to excise individual components of that larger scheme.”) (citation omitted).

³⁰ *Maduka v. Tropical Naturals, Ltd.*, 409 F.Supp.3d 337, 356 (E.D. Pa. 2019) (“As long as there is ‘genuine use of the mark in commerce, however, ownership may be established even if the first uses are not extensive and do not result in deep market penetration or widespread recognition.”) (citation omitted); *Telegram Messenger Inc. v. Lantah, LLC*, No. 18-cv-02811-CRB, 2018 WL

However, in applying this requirement, the United States Patent and Trademark Office (“USPTO”) and courts have historically interpreted “use in commerce” with the added gloss that such “use in commerce” must be lawful.³¹ This longstanding precedent is generally a virtuous and rational policy, as granting trademark protection for marks used in connection with goods or services that violate the law would seemingly promote illegal activities. Nevertheless, society is adopting a more favorable view of marijuana, adeptly demonstrated by state legalization, causing the lawful use policy to yield unreasonable results in the ever-growing cannabis industry.

In particular, as cannabis businesses operating legally under state laws have attempted to register their trademarks in connection with marijuana, the USPTO has proven to be a nearly insurmountable hurdle due to the federal illegality of cannabis.³² Indeed, time and time again the USPTO has refused registration of marks for use in connection with the sale of cannabis based on cannabis’ status under the CSA, despite the applicant only operating in states where marijuana is legal.³³ At first glance, it would seem relatively plausible to argue to the USPTO that the applicant only uses or intends to use the mark in states where cannabis has been legalized to some extent, and thus, that there is a

3753748, at *5 (N.D. Cal. Aug. 8, 2018) (“Even small sales can be sufficient to constitute a use in commerce.”) (citation omitted); *Lens.com, Inc. v. 1-800 Contacts, Inc.*, 686 F.3d 1376, 1380 (Fed. Cir. 2012) (“The statute is clear that the actual sale of goods is not required to satisfy § 1127’s ‘use in commerce’ requirement, provided that the goods are ‘transported’ in commerce.”).

³¹ *Kiva Health Brands LLC v. Kiva Brands Inc.*, 402 F. Supp. 3d 877, 888 (N.D. Cal. 2019); *In re Morgan Brown*, 119 U.S.P.Q.2d 1350, 2016 WL 4140917, at *1 (T.T.A.B. 2016); *Dessert Beauty, Inc. v. Fox*, 617 F. Supp. 2d 185, 189 (3d Cir. 2007).

³² Kevin Murphy, *Why Building Intellectual Property In The Cannabis Industry Is So Difficult*, FORBES (Sept. 26, 2019, 11:00 AM), <https://www.forbes.com/sites/kevinmurphy/2019/09/26/why-building-intellectual-property-in-the-cannabis-industry-is-so-difficult/#11fcec71fdc>.

³³ *In re Canopy Growth Corporation by Assignment from JJ206, LLC*, 2019 WL 3297396, at *2-3 (T.T.A.B. 2019); *In re Pharmacann LLC*, 123 U.S.P.Q.2d 1122, 2017 WL 2876812, at *7-8 (T.T.A.B. 2017); *In re Morgan Brown*, 2016 WL 4140917, at *3; *In re JJ206, LLC, dba JuJu Joints*, 120 U.S.P.Q.2d 1568, 2016 WL 7010624, at *3 (T.T.A.B. 2016).

“lawful use in commerce.” Given the federal government’s recent hands-off approach to enforcing marijuana related CSA violations, it would also seem plausible for the USPTO to respond by adopting a flexible approach wherein it grants applicants federal trademark registrations that provide national protection *except in states where cannabis is illegal*.³⁴

Although such an argument by applicants and such a flexible approach by the USPTO seem like reasonable courses of action in a time when the cannabis industry is flourishing under state law, the USPTO and federal courts have remained unpersuaded that state legalization can overcome the “lawful use” requirement. In fact, federal court and USPTO decisions, as well as USPTO guidance documents, have made it explicitly clear that trademarks used in connection with the sale of cannabis will continue to be refused unless Congress decides to legalize cannabis.

A. Trademark Trial & Appeal Board (“TTAB”) and Federal Court Application of the “Lawful Use in Commerce” Requirement to Marijuana Trademarks.

As more states have followed the trend of legalizing marijuana, the USPTO has naturally seen an increase in marijuana-related trademark applications.³⁵ In dealing with these applications, the USPTO and courts have consistently refused to register cannabis-related trademarks on the grounds that cannabis is illegal under federal law, arguing that it is federal law—not state law—that matters for the Lanham Act’s “lawful use in commerce” requirement.³⁶

For example, in 2016 the TTAB decided *In re Morgan Brown* (“*Brown*”), a precedential opinion dealing with the refusal of the standard character mark “HERBAL ACCESS” in connection with

³⁴ See *supra* note 16.

³⁵ Matthew S. Dicke et al., *In the Weeds: Key Intellectual Property Takeaways for the Cannabis Industry*, K&L GATES (Nov. 4, 2019), <http://www.klgates.com/key-intellectual-property-takeaways-for-the-cannabis-industry-11-04-2019/?nomobile=perm>.

³⁶ *In re Pharmacann LLC*, 2017 WL 2876812, at *7-8; *In re Morgan Brown*, 2016 WL 4140917, at *3.

“retail store services featuring herbs.”³⁷ There, the applicant’s website explicitly referred to marijuana use and its specimen of use included photographs of the applicant’s retail location which had green cross displays appearing adjacent to the “HERBAL ACCESS” word mark.³⁸ In considering this evidence, the TTAB agreed with the Trademark Examining Attorney’s finding that the applicant’s identification of services “include the provision of an illegal substance, i.e., marijuana, in violation of the [CSA].”³⁹ Based on this finding, the TTAB affirmed the Trademark Examining Attorney’s refusal of the applicant’s mark, stating, “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.”⁴⁰

Less than four months later, the TTAB expounded on its *Brown* holding when it decided *In re JJ206, LLC, dba JuJu Joints (“JuJu”)*.⁴¹ In *JuJu*, the applicant was appealing a refusal to register its standard character marks “POWERED BY JUJU” and “JUJU JOINTS” for use in connection with smokeless cannabis vaporizing devices (“vapes”), based on the finding that such use was unlawful.⁴² In its appeal the applicant argued that since it was conducting business in states where marijuana is legal, its intended use of its marks was lawful.⁴³ The TTAB summarily rejected this argument based on its recent holding in *Brown*.⁴⁴ Additionally, the applicant argued that because it conducted its business in states

³⁷ *In re Morgan Brown*, 2016 WL 4140917, at *1.

³⁸ *Id.* at *2-3.

³⁹ *Id.* at *3.

⁴⁰ *Id.* at *2-5.

⁴¹ *In re JJ206, LLC, dba JuJu Joints*, 120 U.S.P.Q.2d 1568, 2016 WL 7010624, at *1 (T.T.A.B. 2016).

⁴² Because of the way the applicant identified, described, and advertised its vapes as devices meant to be used with cannabis, the Trademark Examining Attorney determined that the applicant’s vapes were devices that were meant for using “marijuana, as defined in the CSA.” *Id.* at *2-3. Based on this determination, the Examining Attorney found that they were drug paraphernalia, as defined in the CSA, and since the CSA prohibits the sale or offering for sale of drug paraphernalia, the Examining Attorney found that the applicant’s intended use of the marks was unlawful under the CSA. *Id.*

⁴³ *Id.* at *3.

⁴⁴ *Id.*

that comply with the Cole Memo's directives its use of the marks were lawful.⁴⁵ The TTAB was equally unpersuaded by this argument as it stated that "the memorandum does not and cannot override the CSA, and in fact, explicitly underscores [the illegality of marijuana]."⁴⁶ Finally, the applicant made policy arguments contending that, *inter alia*, there are "accepted medical uses for marijuana," and refusing trademarks for marijuana-related goods and services causes consumer confusion, causes brand dilution, and "opens the Applicant up to infringement."⁴⁷ In rejecting these arguments, the TTAB noted that such issues exceeded its jurisdiction and that it "cannot simply disregard" the law or Congress's legal determinations.⁴⁸

Further underscoring the USPTO's stance that it will refuse marijuana-related marks until Congress legalizes marijuana, the agency issued a guidance document on May 2, 2019 clarifying how it would treat certain cannabis-related marks in light of the 2018 Farm Bill.⁴⁹ The 2018 Farm Bill, enacted on December 20, 2018, defined the term "hemp" as "the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol [THC] concentration of not more than 0.3 percent on a dry weight basis."⁵⁰ Based on this definition, the 2018 Farm Bill also amended the CSA so that "hemp" no longer falls under the definition of marijuana, which effectively legalized cannabis plants and CBD products containing 0.3% or less of THC "on a dry-weight basis."⁵¹ In view of hemp's new legal status under the CSA, the USPTO's 2019 guidance document stated that

⁴⁵ *Id.* at *4.

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ USPTO, *Examination of Marks for Cannabis and Cannabis-Related Goods and Services after Enactment of the 2018 Farm Bill*, USPTO (May 2, 2019),

<https://www.uspto.gov/sites/default/files/documents/Exam%20Guide%201-19.pdf> (hereinafter USPTO Hemp Guidance Document).

⁵⁰ *Id.*

⁵¹ *Id.*

“the 2018 Farm Bill potentially removes the CSA as a ground for refusal of registration, but *only* if the goods are derived from ‘hemp.’”⁵² The document also clarified that applications for marks associated with such goods still potentially face “lawful use” issues if they require approval by the U.S. Food and Drug Administration (“FDA”).⁵³ Nonetheless, the USPTO’s 2018 Farm Bill guidance document clearly illustrates that despite most states legalizing cannabis, the USPTO is unwaveringly following Congress’s lead with regard to the drug and it will continue to refuse marks used incompatibly with federal law.

More recently, the United States District Court for the Northern District of California had occasion to analyze the interplay between federal trademark law and cannabis trademarks under state common law, and in doing so it expanded the “lawful use” requirement’s reach.⁵⁴ In *Kiva Health Brands LLC v. Kiva Brands Inc.*, (“*Kiva*”), Kiva Health Brands (“KHB”), owned a federal trademark in the word “KIVA” for health and wellness foods since 2013 and Kiva Brands Inc. (“KBI”) had continually used the “KIVA” mark under California law for “cannabis-infused chocolates and confections” since 2010.⁵⁵ In 2018, KHB sued KBI for its use of the “KIVA” mark and KBI asserted the prior use affirmative defense based on its earlier use date.⁵⁶ Despite KBI’s earlier use, the court held that KBI’s prior use defense failed because its use of the mark for cannabis-infused goods violated federal law.⁵⁷ In so holding, the court reasoned that although KBI’s “prior use” was based on its California common law trademark rights, KBI was asserting the defense against a *federal* trademark claim, and it would be anomalous to permit a prior use that violates *federal* law to defeat a *federal* trademark.⁵⁸ Thus, the

⁵² *Id.* (emphasis in original).

⁵³ *Id.*

⁵⁴ *Kiva Health Brands LLC v. Kiva Brands Inc.*, 402 F. Supp. 3d 877, 890 – 891 (N.D. Cal. 2019).

⁵⁵ *Id.* at 881–82.

⁵⁶ *Id.* at 889–90.

⁵⁷ *Id.* at 890.

⁵⁸ *Id.* (“While KBI is only asserting California common law rights to the KIVA mark . . . it is doing so as a defense to a federal trademark claim To hold that KBI’s prior use of the KIVA mark on a product that is illegal under

“lawful use” requirement may expand beyond federal trademarks to also preempt state common law marks that do not comply with federal law.

Collectively, the foregoing applications of the “lawful use” requirement by the USPTO and federal courts illustrate that (1) the CSA makes it inherently difficult for cannabis-related businesses to obtain federal trademark protection, and (2) depending on how other federal courts treat the prior use holding in *Kiva*, even state-level trademark protection may come with uncertainty. This is especially true now that some well-established brands with national trademarks are beginning to venture into the newly legalized CBD market under their pre-existing trademarks.⁵⁹

For example, last year Edible Arrangements decided to move into the CBD market by selling CBD infused goods under the brand “Incredible Edibles.”⁶⁰ Although Edible Arrangements has not yet registered the “INCREDIBLE EDIBLES” mark in connection with CBD, it recently filed suit against a cannabis company for selling cannabis products under the “INCREDIBLES” mark, alleging likelihood of confusion with its “edible” related marks because cannabis is in its “zone of [] natural expansion.”⁶¹ It is not clear whether Edible Arrangements

federal law is a legitimate defense to KHB’s federal trademark would ‘put the government in the anomalous position of extending the benefits of trademark protection to a seller based upon actions the seller took in violation of that government’s own laws.’”).

⁵⁹ Dennis Mitzner, *Retailers See Promise In CBD And Hemp Products*, FORBES (Aug. 6, 2019, 2:02 PM), <https://www.forbes.com/sites/dennismitzner/2019/08/06/retailers-see-promise-in-cbd-and-hemp-products/#2b7dd49d411f>; ASSOCIATED PRESS, *Mainstream retailers are embracing CBD products*, NY POST (Apr. 15, 2019, 1:34 PM), <https://nypost.com/2019/04/15/mainstream-retailers-are-embracing-cbd-products/>.

⁶⁰ Christina Troitino, *Edible Arrangements Pivots Into CBD Market, Thanks to ‘Edible’ Trademark*, FORBES (Jan. 23, 2020, 2:53 PM), <https://www.forbes.com/sites/christinatroitino/2020/01/23/edible-arrangements-pivots-into-cbd-market-thanks-to-edible-trademark/#44c775936fd2>.

⁶¹ See Complaint at ¶¶ 1-2, 68, 75, *Edible IP, LLC v. MC Brands LLC*, No. 1:20-cv-05840 (N.D. Ill. Sept. 30, 2020), ECF No. 1. Edible Arrangements has registered the “INCREDIBLE EDIBLES” mark in connection with fruit-related products, but it also has an application for registration of the mark in connection

will succeed in this suit, but, being that “edibles” is a term commonly used in relation to marijuana,⁶² it would not be surprising to see Edible Arrangements continue to initiate lawsuits against competing cannabis businesses on similar grounds if it succeeds. Moreover, corporations like Edible Arrangements may use the uncertainty of state law trademarks after *Kiva* to pressure litigation-averse cannabis businesses into settlement agreements to avoid their marks being invalidated in court. Based on these difficulties and uncertainties, cannabis-related businesses should consider resorting to unconventional, patchwork methods of protecting their trademarks and the USPTO should reconsider its current application of the “lawful use” requirement to cannabis trademarks.

B. Patchwork Protection & A Suggested Solution for the USPTO.

1. Using Copyright Law to Protect Graphic Marks.

One potential solution that cannabis-related businesses could utilize to protect their trademarks is the copyright system. As discussed *supra*, the Lanham Act was not enacted pursuant to the Intellectual Property Clause of the Constitution because trademarks serve a commercial purpose as opposed to “promot[ing] the progress of science and useful arts”⁶³ In contrast, the Copyright Act was enacted pursuant to the Intellectual Property Clause because works protected under the Copyright Act are thought to “promote the progress of science”⁶⁴ Based

with CBD-related goods that is currently pending before the USPTO. *See* INCREDIBLE EDIBLES, Registration No. 5,950,393; INCREDIBLE EDIBLES, Application Serial No. 88/691,245 (filed Nov. 13, 2019).

⁶² *See* *Kiva Health Brands LLC v. Kiva Brands Inc.*, 402 F.Supp.3d 877, 881 (N.D. Cal. 2019) (“Defendant Kiva Brands Inc. (‘KBI’), a maker of cannabis-infused chocolate and other ‘edibles.’”); Paul J. Larkin, Jr., *Marijuana Edibles and “Gummy Bears”*, 66 BUFF. L. REV. 313 (2018).

⁶³ *See supra*, text accompanying notes 21 – 23.

⁶⁴ U.S. CONST. art. I, § 8, cl. 8; Honorable Giles Sutherland Rich, *My Favorite Things*, 35 IDEA 1, 2 (1994) (“It was quite clearly intended by the authors of the Constitution that copyright, not patents, was intended to promote science”).

upon the distinct purposes that trademarks and copyrights serve, there are natural distinctions in what is required for copyright protection versus trademark protection.

Since copyright law serves to promote creativity and enrich our culture, as opposed to serving a commercial purpose, there is no “use in commerce” requirement to garner protection, let alone a “lawful use” requirement.⁶⁵ Instead, to garner copyright protection the Copyright Act requires that a work be (1) original (2) fixed in a tangible medium, and (3) fall under one of the statutory categories of copyrightable subject matter.⁶⁶ These requirements are not difficult to satisfy as originality merely requires independent creation and “a modicum of creativity,”⁶⁷ fixation merely requires physical embodiment so that it can be “communicated for more than a transitory duration,”⁶⁸ and the Copyright Act’s eight categories of protectable subject matter are fairly broad.⁶⁹ Assuming independent creation, many cannabis-related businesses could likely satisfy these requirements as such marks are commonly pictorial or graphic representations of some sort, which typically contain the requisite level of creativity for the originality requirement.⁷⁰ Additionally, the logo marks would be “fixed” as embodied on any goods or advertisements distributed by cannabis businesses and fall under the “pictorial, graphic, and sculptural works” category of copyrightable subject matter.⁷¹

Where a cannabis-related logo mark obtains copyright protection the “mark” owner will reap certain benefits that are similar to those that the Lanham Act provides, but uniquely tailored to the goals of copyright law. For instance, both copyright and trademark law provide causes of action for infringement, but unlike trademark infringement, which requires a showing that, *inter alia*, the infringer used the mark holder’s mark in

⁶⁵ *Satava v. Lowry*, 323 F.3d 805, 807 (9th Cir. 2003); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975).

⁶⁶ 17 U.S.C. § 102(a) (2018).

⁶⁷ *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 346 (1991).

⁶⁸ 17 U.S.C. § 101 (2018).

⁶⁹ *Id.* § 102(a).

⁷⁰ 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 6:18 (5th ed. 2020).

⁷¹ 17 U.S.C. §§ 101, 102(a)(5) (2018).

commerce,⁷² copyright infringement requires a showing that, *inter alia*, the infringer copied “constituent elements of the work that are original.”⁷³ As a result, any unauthorized recreation of a copyrighted logo will likely be actionable even if it isn’t being used as a source identifier. Additionally, copyright protection subsists for the life of the work’s author plus seventy years, which is of course a shorter protection period than the indefinite protection that trademarks receive subject to renewal.⁷⁴ Nonetheless, assuming that Congress will act momentarily to legalize cannabis,⁷⁵ life plus seventy years should provide a period of protection that is sufficient to hold cannabis businesses over until such congressional action occurs. Thus, while not identical to the protections and benefits of trademark law, copyright law is an adequate alternative where trademark law is not available to cannabis-related business.

2. Registering Trademarks in Connection with Legal, but Related Goods

Another often-suggested solution to protect cannabis-related trademarks is to register the marks in connection with as many legal goods or services that are as closely related to cannabis as possible.⁷⁶ For example, the USPTO has allowed cannabis-related

⁷² 1-800 Contacts, Inc. v. WhenU.com, Inc., 414 F.3d 400, 406–07 (2d Cir. 2005).

⁷³ Kwan v. Schlein, 634 F.3d 224, 229 (2d Cir. 2011) (quoting Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., Inc., 499 U.S. 340, 361 (1991)).

⁷⁴ 17 U.S.C. § 302; 15 U.S.C. §§ 1058(a), 1059(a).

⁷⁵ Tom Angell, *Top Congressional Chairman And Presidential Candidate File Marijuana Legalization Bills*, FORBES (July 23, 2019, 5:02 AM), <https://www.forbes.com/sites/tomangell/2019/07/23/top-congressional-chairman-and-presidential-candidate-file-marijuana-legalization-bills/#37b74ead2a87>; Tom Angell, *Congress Votes To Block Feds From Enforcing Marijuana Laws In Legal States*, FORBES (June 20, 2019, 5:37 PM), <https://www.forbes.com/sites/tomangell/2019/06/20/congress-votes-to-block-feds-from-enforcing-marijuana-laws-in-legal-states/#1833ff9d4b62>.

⁷⁶ See James Rufus Koren, *Marijuana brands can trademark almost anything, except marijuana*, LOS ANGELES TIMES (Jan. 7, 2017, 3:00 AM), <https://www.latimes.com/business/la-fi-marijuana-trademarks-20170104-story.html>.

businesses to register marks in connection with goods or services ranging anywhere from tobacco- and cigarette-related goods to provision of medical marijuana information.⁷⁷ Given the recent legalization of “hemp” this workaround is even simpler to accomplish because assuming compliance with FDA regulations and other laws, sale of “hemp” could support a trademark registration and would be as closely related to selling marijuana as one could legally get.⁷⁸ Although this strategy would not lead to cannabis businesses having a federally protected trademark as to *illegal* cannabis goods or services, it would allow such businesses to develop goodwill for their brands as to those related goods or services that are legal. In turn, this could potentially make it easier to establish trademark rights in connection with marijuana if Congress legalizes it. Furthermore, if Congress legalizes cannabis and a competitor tries to quickly register a business’s mark, having the mark already registered with related goods or services would make it easier for a trademark examiner to reject the application since the likelihood of confusion analysis looks at factors such as relatedness of goods and trade channels used.⁷⁹ Thus, while not providing the full scope of benefits that a traditional trademark would receive, the related goods or services strategy would provide some level of protection to cannabis businesses.

3. Using the Cole Memo as a Framework to Permit Marijuana Marks.

In the past, the USPTO has explicitly rejected arguments that use of cannabis-related trademarks is “lawful” in states that comply with the Cole Memo enforcement policies.⁸⁰ However, given widespread state legalization of cannabis and the marijuana industry’s exponential growth, the USPTO should reinterpret its

⁷⁷ Republic Techs. (NA), LLC v. BBK Tobacco & Foods, LLC, 226 F.Supp.3d 605 (N.D. Ill. 2017); Koren, *supra* note 76.

⁷⁸ USPTO Hemp Guidance Document, *supra* note 49.

⁷⁹ Application of E.I. DuPont DeNemours & Co., 476 F.2d 1357, 1361 (C.C.P.A. 1973).

⁸⁰ In re JJ206, LLC, dba JuJu Joints, 120 U.S.P.Q.2d 1568, 2016 WL 7010624, at *4 (TTAB 2016).

current stance on “lawful use” to the extent that the Administrative Procedure Act (“APA”) permits.⁸¹ Pursuant to such reinterpretation, the agency should adopt a framework allowing registration of cannabis trademarks with protection that is geographically limited to only states that have legalized cannabis and abide by the enforcement policies that were listed in the Cole Memo.⁸²

Naturally if the USPTO adopted such a policy, critics would likely argue that trademark validity is then left up to the DOJ’s current enforcement policies, which can change at any moment. Indeed, the TTAB recently took judicial notice of the DOJ’s rescission of the Cole Memo in an opinion affirming the refusal of marijuana-related marks.⁸³ However, based on the marijuana industry’s growth and recent legislation at both the state and federal level, it appears that the marijuana industry is here to stay and that Congressional action to legalize cannabis is imminent.⁸⁴ Moreover, critics might argue that geographically limited trademark rights would cut against the national registration and protection benefits that the Lanham Act boasts. While it is true that a federal trademark with a geographically limited scope would prevent enjoyment of the full nationwide protection that regular trademarks receive, it is better than the current protection that cannabis trademarks receive under federal law.⁸⁵ Additionally, the USPTO permits registration of geographically limited trademarks where the applicant and a senior mark owner enter into a

⁸¹ 5 U.S.C. § 553 (2018).

⁸² The full list of the Cole Memo’s enforcement policies is set out earlier in this article, but, to reiterate, it essentially seeks to prevent marijuana possession by minors, negative public health consequences, and criminal activities and violence relating to marijuana cultivation and distribution. *See supra* note 14.

⁸³ *In re Canopy Growth Corp. by Assignment from JJ206, LLC*, 2019 WL 3297396, at *3 (TTAB July 16, 2019).

⁸⁴ *See* Angell, *supra* note 75; German Lopez, *Election Day was a major rejection of the war on drugs*, VOX (Nov. 4, 2020, (9:30 AM)), <https://www.vox.com/2020-presidential-election/2020/11/4/21548800/election-results-marijuana-legalization-drug-decriminalization-new-jersey-arizona-oregon-montana>

⁸⁵ 15 U.S.C. §1057(c) (2018).

“concurrent use” agreement.⁸⁶ Relatedly, courts permit geographic carveouts under the *Tea Rose* doctrine and the *Dawn Donut* rule, so it is not entirely inconsistent with the Lanham Act’s purpose and scope to allow more limited federal trademark rights than those typically afforded to registrants.⁸⁷ As a result of the foregoing, and to the extent the APA allows, the USPTO should consider reinterpreting its “lawful use” requirement to afford cannabis-related businesses trademark protection that is geographically limited to only states where cannabis is legal and abides by the Cole Memo’s enforcement policies.

III. EXPLORING THE UNCERTAINTY OF DTSA PROTECTION FOR CANNABIS TRADE SECRETS.

In contrast to trademark law, which is primarily rooted in federal law, trade secret law has traditionally been governed by state law.⁸⁸ In fact, until the DTSA was enacted in 2016, private causes of action to enforce trade secrets were governed exclusively by either state common law or the Uniform Trade Secret Act

⁸⁶ 15 U.S.C. § 1052(d) (2018).

⁸⁷ The *Tea Rose* doctrine is a common law trademark doctrine that provides that one may only acquire common law trademark rights in regions where her mark is known and recognized, so a junior user of the mark may acquire common law trademark rights to the same mark in a geographic region that is remote from the senior user’s. *See Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 436 (9th Cir. 2017). Therefore, in the convoluted situation where a senior user registers her mark after a junior user obtains common law rights for that mark in a geographically remote region, the senior user will obtain protection everywhere in the United States other than the regions where the junior user acquired common law rights prior to the senior user’s registration. *See id.* Similarly, the *Dawn Donut* rule states that where a senior registrant and an unauthorized junior user of a registered trademark concurrently use the mark in “two sufficiently distinct and geographically separate markets,” without any likelihood of the registrant expanding into the unauthorized user’s market, then the registrant cannot enjoin the unauthorized user’s continued use of the mark. *See Dawn Donut Co. v. Hart’s Food Stores, Inc.*, 267 F.2d 358, 364 (2d Cir. 1959). This is because the Lanham Act requires a showing of a likelihood of confusion to enjoin an unauthorized use and there is no likelihood of confusion if the two parties do not use the marks in the same market region. *See id.*

⁸⁸ Brittany S. Bruns, *Criticism of the Defend Trade Secrets Act of 2016*, 32 BERKELEY TECH. L.J., 473–76 (2017).

(“UTSA”) in states that chose to adopt it in some form.⁸⁹ Because trade secrets are primarily governed individually by each state, trade secret laws vary greatly from state to state with regard to protected subject matter, scope of protection, and interpretation and application of the laws, which has caused uncertainty for parties considering enforcing their trade secret rights.⁹⁰

In 2016, recognizing that the uncertainty in trade secret protection was caused by a lack of uniformity in state laws, Congress enacted the DTSA, which adopted language that largely tracks the UTSA.⁹¹ Despite the DTSA’s aim to, *inter alia*, decrease uncertainty in trade secret protection by creating a uniform federal trade secret act, some early studies indicate that the DTSA further perpetuates the uncertainty because instead of preempting state law, it merely complements state law, thereby creating more opportunities for different venues to apply the laws differently.⁹² In the cannabis industry, this uncertainty is likely exacerbated for businesses seeking to enforce cannabis-related trade secrets, as they must grapple with the additional uncertainty of whether marijuana’s status under the CSA prevents them from asserting federal trade secret misappropriation actions under the

⁸⁹ *Id.* at 469, 473–76. Congress enacted the Economic Espionage Act in 1996 to protect trade secrets, but that did not allow for private trade secret misappropriation causes of action. *Id.* at 480.

⁹⁰ Laura G. Pedraza-Fariña, *Spill Your (Trade) Secrets: Knowledge Networks As Innovation Drivers*, 92 NOTRE DAME L. REV. 1561, 1603–05 (2017). Even considering the fact that the UTSA had been adopted by almost every state when the DTSA was enacted, many state legislatures have made significant modifications to the model law’s language. Bruns, *supra* note 88, at 482–84.

⁹¹ Compare UNIF. TRADE SECRETS ACT § 1(2), (4) (UNIF. LAW COMM’N 1985) (defining “misappropriation” and “trade secret” under the model act), with 18 U.S.C. § 1839(3), (4) (Westlaw through P.L. 116-130) (defining “trade secret” with slightly altered language as to covered information, but largely adopting the same language as the UTSA as to reasonable secrecy measures and independent economic value; defining “misappropriation” with almost identical language to the UTSA).

⁹² David S. Levine & Christopher B. Seaman, *The DTSA At One: An Empirical Study of the First Year of Litigation Under the Defend Trade Secrets Act*, 53 WAKE FOREST L. REV. 105, 151–52 (2018); Bruns, *supra* note 88, at 492–96.

DTSA.⁹³

As stated *supra* in Section I, trade secret owners may only bring a misappropriation action under the DTSA where the trade secret is “related to a product or service used in, or intended for use in, interstate commerce.”⁹⁴ Given that courts have interpreted the Lanham Act’s “use in commerce” requirement to mean “lawful use,” it is plausible that courts interpreting the DTSA’s “used in, or intended for use in, interstate commerce” requirement could adopt a similar “lawful use” requirement.⁹⁵ With the uncertainty surrounding this possible interpretation, risk averse cannabis businesses may decide it is not worth laying out the expense of asserting DTSA misappropriation claims only to have their claims dismissed based on cannabis’ federal illegality.

This would cause cannabis-related businesses to forfeit benefits that the DTSA offers that are not available under state trade secret laws. Examples of such benefits include *ex parte* seizure of property embodying the trade secret in “extraordinary” cases, the greater of \$5 million or three times the value of a stolen trade secret in trade secret theft cases, and greater access to federal courts, which provides procedural advantages under the Federal Rules of Civil Procedure.⁹⁶ Although the DTSA is still too young to know definitively how courts will treat claims regarding cannabis-related trade secrets, a Central District of California opinion from 2018 that addresses the issue seems to indicate that federal courts will allow such claims to proceed.⁹⁷

A. Initial Application of the DTSA to Cannabis Trade Secrets

In 2018, the U.S. District Court for the Central District of

⁹³ See *supra* Section II.

⁹⁴ 18 U.S.C. § 1836(b)(1) (2018).

⁹⁵ See *supra* text accompanying note 31.

⁹⁶ 18 U.S.C. §§ 1832(b), 1836(b)(2), (c) (2018); David Bohrer, *Threatened Misappropriation of Trade Secrets: Making A Federal (DTSA) Case Out of It*, 33 SANTA CLARA HIGH TECH. L.J. 506, 520–21 (2017).

⁹⁷ *Siva Enterprises v. Ott*, No. 2:18-cv-06881-CAS(GJSx), 2018 WL 6844714 (C.D. Cal. Nov. 5, 2018). At the time of this writing this appears to be the only federal court opinion addressing cannabis-related trade secret misappropriation claims under the DTSA.

California issued an opinion in *Siva Enterprises v. Ott*, (“*Siva*”), which involved Siva Enterprises, a nationwide consulting firm providing cannabis licensing, consulting, and branding services, suing a group of former employees for, *inter alia*, trade secret misappropriation under the DTSA after they left to form a competing firm.⁹⁸ Siva Enterprises alleged that the Defendants stole confidential information from it that included current and prospective client lists and contact information and other documents pertinent to Siva’s business strategies.⁹⁹ The Defendants then filed a motion to dismiss arguing that Siva’s trade secret facilitated “the ‘trafficking’ of recreational marijuana,” which violated the CSA, so the DTSA claim did not give rise to a “legally cognizable injury” for standing purposes and was not a claim for which relief could be granted.¹⁰⁰

In addressing the Defendants’ arguments, the court recognized the sparse authority in this area and turned to a 2017 District of Oregon decision addressing the application of the Fair Labor Standards Act (“FLSA”) to a marijuana business for guidance.¹⁰¹ In that case, a cannabis business owner tried to argue that because cannabis is illegal under the CSA, businesses dealing with cannabis cannot be regulated by federal statute, and thus his business could not be regulated under the FLSA.¹⁰² Unpersuaded by this argument, the court explained that the FLSA’s requirements do not “inherent[ly] conflict” with the CSA’s marijuana ban, and “just because an employer is violating one federal law, does not give it license to violate another.”¹⁰³

Applying the same rationale, the *Siva* court held that Siva’s DTSA claim did not conflict with the CSA because remedying the alleged theft of Siva’s trade secrets would not “compel either party to violate the CSA.”¹⁰⁴ More importantly, the court explicitly

⁹⁸ *Id.* at *2–3.

⁹⁹ *Id.* at *2–3.

¹⁰⁰ *Id.* at *5.

¹⁰¹ *Id.* at *5 (citing *Greenwood v. Green Leaf Lab LLC*, No. 3:17-cv-00415PK, 2017 WL 3391671, at *2–3 (D. Or. July 13, 2017)).

¹⁰² *Id.* (citing *Greenwood*, 2017 WL 3391671, at *2–3).

¹⁰³ *Id.* (citing *Greenwood*, 2017 WL 3391671, at *2–3).

¹⁰⁴ *Id.*

stated “the CSA’s prohibition on cannabis does not immunize defendants from federal laws,” and denied the Defendants’ motion to dismiss.¹⁰⁵ Thus, at its broadest, *Siva* stands for the proposition that the DTSA protects all cannabis-related trade secrets regardless of whether their use directly violates the CSA because the DTSA polices defendant activity, not plaintiff activity.¹⁰⁶ However, at its narrowest, *Siva* merely holds that a cannabis consulting firm’s confidential client lists and information are protected under the DTSA where their use does not violate the CSA.¹⁰⁷

B. Courts Should Read Siva to Protect All Cannabis-Related Trade Secrets

Siva and the underlying *Greenwood v. Green Leaf Lab* decision it relies on were decided by courts that are located in states at the forefront of marijuana legalization, meaning that, although they are not binding on other federal courts, they could provide strong persuasive power in other courts.¹⁰⁸ In turn, this power of persuasion makes the interpretation of *Siva*’s holding crucial and federal courts relying on *Siva* should read it broadly to allow DTSA claims for all cannabis trade secrets. This is because the cannabis industry’s rapid growth has made it increasingly important for businesses to gain competitive advantages, which at least in part spurs innovation.¹⁰⁹

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ *Id.* (“Here, plaintiffs are not seeking a remedy that would compel either party to violate the Controlled Substances Act. Moreover, the dispute in this case does not involve the actual production or sale of cannabis.”). Note that under this reading of *Siva*, the trade secret at issue did not violate the CSA because the plaintiff was a consulting firm for the cannabis industry so use of its trade secrets to provide consulting services was consistent with the CSA. Had the plaintiff been a cannabis dispensary complaining that the Defendants stole its confidential client lists and contact information, then the court may have held differently because use of that information would directly implicate the CSA’s prohibition on selling cannabis. See 21 U.S.C. § 841(a)(1).

¹⁰⁸ *Siva*, 2018 WL 6844714 (Central District of California); *Greenwood*, 2017 WL 3391671 (District of Oregon).

¹⁰⁹ Julie Weed, *Cannabis Industry: 2020 Predictions*, FORBES (Jan. 26, 2020, 5:00 PM), <https://www.forbes.com/site>

Innovation within the cannabis industry can take on many forms ranging from new strains of marijuana to software for tracking cannabis sales to more efficient methods of growing cannabis plants.¹¹⁰ Whereas some of these inventions and discoveries may be eligible for patent protection, some may fall short of patent law's requirements or businesses may decide that trade secrecy is the preferable method of protection. Where trade secrecy is the chosen method of protection, it is crucial that cannabis businesses have confidence that their trade secrets will be protected because without that protection there is less incentive to innovate.¹¹¹

The incentive to innovate becomes more acute when considering that many cannabis-related trade secrets may be applicable beyond the cannabis industry. For example, trade secrets related to efficiently producing cannabis could also be useful in the agricultural industry.¹¹² Similarly, proprietary cannabis research may be useful in the pharmaceutical industry, and it is not hard to imagine the source code of cannabis-related software being adopted for use in the tech industry given the growing crossover between the two industries.¹¹³ And while trade secrets by their nature do not “promote the progress of science and useful arts,” a lack of incentive to develop trade secrets could deprive other industries of useful information or technology that

s/forbestreptalks/2020/01/26/cannabis-industry-2020-predictions/#6aededc63f31.

¹¹⁰ Dunstan H. Barnes, *So Your Client Wants to Open an Illinois Cannabis Dispensary?*, 105 Ill. B.J. 26, 29–30 (2017).

¹¹¹ See *FMC Corp. v. Boesky*, 852 F.2d 981, 991 (7th Cir. 1988) (“[L]aws protecting trade secrets, by protecting the value of confidential information, provide persons and companies with an incentive to develop potentially valuable new information.”).

¹¹² See Complaint and Jury Demand at ¶¶ 2–3, *Preservation Sciences, Inc. v. CannaHJoldCo, Inc.*, No. 1:20-cv-00154 (D. Colo. Jan. 17, 2020), ECF No. 1.

¹¹³ Rajesh Agarwal, *How cannabis companies are using cross-industry innovation to solve their R&D issues*, IAM MEDIA (Feb. 12, 2020), <https://www.iam-media.com/how-cannabis-companies-are-using-cross-industry-innovation-solve-their-rd-issues>; Plexus Media, *Cannabis Innovation and Tech: What's New in the Industry*, GANJAPRENEUR (Dec. 28, 2018), <https://www.ganjapreneur.com/cannabis-innovation-and-tech-whats-new-in-the-industry/>.

would have otherwise been licensed out or reverse engineered had a cannabis trade secrets garnered the proper protection.¹¹⁴ Finally, one general rationale underlying trade secret laws is that they impose a minimum level of commercial morality and ethical standards on businesses.¹¹⁵ This theory supports the broader reading of *Siva* because allowing a defendant to benefit from trade secret theft and evade judicial recourse based solely on the fact that the misappropriation victim is in the cannabis industry completely turns this rationale on its head by lowering commercial morality standards.

Accordingly, federal courts deciding how to apply the DTSA to cannabis-related trade secrets should rely on *Siva* and a broader interpretation of its holding to find that all cannabis-related trade secrets are protected by the DTSA regardless of whether they violate the CSA.

CONCLUSION

Cannabis has had an on-again, off-again relationship with America throughout the nation's history. The plant was considered a staple crop from the time the nation was founded through the Nineteenth century, but early in the twentieth century it was abruptly banned by many states and later by the federal government under the CSA. In recent years, it has seemingly fallen back into America's favor, as most states have legalized it and the cannabis industry has rapidly grown. However, the CSA still bans cannabis, which has presented issues for cannabis businesses seeking federal protection for their trademarks and trade secrets, as those doctrines require some level of interstate commerciality.

In turn many cannabis businesses have been refused federal trademark registrations because their marks fail to satisfy the Lanham Act's "lawful use in commerce" requirement. As such, to

¹¹⁴ See Agarwal, *supra* note 113; Plexus Media, *supra* note 113.

¹¹⁵ Douglas F. Halijan, *The Past, Present, and Future of Trade Secrets Law in Tennessee: A Practitioner's Guide Following the Enactment of the Uniform Trade Secrets Act*, 32 U. MEM. L. REV. 1, 7 (2001) (collecting cases recognizing this rationale for trade secrets).

the extent possible, cannabis-related businesses should utilize copyright law to protect their logos and register their trademarks in connection with goods and services that are as closely related to cannabis as feasible, while still meeting the “lawful use” requirements. Moreover, insofar as the APA permits, the USPTO should reinterpret the “lawful use” requirement to allow geographically limited trademark rights in states that have legalized marijuana in a manner consistent with the Cole Memo’s objectives.

Similarly, cannabis’ federal illegality is causing uncertainty for cannabis businesses as to whether their trade secrets will be enforceable under the DTSA based on the Act’s “used in, or intended for use in, interstate commerce” provision. One case addressing the issue, *Siva*, seems promising for cannabis-related businesses, but the decision also seems capable of being applied narrowly to only protect cannabis trade secrets that do not directly violate the CSA. As such, if courts rely on *Siva* for guidance when confronted with the issue, they should interpret it broadly to protect all cannabis-related trade secrets, regardless of CSA violations.