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Subject: U.S. Trademark Application Serial No. 87864999 - NATURAL LEAF CBD LIVE BETTER - 011931-60801 - EXAMINER BRIEF

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United States Patent and Trademark Office (USPTO)

U.S. Application Serial No. 87864999

Mark: NATURAL LEAF CBD LIVE BETTER

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Reference/Docket No. 011931-60801

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EXAMINING ATTORNEY'S APPEAL BRIEF

INTRODUCTION

NL LLC ("Applicant") appeals the Trademark Examining Attorney's refusal to register the proposed mark 

under Sections 1 and 45 of the Trademark Act of 1946 (as amended), 15 U.S.C. §§1051, 1127 on the ground that Applicant is not lawfully using the mark in

commerce because Applicant's goods containing cannabidiol ("CBD") hemp oil extract, an extract of the cannabis plant, are *per se* violations of both the federal Controlled Substances Act ("CSA"), 21 U.S.C. §§ 812(c) and 841(a)(1), and the federal Food, Drug and Cosmetic Act ("FDCA"), 21 U.S.C. 321(ff) and 331(ll).

FACTS

Application Serial No. 87864999 was filed on April 5, 2018 under Section 1(a) of the Trademark Act to register the proposed mark 

on the Principal Register for "dietary and nutritional supplements" in International Class 005.

The Examining Attorney refused registration on May 14, 2019 for lack of lawful use in commerce under Sections 1 and 45 of the Trademark Act on the basis that Applicant's goods containing CBD are *per se* violations of both the CSA and the FDCA. The Examining Attorney also required more information about the goods, an identification amendment, and a disclaimer of descriptive wording.

In Applicant's November 14, 2019 response, Applicant amended the identification of goods to its current identification: "dietary and nutritional supplements infused with CBD hemp oil extracts derived from industrial hemp with a delta-9 tetrahydrocannabinol (THC) concentration of not more than 0.3 percent on a dry weight basis; all the foregoing made in whole or in substantial part of natural ingredients." Applicant also provided answers to the request for information and provided the required disclaimer of descriptive wording, thus satisfying all outstanding requirements. Applicant set forth arguments against the CSA and FDCA refusals.

Unpersuaded by Applicant's arguments, the refusal to register the proposed mark under Trademark Act Sections 1 and 45 based on lack of lawful use in commerce was made final on January 1, 2020. The Applicant appealed from the final refusal on April 22, 2020.

ISSUE

The issue on appeal is whether Applicant's goods violate the CSA and/or the FDCA, and thus are ineligible for federal registration under Trademark Act Sections 1 and 45 for lack of lawful use in commerce.

ARGUMENT

I. The Trademark Act requires that "use in commerce" supporting federal registration be lawful

To be eligible for federal trademark registration, Section 1(a) of the Trademark Act requires that an applicant use the mark "in commerce," make a verified statement that "the mark is in use in commerce," and also comply with "such rules or regulations as may be prescribed by the Director." *See* 15 U.S.C. §§ 1051(a)-(c). Section 45 of the Trademark Act specifies that "use in commerce" of a mark for goods occurs when the mark "is placed in any manner on the goods…and the goods are sold or transported in commerce" that Congress can lawfully regulate. 15 U.S.C. § 1127. Additionally, an applicant's use of such mark in commerce must be lawful. *See Gray v. Daffy Dan's Bargaintown* 823 F.2d 522, 526 (Fed. Cir. 1987) (noting that "[a] valid application cannot be filed at all for registration of a mark without 'lawful use in commerce'"). For use of a mark in commerce to be lawful, the goods and services to which a mark is applied must comply with all applicable federal laws. *See In re Brown*, 119 USPQ2d 1350, 1351 (TTAB 2016) ("any goods . . . for which the mark is used must not be illegal under federal law").

The U.S. Patent and Trademark Office ("Office") will not refuse registration for lack of lawful 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." *Id.* For a use-based application, such as Applicant's here, if the record "indicates that the mark itself or the identified goods or services violate federal law, registration must be refused under Trademark Act Sections 1 and 45, based on the absence of lawful use of the mark in commerce." Trademark Manual of Examining Procedure (TMEP) § 907 (October 2018 version).

Applicant does not appear to dispute that its goods are in violation of federal laws; applicant's sole argument, rather, is that it is improper for the Office to require that use in commerce be lawful. Applicant, however, cites to absolutely no authority for this theory (while actually citing to a string of authority supporting the lawful use requirement). Indeed, in support of this requirement for registration, a multitude of case law shows that the Lanham Act has long been interpreted by the Office and courts as allowing only for the registration of marks lawfully used in commerce. *See, e.g., The Clorox Co. v. Armour-Dial, Inc.*, 214 U.S.P.Q. 850, 851 (TTAB 1982) ("It has been the consistent position of this Board and the policy of the Patent and Trademark Office that a 'use in commerce' means a 'lawful use in commerce', and the shipment of goods in violation of federal statute, including the Food, Drug and Cosmetic Act, may not be recognized as the basis for establishing trademark rights"); *see also In re PharmaCann*, 123 USPQ2d 1122, 1123 (TTAB 2017) ("We have consistently held that, to qualify for a federal … registration, the use of a mark in commerce must be lawful.") (quoting *In re JJ206, LLC,* 120 USPQ 1568, 1569 (TTAB 2016) and *Brown*, 119 USPQ2d at 1351.); *Coahoma Chemical Co., Inc. v. Smith*, 113 U.S.P.Q. 413 (Com'r Pat. & Trademarks 1957), *aff'd on other grounds,* 264 F.2d 916, 121 USPQ 215

(CCPA 1959) ("use of a mark in connection with unlawful shipments in interstate commerce is not use of a mark in commerce which the Patent [and Trademark] Office may recognize."); *United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219, 1225 (10th Cir. 2000) (noting that in order to obtain trademark rights, it must be shown that "the name was lawfully used in commerce"). The Ninth Circuit, upholding the Office's lawful use requirement, highlighted the rationale behind the requirement as twofold:

> [f]irst, as a logical matter, to hold otherwise would be to 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. It is doubtful that the trademark statute--passed pursuant to Congress's power under the Commerce Clause--'was . . . intended to recognize . . . shipments in commerce in contravention of other regulatory acts promulgated [by Congress] under [that same constitutional provision].' Second, as a policy matter, to give trademark priority to a seller who rushes to market without taking care to carefully comply with the relevant regulations would be to reward the hasty at the expense of the diligent.

CreAgri, Inc. v. USANA Health Scis., Inc., 474 F.3d 626, 630 (9th Cir. 2007) (citing *Stellar*, 159 U.S.P.Q. at 51).

Underscoring the lawful use requirement, since 1949, the Office's rules governing examination have provided for inquiry to assess the lawfulness of the commerce recited in the application. *See* 37 C.F.R 100.141(a) (1949), replaced by 37 C.F.R. 2.69 (1955 and current). Applicant's vague opposition questions whether 37 C.F.R. 2.69 can support such a refusal – again, without any authority. With Trademark Rules 2.61(b) and 2.69 being available to Examining Attorneys as "such rules or regulations as may be prescribed by the Director" under the Trademark Act, it logically follows that the information received from these requests can be used to determine registration eligibility, otherwise such inquiry would be meaningless. The Trademark Trial and Appeal Board ("Board") addressed this in *In re Stellar International Inc.* 159 U.S.P.Q. 48, 50-51 (TTAB 1968):

> It is obvious that if an inquiry can be made in this direction, the Patent Office should, in the event that it is ascertained that an applicant has not complied with any such regulatory act, be able to take appropriate action, to refuse registration until and when compliance is effected. If action can not be taken under these circumstances, Rule 2.69 would be ineffective and an inquiry thereunder would be nothing more than a waste of time and effort. It is illogical and incongruous to say, as applicant has done, that inquiry can be made, but if something is forthcoming as a result thereof which would render the subject application void ab initio, conveniently forget about it and let the information 'slumber in the archives of the Patent Office.'

Finally, Applicant's contention that the Office cannot require lawful use in commerce because it conflicts with state law is misplaced (and although Applicant raises it in its brief, it has never been disputed that Applicant's goods are being used in interstate commerce). The Board has previously rejected this position with respect to marijuana related goods. *See, e.g., JJ206,* 120 USPQ2d at 1569 (citing *Brown*, 119 USPQ2d at 1351-1352 (footnotes omitted)) ("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. Regardless of individual state laws that may provide for legal activities involving marijuana, marijuana and its 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) ("limiting the activity to marijuana possession and cultivation in accordance with state law cannot serve to place respondents' activities beyond congressional reach. The Supremacy Clause unambiguously provides that if there is any conflict between federal and state law, federal law shall prevail.").

Therefore, in order to be eligible for federal trademark registration, Applicant's use in commerce must be lawful.

II. Applicant's goods constitute a *per se* violation of the federal CSA, and thus cannot show lawful use of the mark in commerce

The CSA provides for classification of controlled substances into five schedules depending on acceptable medical use and abuse or dependency potential. *See* 21 U.S.C. § 812. The CSA also prohibits, among other things, manufacturing, distributing, dispensing, or possessing certain controlled substances. 21 U.S.C. §§812, 841(a)(1), 844(a). "Marihuana" (commonly referred to as "marijuana"), a Schedule I drug having no currently accepted medical use and a high potential for abuse, is defined by the CSA as "all parts of the plant Cannabis sativa L., whether growing or not; the seeds thereof; the resin extracted from any part of such plant; and every compound, manufacture, salt, derivative, mixture, or preparation of such plant, its seeds or resin." 21 U.S.C. § 802(16)(A). There are certain few exceptions listed for the parts of the plant that are not the source of cannabinoids; however, these parts of the plant are not presently at issue. The cannabinoid CBD is a chemical constituent of the cannabis plant that is encompassed within the CSA's definition of marijuana. *See Clarification of the New Drug Code (7350) for Marijuana Extract* ("cannabinoids, such as tetrahydrocannabinols (THC), cannabinols (CBN) and cannabidiols (CBD), are found in the parts of the cannabis plant that fall within the CSA definition of marijuana, such as the flowering tops, resin, and leaves") attached to the May 14, 2019 Office Action, TSDR p. 2; *see also* 21 C.F.R. §1308.11(d)(58) ("Marihuana Extract—Meaning an extract containing one or more cannabinoids that has been derived from any plant of the genus Cannabis, other than the separated resin (whether crude or purified) obtained from the plant."). On December 20, 2018, the Agriculture Improvement Act of 2018 ("AIA") was signed into law, modifying the aforementioned definition of marijuana by explicitly removing hemp from Schedule I, 21 U.S.C. §812(c)(17). The AIA defines hemp as "the plant Cannabis sativa L. and any part of the plant including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a deltat-9- tetrahydrocannabinol concentration of not more than 0.3% on a dry weight basis." 7 U.S.C. 1639o.

Here, the record very clearly indicates that Applicant's goods violate the CSA because Applicant's filing date and dates of first use are before the enactment of the AIA. In addition to containing the descriptive and disclaimed wording CBD in the mark, Applicant explicitly amended its identification to note that the dietary and nutritional supplements are "infused with CBD hemp oil extracts." Applicant's website confirms this by showing that Applicant produces the "highest quality CBD products" and includes various pictures of supplements containing significant CBD content. *See* May 14, 2019 Office Action, TSDR pp. 3-7. Applicant, however, filed its trademark application on April 5, 2018 and has first use dates of April 4, 2018, well before the December 20, 2018 date the AIA was enacted and hemp removed from the definition of marijuana. Thus, Applicant's added limitation in the identification that the CBD is "derived from industrial hemp with a delta-9 tetrahydrocannabinol (THC) concentration of not more than 0.3 percent on a dry weight basis" is irrelevant and does not obviate this refusal because CBD derived from hemp was still illegal as a Schedule I controlled substance as of Applicant's filing date, fitting squarely into the pre-AIA definition of marijuana. Indeed, because Applicant's goods are comprised of a controlled substance, they constitute a *per se* violation of federal law. Applicant was given a simple solution to obviate this refusal by amending the filing date and date of first use in commerce to December 20, 2018, the date that hemp was removed from Schedule I; however, Applicant has opted not to make these amendments. Accordingly, because Applicant's goods are in clear violation of the CSA, Applicant's use in commerce cannot be lawful. *See JJ206, LLC*, 120 USPQ2d at 1569 ("where the identified goods are illegal under the federal Controlled Substances Act (CSA), the applicant cannot use its mark in lawful commerce …."). Thus, Applicant's goods constitute a *per se* violation of federal law; the application should be refused registration under Trademark Act Sections 1 and 45 for unlawful use of the mark in commerce.

III. Applicant's goods constitute a *per se* violation of the federal FDCA, and thus cannot show lawful use of the mark in commerce

The FDCA prohibits "[t]he introduction or delivery for introduction into interstate commerce of any food to which has been added … a drug or biological product for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public …." 21 U.S.C. § 331(ll). Nutritional and dietary supplements are considered "food" under the FDCA. 21 U.S.C. §321(ff) ("a dietary supplement shall be deemed to be food within the meaning of this chapter").

CBD, a chemical constituent of the cannabis plant, was the subject of substantial clinical investigations before it was marketed in foods or as dietary supplements. On June 25, 2018, the U.S. Food and Drug Administration ("FDA") approved the first prescription pharmaceutical formulation of plant-derived CBD, Epidiolex®, for the treatment of two rare forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome. The Drug Enforcement Administration ("DEA") placed Epidiolex® on schedule V of the CSA on September 27, 2018. Nevertheless, marijuana and CBD derived from marijuana remain unlawful. No other cannabis-derived drug products have been approved by the FDA. Under the FDCA, any product intended to have a therapeutic or medical use, and any product (other than a food) that is intended to affect the structure or function of the body of humans or animals, is a drug. 21 U.S.C. § 321(g)(1). An unapproved new drug cannot be distributed or sold in interstate commerce unless it is the subject of an FDA-approved new drug application ("NDA") or abbreviated new drug application ("ANDA"). 21 U.S.C. §§ 331(d) and 355(a), (b), & (j).

Here, Applicant's goods are food within the meaning of the FDCA because they are dietary and nutritional supplements. These supplements contain CBD. In addition to containing the descriptive and disclaimed wording CBD in the mark, Applicant explicitly amended its identification to note that the dietary and nutritional supplements are "infused with CBD hemp oil extracts." Applicant's website confirms this by showing that Applicant produces the "highest quality CBD products" and includes various pictures of supplements containing significant CBD content. *See* May 14, 2019 Office Action,

TSDR pp. 3-7. Applicant's addition of CBD to these goods is a clear violation of the FDCA because the CBD constitutes a "drug or biological product for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public" under 21 U.S.C. § 331(ll). Further, it is unlawful to market CBD as, or in, dietary supplements, regardless of whether the substances are hemp-derived. 21 U.S.C. §§321(ff)(3)(B)(ii), 331(d), 355(a); *see also* 21 U.S.C. §352(f)(1) regarding mislabeled drugs. Therefore, the applicant's limitation statement indicating that the CBD is derived from industrial hemp containing less than .3% tetrahyrocannabinol (THC) does not obviate this refusal.

Accordingly, "Applicant's goods are food to which has been added a drug (CBD); substantial clinical investigations of CBD have been instituted, and the existence of these investigations has been made public; and there is no evidence of record that CBD was marketed in food before the substantial clinical investigations of CBD were instituted." *In re Stanley Brothers Social Enterprises, LLC*, 2020 U.S.P.Q.2d 10658 (TTAB 2020). As such, Applicant's goods constitute a *per se* violation of federal law; the application should be refused registration under Trademark Act Sections 1 and 45 for unlawful use of the mark in commerce.

CONCLUSION

Applicant's goods constitute *per se* violations of both the federal CSA and the federal FDCA. Accordingly, because the goods do not comply with all applicable federal laws, Applicant's use in commerce cannot be lawful. Thus, for the foregoing reasons, the Examining Attorney respectfully requests that the Board affirm the refusal to register Natural Leaf CBD LIVE BETTER NATURALLY for unlawful use of the mark in commerce under Trademark Act Sections 1 and 45.

Respectfully submitted,

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