

# Split 9th Circ. Says Court Can Void Pot Co.'s TM Applications

By **Gina Kim**

Law360 (April 1, 2024, 9:11 PM EDT) -- A Ninth Circuit majority affirmed on Monday the cancellation of cannabis grower Central Coast Agriculture's trademark applications for its "Raw Garden" brand due to its lack of bona fide intent to use the marks commercially, with one judge dissenting, saying district courts can't interfere with and prematurely cancel trademark applications.

In a 21-page published opinion, a divided Ninth Circuit upheld in part an Arizona federal judge's decision in a trademark dispute initiated in 2019 by BBK Tobacco & Foods LLP against defendant Central Coast Agriculture Inc. over its use of the "Raw Garden" name in its sales of cannabis products.

BBK alleged CCA's use of "Raw Garden" would confuse consumers since BBK sells rolling papers and other merchandise under the name "RAW."

**In July 2022**, Arizona District Judge Michael T. Liburdi sided with CCA against BBK's false advertising and trademark claims but also granted summary judgment in BBK's favor to void four of CCA's trademark registration applications for the "Raw Garden" name, finding CCA didn't have "bona fide intent" to use the marks in trade.

While CCA didn't contest Judge Liburdi's determination on bona fide intent, it argued he lacked jurisdiction to cancel its applications that hadn't yet pivoted to registrations.

On Monday, the Ninth Circuit majority ruled district court's have jurisdiction to alter or cancel trademark applications under 15 U.S. Code Section 1119, adding the absence of a litigant's bona fide intent to use the marks in commerce is an appropriate premise to oppose a trademark application.

"As the Federal Circuit explained, because '[a]n opposer is 'entitled to rely on any statutory ground which negates [an applicant]'s right to the subject registration,' lack of a bona fide intent 'is a proper basis on which an opposer can challenge an applicant's registration,'" the majority's opinion, penned by U.S. Circuit Judge Roopali H. Desai, said.

Further, allowing federal courts to resolve applications when a dispute already involves a registered mark facilitates the interest of adjudicating all registration-related disputes in a single case, the majority said, upholding Judge Liburdi's decision to cancel four of CCA's applications.

In his dissent, U.S. Circuit Judge Patrick J. Bumatay wrote that while he agreed with the lower court granting summary judgment in favor of CCA against BBK's trademark claims since no reasonable juror would find the likelihood of confusion in the marks, he departed from the majority's finding that Judge Liburdi was allowed to void four of CCA's trademark applications.

Until Congress says as such, federal courts generally lack the power to interfere with the process for applicants to register marks with the U.S. Patent and Trademark Office, the dissent said. Historically, courts have appeared to defer to patent and trademark courts to adjudicate applications in the first instance, Judge Bumatay said.

The dissent said the USPTO was given exclusive authority by Congress to resolve trademark applications, and that under the Lanham Act, an applicant must first apply to the USPTO to have a mark registered by either establishing "first use" or by asserting a "bona fide intent" to use it

commercially.

The USPTO then issues rules prescribing requirements for trademark applicants. Once the USPTO receives an application for a trademark, it is referred to the USPTO examiner, who renders a final determination. That determination can be appealed to the Trademark Trial and Appeal Board and the USPTO director, the dissent said.

"Only then can parties go to federal courts," Judge Bumatay said. "Thus, Congress created these specific procedures and protections within the PTO to adjudicate an applicant's trademark registration application. Premature interference would effectively take power away from the PTO to work with an applicant to modify, amend, or revise an application. Without express authority, we should refrain from this."

While the Lanham Act allows federal courts to invalidate registrations after the USPTO issues its determination, the law doesn't allow courts to interfere with the trademark office's iterative approval process or prematurely cancel pending applications, Judge Bumatay said.

"Based on the text of the Lanham Act and the nature of trademark application adjudications, I would hold that federal courts have no authority to interfere with the application for trademark by ordering its cancellation," the dissent said.

In a separate, nonpublished memorandum of opinion, the majority reversed Judge Liburdi's order granting summary judgment on BBK's trademark and cybersquatting claims, finding BBK, at minimum, raised material factual issues regarding the strength of its marks, relatedness of the goods, commercial channels and the intent to confuse.

"The strength of BBK's mark may also affect the importance of any dissimilarities between the marks," the majority said, adding that the circuit has cautioned federal courts on sparingly granting summary judgments regarding the likelihood of confusion.

However, the majority backed Judge Liburdi's summary judgment ruling in favor BBK on CCA's unlawful use counterclaim, in which CCA sought to cancel BBK's trademark registrations, alleging its products are illegal drug paraphernalia.

"BBK's goods, which include rolling papers and other smoking accessories such as rolling trays, cigarette tubes, rolling machines, and shredders and grinders, fall under the tobacco exception," the majority said. "Although CCA presents evidence that BBK advertises its products for use with cannabis, BBK's intent is irrelevant to the applicability of the exception."

Judge Bumatay again issued a partial dissent, finding the lower court properly sided with BBK on its trademark infringement claims since the two "Raw" marks at issue look nothing alike and that there can be no likelihood of consumer confusion.

Judge Bumatay, however, agreed with the majority upholding the lower court's decision to grant summary judgment to BBK on CCA's unlawful use counterclaim.

Representatives for BBK and CCA did not immediately respond to requests for comment Monday.

U.S. Circuit Judges Andrew D. Hurwitz, Patrick J. Bumatay and Roopali H. Desai sat on the panel for the Ninth Circuit.

BBK is represented by Bennett Evan Cooper, Frank G. Long and J. Alex Grimsley of Dickinson Wright PLLC.

Central Coast Agriculture is represented by Brett M. Schuman, Jeremy N. Lateiner, Andrew Kim and Jesse Lempel of Goodwin Procter LLP and Mitchell Lee Turbenson and Brian W. LaCorte of Ballard Spahr LLP.

The cases are BBK Tobacco & Foods LLP v. Central Coast Agriculture Inc., case numbers 22-16190 and 22-16281, both in the U.S. Court of Appeals for the Ninth Circuit.

--Additional reporting by Mike Curley. Editing by Drashti Mehta.

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