

Court Trims Cannabis Company's Prior Use Defense Based on Preemption by Federal Trademark Law

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by Evan Everist



A federal district court has eliminated a cannabis company's affirmative defense to federal trademark infringement claims based on the company's prior use of a trademark that was legal under state law but not federal law. The Court concluded that, although use of the mark may have been legal under California law, "[c]annabis is illegal under federal law [and] the Lanham Act preempts the state law."

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As the TMCA discussed [previously](#), Kiva Health Brands (a national health food and supplements company) and Kiva Brands (a company selling cannabis-infused edibles) are locked in a dispute over the trademark KIVA. The parties cross-filed motions for summary judgment in late 2019 related to Kiva Brands' various affirmative defenses to Kiva Health Brands' infringement claim, including defenses based on prior use, laches, acquiescence, waiver, and estoppel.

The Northern District Court of California ruled on the motions last Friday, eliminating Kiva Brands' prior use defense but preserving its other equitable defenses. With respect to the prior use defense, the Court looked to its previous rulings in the case and reiterated that "while [Kiva Brands'] product is legal under California law, its illegality under federal law means that [Kiva Brands] cannot have trademark priority." The opposite conclusion, it reasoned, 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.”

The Court rejected Kiva Brands’ argument that Section 1065 of the Lanham Act requires consideration of state trademark rights. This section applies only when a plaintiff has asserted incontestable trademark rights, on which Kiva Health Brands does not rely. The Court went a step further, indicating that even if it were required to consider state trademark rights under the Lanham Act, a federally-illegal use of a trademark simply cannot “support a prior use defense to a federal trademark” and any state law that would allow Kiva Brands to obtain common law (unregistered) trademarks rights would encroach upon and are thus preempted by Kiva Health Brands’ federal trademark rights.

Notably, Kiva Brands’ counterclaim based on its common law rights under California law is still pending. However, the preemption aspect of this decision certainly leaves questions about the viability of that counterclaim.

The TMCA will continue to monitor the progress of this case, which continues to provide helpful insights into trademark disputes involving cannabis, especially the potential limitations of common law trademark rights for such products.