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Decisions by U.S. Court of Appeals for the Ninth Circuit Create Confusion Regarding Power of Courts to Deny Trademark Registration, and Provide Guidance to Cannabis Brand Owners

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The U.S. Court of Appeals for the Ninth Circuit has issued two separate opinions in the long-standing dispute between BBK Tobacco and Foods LLP (BBK) and Central Coast Agriculture Inc. (CCA). These decisions both affect the rights of trademark holders generally, and cannabis trademark holders specifically.

BACKGROUND

BBK manufactures rolling papers and other related products associated with various RAW trademarks that are the subject of U.S. trademark registrations. CCA distributes cannabis-related products under the mark RAW GARDEN and has filed multiple applications for its RAW GARDEN mark, many of which are under attack by BBK in opposition proceedings before the Trademark Trial and Appeal Board (TTAB).

In 2018, BBK commenced suit in federal court in Arizona, alleging, inter alia, that CCA's use of RAW GARDEN infringed on BBK's RAW trademarks. Among its requested relief was a request that the district court refuse registration of two of CCA's RAW GARDEN pending applications, Application No. 87/324,208 (the '208 Application) and Application No. 87/324212 (the '212 Application), on grounds that these two applications covered goods for which CCA had no bona fide intent to use the mark, asserting 15 U.S. C. § 1119 as the basis for refusal of these two intent-to-use applications.

CCA counterclaimed to cancel the BBK registrations, also under 15 U.S. C. § 1119, on grounds that the goods covered by these existing registrations were marketed and used on cannabis products, and therefore the registrations did not cover goods legal under federal law.

The district court denied summary judgment to BBK on its infringement claims, cancelled the CCA applications, and denied cancellation of the BBK trademark registrations.

The Ninth Circuit issued two separate opinions, which respectively upheld the district court's rulings on the respective trademark applications/

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registrations of the parties and reversed the finding of noninfringement.

INTERPRETATION OF 15 U.S.C. § 1119 TO REFUSE REGISTRATION OF A TRADEMARK

In its precedential decision, *BBK Tobacco & Foods LLP, D/B/A HBI International v. Central Coast Agriculture, Inc.*,[1] the Ninth Circuit held in a case of first impression that a district court in the first instance has a right to "rectify the register" and refuse registration of a pending trademark application under 15 U.S.C. §1119. This holding is novel as this section of the Lanham Act by its plain language only applies to the cancellation of a registered trademark, and not the refusal of a pending trademark application, providing that: "[i]n any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action." Interpreting the statutory "determining a right to registration" and "rectify the register" language broadly, the Ninth Circuit held that a district court may refuse a pending application for trademark registration – an action that has previously been left to the TTAB through opposition proceedings. This decision, if it stands, has serious ramifications for U.S. trademark applicants. Traditionally, marks are examined by the USPTO's Trademark Office, published for opposition, and those oppositions are heard by the TTAB, which is an administrative forum, for which a decision on opposition of a trademark may be given the effect of issue preclusion.[2]

While a district court has always been empowered to refuse registration of a pending trademark application, its power to do so is based on a different section of the Lanham Act: 15 U.S.C. §1071, which provides for a right of appeal from an action in the TTAB to either the Federal Circuit (on a closed record) or to a district court, which may review de novo of the underlying TTAB decision. The Ninth Circuit ignores this process entirely. Most troubling, the effect of this ruling, if adopted by other circuits, would effectively negate the significance of statutory deadlines for opposition of U.S. applications. BBK's allegation against the '208 Application seeking refusal of registration was made well after the opposition date had passed. The Ninth Circuit provides no instructions on any limits to a court's review of a pending application. Does this open the door to a claim during examination, as well as after statutory deadlines are missed? All the more troubling are the facts under review, which are not addressed at all in the Ninth Circuit's decision. There are no applications to be "cancelled": the '208 Application was abandoned in 2021, and the '212 Application matured to registration as Reg. No. 6,493,489 (the '489 Registration) on September 21, 2021.

REGISTRATION OF CANNABIS AND CANNABIS RELATED PRODUCTS – THE MARKETPLACE MATTERS

The Ninth Circuit's companion decision, *BBK Tobacco & Foods LLP, d/b/a/ HBI International v. Central Coast Agriculture, Inc.*,[3] illustrates the related issues of a review of "the four corners" of the specification of goods and services in a trademark application versus marketplace use.

In upholding the refusal to register two CCA "applications," i.e., the abandoned '208 Application and '212 Application that by the time of decision had matured into the '489 Registration, the Ninth Circuit reiterated the longstanding requirement that an application must be filed not only for goods that are in lawful use as of the date of the trademark application, but goods for which there is an established bona fide intent to use at that time. BBK attacked these two applications because they specifically excluded cannabis altogether, and only covered non-hemp products, despite CCA's admission that all of its products are cannabis-based.

On the other hand, rejecting CCA's argument that BBK's existing registrations should be cancelled because they were marketed extensively for use with cannabis products and therefore constituted prohibited drug paraphernalia, the Ninth Circuit reiterated that the Controlled Substances Act's definition of what is prohibited also exempts any item that is traditionally intended for tobacco products.[4] BBK's advertisements did not provide sufficient basis for cancellation since the products were also traditionally used for licit tobacco products.

CONCLUSION

In sum, a cannabis brand owner should take special care in its identification of goods and services and should not consider filing for goods or services that misrepresent the actual products intended to be sold. A specification that is not based on bona fide good faith is highly vulnerable to attack. Unlike other brand owners, a cannabis brand owner will be asked specific questions regarding its intended use, and whether such use is connected to illicit uses. Failure to answer these questions accurately may cause any registration that issues to become vulnerable to attack on grounds that the application was void for lack of bona fide good faith, or on grounds of fraud.

Notes

1. BBK Tobacco & Foods LLP, d/b/a HBI International v. Central Coast Agriculture, Inc., Case: 22-16190, 04/01/2024, ID: 12873767, DktEntry: 70 (9th Cir. Apr. 1, 2024).
2. B&B Hardware, Inc. v. Hargis Indus., Inc., 575 U.S. 138 (2015).
3. BBK Tobacco & Foods LLP, d/b/a/ HBI International v. Central Coast Agriculture, Inc., Case: 22-16190, 04/02/2024, ID: 12874393, DktEntry: 71 (9th Cir. Apr. 1, 2024).
4. See 21 U.S.C. §863 (d) and (f)(2).